

PEEL HUNT

PEEL HUNT PARTNERSHIP GROUP
LIMITED

(FORMERLY MACSCO 22 LIMITED)

(COMPANY NUMBER 07246104)

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2022

WEDNESDAY



ABCØV2P7

A10

07/09/2022

#78

COMPANIES HOUSE

CONTENTS

DIRECTORS' REPORT	2-4
STRATEGIC REPORT	5-13
DIRECTORS' RESPONSIBILITIES STATEMENT	14
INDEPENDENT AUDITORS' REPORT	15-17
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	18
COMPANY AND CONSOLIDATED STATEMENTS OF FINANCIAL POSITION	19-20
COMPANY AND CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY	21
COMPANY AND CONSOLIDATED STATEMENTS OF CASH FLOW	22
NOTES TO THE FINANCIAL STATEMENTS	23-52

DIRECTORS' REPORT

The Board of Peel Hunt Partnership Group Limited (formerly Macsco 22 Limited) (the "Board") presents the report and the audited financial statements (the "accounts") of Peel Hunt Partnership Group Limited (the "Company") and its subsidiaries (together the "UK Group" for the year ended 31 March 2022).

Principal activities

The Company is the holding company of Peel Hunt Partnership Limited ("PHPL"), Peel Hunt LLP (the "LLP" or "Peel Hunt"), P.H Nominees Limited, Peel Hunt Nominees Limited and M22 Nominees Limited.

The UK Group's principal activities are Investment Banking, Research & Distribution and Execution Services in UK mid and small cap companies to institutional clients, wealth managers and private client brokers.

Statement of change in name

On 28 September 2021, the members of Macsco 22 Limited passed a special resolution to change the name of the Company from Macsco 22 Limited to Peel Hunt Partnership Group Limited. As a result the change in name was effected on 29 September 2021.

Structure

Peel Hunt Partnership Group Limited is incorporated as a private company limited by shares, with registered office situated in England and Wales under company number 07246104 on 6 May 2010.

The Company is a wholly-owned subsidiary of the ultimate controlling party of the UK Group, Peel Hunt Limited. PHPL is a wholly-owned subsidiary of the Company and is also the corporate Member of Peel Hunt LLP.

The registered address of each member of the UK Group is 7th Floor, 100 Liverpool Street, London EC2M 2AT.

Board

The Directors for the Company and those who served throughout the year and as at the signing of these accounts are as follows:

Directors

Darren Carter
Sunil Dhall
Steven Fine
Simon Hayes (Resigned 07 July 2022)

Maria Bentley (Appointed 04 April 2022)
Elizabeth Blythe (Appointed 29 September 2021)
Richard Brearley (Appointed 29 September 2021)
Lucinda Riches (Appointed 29 September 2021)
Richard Brewster (Resigned 29 September 2021)
James Britton (Resigned 29 September 2021)
Alexander Carter (Resigned 29 September 2021)
Andrew Chapman (Resigned 29 September 2021)
Charles Hall (Resigned 29 September 2021)
Edward Horton (Resigned 29 September 2021)
Iain Morgan (Resigned 29 September 2021)
Neil Utley (Resigned 29 September 2021)

Corporate Governance

The UK Group operates its governance structure through the Board, the PHPL Board and the LLP Board. The UK Group is committed to the principles of governance best practice. Peel Hunt Inc. is no longer part of the UK Group following the IPO of Peel Hunt Limited and subsequent group restructure in September 2021. Peel Hunt Inc. remains a part of the overall Peel Hunt Limited group ("Peel Hunt Group").

PHPGL Board

The UK Group Board meets on a quarterly basis and is chaired by a Non-Executive Director. PHPGL is a corporate member of Peel Hunt LLP and acts as the intermediate parent of PHPL and its subsidiaries. The UK Group Board monitors the overall capital and performance of the LLP and the Company and its subsidiaries and determines dividends to be paid to its shareholder.

PHPL Board

The PHPL Board meets at least twice a year. The PHPL Board is responsible for monitoring the performance of the LLP in its capacity as the corporate Member of the LLP.

LLP Board

The Peel Hunt LLP Board meets once every two months. 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 culture and conduct within the LLP.

As at the year end, the LLP Board comprised of Executive Management which is led by the CEO.

There are a number of committees that report directly to the LLP Board.

DIRECTORS' REPORT

Further details on these committees can be found in the Annual Report and Financial Statements of Peel Hunt Limited for the year ended 31 March 2022.

Results

Refer to the strategic report for business and financial review.

Going concern

The UK Group's principal activities are outlined above, with the risks and uncertainties facing the UK Group set out in the strategic report. The UK Group prepares detailed forecasts and projections for both the current year and medium term. In view of the UK Group's available financial resources, the Directors believe that the UK Group is well placed to manage its business risks successfully.

The Directors are satisfied that the UK Group has adequate resources to operate within the level of its current and forecast liabilities. The UK Group also has a strong focus on working capital management and ensures the payment of the Company's current liabilities. There is also a focus on monitoring the regulatory capital of the LLP and the UK Group to ensure all regulatory capital requirements are met. 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.

Equal opportunities

Our employment policies are based on a commitment to provide equal opportunity, from the selection and recruitment process through to training, development, appraisal and promotion. We do not discriminate between employees or prospective employees on the grounds of age, race, disability, religion, gender or any other criteria.

We provide our people with information about things that matter to them through CEO regular video updates, quarterly company updates and voluntary lunch and learn sessions among others.

In July 2021, Peel Hunt became accredited as a Disability Confident Employer by the Department for Work and Pensions. We are committed to changing behaviour and cultures around disability for the better, providing reasonable adjustments and interviewing disabled candidates who fit the minimum role criteria.

We make appropriate arrangements for any disabled candidates at assessment stage, and for the continued employment, training and career development of disabled persons employed by the UK Group, including making reasonable adjustments where required. If any of our people became disabled, every effort would be made to ensure their continued employment with the business.

Political donations

The UK Group has not made any political donations in the past, nor does it intend to make them in the future.

Charitable contributions

The UK Group made charitable contributions amounting to £45,320 (31 March 2021: £38,430) during the year.

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.

Streamlined Energy and Carbon Reporting (SECR)

The UK Group is required to report under the Streamlined Energy & Carbon Reporting (SECR) framework. The table below shows carbon emissions in compliance with SECR covering energy use and associated greenhouse gas emissions:

	31-Mar-22	31-Mar-21
Total energy use covering electricity, gas, heat and transport (kWh)	823,545	565,978
Total emissions generated through combustion of gas (tCO ₂ e)	0	36
Total emissions generated through use of purchased electricity (tCO ₂ e)	220	78
Total emissions generated through business travel (tCO ₂ e)	0	2
Total carbon emissions (tCO ₂ e)	14	5
Total gross emissions (tCO ₂ e)	234	121
Carbon intensity ratio (kgCO ₂ e per sqft)	6	2

DIRECTORS' REPORT

SECR methodology is outlined in "Environmental reporting guidelines: including Streamlined Energy and Carbon Reporting and greenhouse gas reporting". This is used in conjunction with Government greenhouse gas reporting conversion factors.

Information included in the Strategic report

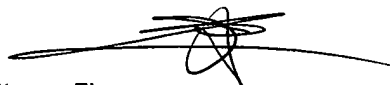
Information relating to future developments and financial risk management objectives and policies have been included within the Strategic report.

Independent Auditors

PricewaterhouseCoopers LLP have expressed their willingness to continue in office as auditors and in accordance with s489(4) of the Companies Act 2006 a resolution to reappoint them will be proposed at the next Board meeting.

Approved by the Board on 12 July 2022.

For and on behalf of the Board:



Steven Fine
Director

STRATEGIC REPORT

Our approach

The UK Group's main trading subsidiary, Peel Hunt LLP is a specialist UK investment bank.

What we do

Peel Hunt provides Investment Banking, research, sales and trading in UK mid and small cap companies to institutional clients, wealth managers and private client brokers.

This allows Peel Hunt to provide significant liquidity to investors, better insights to its Investment Banking clients and stability to its business.

Market review

The UK's IPO and fundraising markets began 2021 at their busiest since 2014 due to pent-up demand over the pandemic, with retail investors continuing to play a more active role in UK equity capital markets ("ECM"). However, during the second half, inflationary pressures and interest rate increases hit activity. Investor sentiment was knocked further by geopolitical concerns and macroeconomic events including most notably the war in Ukraine which shook global markets. As a result, investors' appetite for risk dropped significantly, and, in Q4, we saw an exceptional reduction in ECM and IPO volumes.

Investors similarly turned away from growth stocks and took a greater value bias, leading to material devaluations in growth names. Overall, the FTSE 250 declined c.13% over the course of the first 5 months of the calendar year. Despite this, our Execution Services team and our advisory team in Investment Banking both produced creditable performances, demonstrating the resilience of our diversified business model during periods of volatility and lower capital markets activity.

Investment Banking

Peel Hunt's Investment Banking department provides a range of advisory and broking services. Its specialist and sector teams are led by some of the most experienced practitioners in the industry. Investment Banking reported record results in terms of both revenue and number of retained corporate clients, as we broadened our offering to our retained corporate clients to support them through the evolution of their businesses.

Revenue increased from £43.9m in FY21 to £57.9m. We acted on 46 ECM transactions over FY22 (H1: 30; H2: 16), the highest number for a UK investment bank, and advised on approximately 19% of all announced UK takeover situations in the mid- and small-cap segment of the market.

In early FY22, we entered into an underwriting collaboration agreement with Banco Santander SA, which significantly extends our capability for underwriting large or multiple simultaneous equity offerings.

Research & Distribution

The department provides Peel Hunt's and PH Inc.'s clients with full coverage over a broad and diverse range of sectors – 16 sectors plus Economics & Strategy. The Equity Research team provides analysis on over 444 stocks from FTSE 100 through to AIM, from a pool of 43 analysts – the broadest coverage of mid & small-cap companies in the UK.

The Sales Team works closely with the Equity Research team to provide insightful advice, while the quality and breadth of the trading platform gives the Sales Trading team comprehensive market intelligence. Peel Hunt have over 1235 institutional relationships covering long only, absolute return, sovereign funds, wealth management and family offices in the UK, the US and Europe.

Despite the challenging macroeconomic environment, and a significant decline in UK capital market volumes, our performance in Research & Distribution has been resilient, with revenue from research payments and execution commissions of £30.2m (FY21: £36.3m). This reflects long-term growth in revenue and market share from our institutional clients.

Execution Services

One of the largest market makers and liquidity providers, trading in all UK equities and a large number of international equities - over 10,000 instruments covering small cap, AIM, FTSE 250, FTSE 100, corporate bonds, ETFs, Investment Trusts and international equities. The UK Group deploy sophisticated proprietary technology to enable high volume intelligent trading to service a significant share of retail trades from retail intermediaries and execution only brokers.

We delivered a solid performance this year, generating revenue of £42.9m. As expected, this was lower than last year's exceptional performance during the pandemic of £116.7m, but higher than pre-pandemic levels (FY20: £26.3m).

Future Developments

- We continued to build our Retail Capital Markets capabilities, advising corporate clients on structuring, marketing and distributing securities to UK retail investors using REX, our own proprietary electronic distribution platform.
- In FY22, we added Debt Advisory to our franchise, and will continue to develop our capability in private placements of bonds during FY23.
- We are making our research more relevant, engaging and accessible, with ESG ratings and analysis integral to our research.
- Our ongoing investment in technology helps us to retain a high market share of retail trading and continue to build our overall UK trading volumes.

STRATEGIC REPORT

Review of performance

Financial and operational highlights

The following is a review of the key performance indicators of the UK Group:

- Revenue for the year amounted to £131.0m (31 March 2021: £196.9m). We achieved a resilient performance despite challenging market conditions.
- Profit before tax (PBT) for the year amounted to £45.3m (31 March 2021: £121.5m). We delivered a good PBT margin in difficult markets.
- Net assets strengthened to £103.9m (31 March 2021: £79.5m). Our balance sheet has strengthened considerably since our IPO.
- Cash balances amounted to £67.0m (31 March 2021: £103.4m). This shows how well the business has generated cash this year.
- Carbon intensity ratio of 5.85 kgCO₂e per sqft (31 March 2021: 2.00 kgCO₂e per sqft)
- Our combined culture and engagement surveys resulted in employee engagement of 82%. We scored 8.2 out of 10, which is 0.4 above the financial services sector average of 7.8, highlighting our great culture, management support and peer relationships.

Revenue

No revenue is generated by the Company other than dividend and distribution income as its principal activity is to act as the intermediate holding company of the UK Group and a corporate member of Peel Hunt LLP. Income in FY21 was dividend income from Peel Hunt Partnership Limited which amounted to £4.5m and in FY22 it was a distribution income amounting to £13.3m received from Peel Hunt LLP.

Revenue earned by the UK Group mainly relates to revenue generated by Peel Hunt.

STRATEGIC REPORT

Section 172 Statement

The Board confirm that during the year under review, it has acted to promote the long-term success of the UK Group for the benefit of shareholders and all stakeholders, whilst having due regard to the matters set out in section 172(1)(a) to (f) of the Companies Act 2006. In accordance with the Companies (Miscellaneous Reporting) Regulations 2018, the Board provides the following information describing how it has engaged with and had regard to the interest of key stakeholders. The Board considers its key stakeholders to be our people, Shareholders, Clients, Regulators and Suppliers. The UK Group's focus on partnership, long-term and relevance in its business also underpins relationships with all stakeholders. Our four values help guide our actions: encourage greatness; empower each other; only accept excellence; and do the right thing.

The table below sets out more detail of the ways in which the Board has engaged with key stakeholders, and how key stakeholders have been taken into account in making principal decisions during the financial year.

Stakeholder	Why it is important to engage? What is the impact of the engagement?	How Management and/or Directors engaged? What were the key topics/priorities of engagement?
Our people	<p>Our business depends on the great people who work for us.</p> <ul style="list-style-type: none"> By empowering our people to succeed, they will be able to contribute to our long-term success and act in the best interests of our clients and other stakeholders. By fostering a diverse, inclusive and safe working environment, our people are supported, able to thrive and contribute to our success. By committing to better mental health outcomes, we can have a long-term positive impact on our people's wellbeing. 	<ul style="list-style-type: none"> A cross-functional team from Human Resources, Facilities, Risk Management and Technology created a plan for the safe return to work in our new office, adapting it as the pandemic and the government's response developed. In January 2022, we held a number of 'Culture Jam' sessions – an opportunity for our people to have a structured discussion around their needs and wants – to find out how they thought we should work in the future. In 2021, we invited everyone to take part in culture and engagement surveys and 85% of our people participated. The results showed high scores for management support, goal setting, social wellbeing and fair treatment. We also met with people from each of our business areas to obtain their views on how they wanted our digital offering to be leveraged to improve our client service.
Our shareholders	<p>Our shareholders provide the equity capital for our business and play an important role in holding the Board and management to account.</p> <ul style="list-style-type: none"> Engagement with them is key to our success and our aim to create long-term sustainable shareholder value. 	<ul style="list-style-type: none"> We prioritise regular dialogue with our shareholders to offer objective information about our strategic priorities and performance, and to discuss how we're delivering our strategy and driving future growth. The Board members for the Company are the same as those for parent company Peel Hunt Limited thus the Company operates within the strategy set out by the parent company.

STRATEGIC REPORT

Stakeholder	Why it is important to engage? What is the impact of the engagement?	How Management and/or Directors engaged? What were the key topics/priorities of engagement?
Our clients	<p>Our business depends on working together with clients to create value.</p> <ul style="list-style-type: none"> By engaging regularly with our clients, we can better understand their needs and see how we can best help them. This enables us to maintain the partnership ethos which has been a key component of our culture. 	<ul style="list-style-type: none"> We gather feedback widely, including from our clients, to understand how we can structure what we do in a way that best meets clients' needs. We have many channels to communicate with our clients, from emails, calls and chat rooms, to meetings, social and special events, and relationship reviews. The Board is updated on client engagement by the CEO as part of his report to the Board and during informal Board update calls, and by the business heads during strategy days and informal interactions with the Board.
Our regulators	<p>The UK Group works in a highly-regulated environment and we operate to a high ethical and professional standard, supported by our strong internal culture.</p> <ul style="list-style-type: none"> We consider that it is key to have positive and constructive relationships with our regulators. 	<ul style="list-style-type: none"> We operate an open, transparent and cooperative relationship with the UK Group's regulators, including the FCA, the London Stock Exchange, the Takeover Panel and the Aquis Stock Exchange (AQSE). Working with regulators ensures we are able to comply with regulatory requirements and gives insight into upcoming regulatory trends and developments. Throughout our business, from Board level through to executive management and our wider workforce, we take the views of our regulators into consideration in respect of the way in which we conduct our business and in the decisions we make. The Board is kept apprised of material communications with our regulators, through regular reports from the Group Chief Risk Officer (CRO) and the Head of Group Compliance. Interactions with and communications from our regulators influence the development of our risk and control framework, culture and conduct initiatives and policies, and remuneration structures.

STRATEGIC REPORT

Stakeholder	Why it is important to engage? What is the impact of the engagement?	How Management and/or Directors engaged? What were the key topics/priorities of engagement?
Our suppliers	<p>We work with key suppliers across our markets. They supply us with essential services, which enable us to deliver for our clients.</p> <ul style="list-style-type: none"> Partnering and collaborating with our suppliers helps us to drive progress on delivering our purpose and strategy, and ensures the security of supply of all our services to meet our client needs. We set out what we expect of our suppliers in our Supplier Code of Conduct. 	<ul style="list-style-type: none"> Annual key supplier reviews consisting of due diligence assessments Regular review meetings to discuss and assess service levels Monitor and review performance and value delivery of all contracted Service Level Agreements (SLAs) and Key Performance Indicators (KPIs); meetings with suppliers Daily communication

Here we show how we considered the interests and needs of stakeholders in three of our key decisions this year.

Decision	Stakeholder	Stakeholder considerations and outcomes
Adopting new ways of working in Covid-19	People	<ul style="list-style-type: none"> The Board assessed the plan for the safe return to work in our new office in terms of how it would affect our people – their wellbeing and morale, as much as their safety – and how any hybrid working policy could be fair for everyone. We also conducted an assessment of the compliance and conduct risks associated with working from home, and enhanced controls and monitoring continue to be in place. Using the insights and opinions from our 'Culture Jam' internal focus group sessions, we agreed broad principles for our future hybrid way of working that can be specifically adapted to suit each team or business area.
	Clients	<ul style="list-style-type: none"> Throughout the year the Board discussed what hybrid working might mean for our business and our relationships with clients, as well as how it could allow us to uphold our high ethical and professional standards. Using the information and opinions we gathered from our clients, we added a fourth principle to our framework for future working: Clients first: respect the needs of clients – both internal and external.
Adopting our new digital strategy	People	<ul style="list-style-type: none"> The Board considered how a new digital strategy would not only improve decision making, but also help to increase our people's workplace satisfaction, productivity and engagement. This, in turn, helps us attract and retain talent. Our people's feedback formed the basis of the four pillars of our new digital strategy, including to develop the digital skills and know-how of our people.
	Shareholders	<ul style="list-style-type: none"> The Board sees and considers all feedback from our regular meetings with shareholders. The Board considered how a new digital strategy could help us to innovate and improve our client services – and so help us continue to create shareholder value over the long term.

STRATEGIC REPORT

Decision	Stakeholder	Stakeholder considerations and outcomes
Acting on the outcomes of our engagement and culture surveys	People	<ul style="list-style-type: none"> The Board considered the key themes arising from the survey during a formal Board meeting and we took targeted action to address them, including: Work-life balance: We have recruited more people during the year to support our growing business, and have been looking at ways of working smarter and giving people more support. We also adopted broad principles for our future hybrid way of working and continue to invest in wellness initiatives. Diversity, equity and inclusion: We want to promote greater diversity and inclusion, and are developing more initiatives throughout the firm. Our Diversity, Equity and Inclusion Forum, with representation from across the business, continued its work; we appointed two more women to the Board; and we have partnered with Arrival Education and The Brokerage, running multiple work experience and internship opportunities focusing on junior talent from low socio-economic backgrounds. We also published our second gender pay gap report (available on our website), adapted our recruitment processes, and updated our family-friendly policies. Culture of feedback: We have made improvements to our appraisal process, and we are developing training to ensure that appraisal meetings are more effective and rewarding. Our aim is to encourage more regular, ongoing, open and constructive dialogue between our managers and their direct reports throughout the year. <p>To show our support for good mental health, in January 2022 we signed the Mental Health at Work Commitment, joining a growing movement of more than 1,000 organisations doing so.</p>

STRATEGIC REPORT

Principal risks and uncertainties

The principal risks of the UK Group are predominantly associated with the activities of Peel Hunt. The senior management of Peel Hunt is committed to operating sound governance to ensure all risks are monitored, managed and controlled not only within separate business and 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 management of risks within the LLP is performed by the front office and support functions with the second line monitoring by the Risk and Compliance department. The Audit Committee has appointed a top tier professional services firm to act as our co-source provider of internal audit services. They provide an independent assessment of the adequacy and satisfactory application of the risk control framework and report directly to the Audit Committee.

Capital Risk

There is a risk that we don't retain sufficient capital resources to meet our ongoing business and regulatory obligations. We are prudent and proactive in our capital management, ensuring we always hold capital in excess of UK regulatory requirements. We regularly stress test our positions against severe scenarios. The introduction of new capital has strengthened the UK Group's capital position.

Liquidity Risk

There is a risk that we are unable to meet our financial liabilities as they fall due. We maintain a prudent level of liquidity and funding to meet our normal business activity and increasing UK regulatory requirements. We also run regular stress tests to ensure we have sufficient liquidity in severe scenarios. The introduction of new capital and the increase in our banking facilities, have ensured we remain able to meet liquidity and working capital requirements.

Market Risk

There is a risk of losses on financial instruments arising from movements in market prices. We manage our market-making activities in a balanced and well-disciplined way. We maintain a diversified portfolio and, where appropriate, hedge exposures. We monitor multi-level limits and regularly stress test our positions against severe scenarios. Financial markets experienced bouts of volatility and varying investor confidence in response to macroeconomic and political events. We expanded the size of our market-making books in those trading strategies, delivering consistent and repeatable returns.

Credit Risk

There is a risk of financial loss from a counterparty failing to discharge an obligation. We monitor our exposures against limits on trading counterparties, investment banking underwriting and delivery versus payment settlement. We regularly stress test our positions against severe scenarios. We enhanced our real-time credit risk monitoring tools, which were developed in conjunction with our Data Technology team.

Conduct Risk

There is a risk that we do not adequately consider the impact of our actions on clients, consumers and financial markets. We promote a culture where good conduct, risk awareness and positive client outcomes are a key part of how we operate, from how we design our products and services, through to client delivery. In implementing the FCA's Operational Resilience and Investment Firms Prudential Regime (specifically in relation to remuneration aspects), we have strengthened our focus on better client outcomes.

STRATEGIC REPORT

Regulatory Risk

Peel Hunt is a Financial Conduct Authority ("FCA") regulated entity that operates in highly regulated markets. There is a risk of legal or regulatory sanctions, material financial loss, or loss to our reputation, if we fail to comply with regulations, rules or codes of conduct. We maintain high standards of regulatory compliance and review and monitor them regularly. We have robust policies and procedures and raise our people's awareness through comprehensive training. We regularly scan the horizon to identify regulatory changes and we maintain an open dialogue with the FCA. We have continued to liaise with regulatory bodies throughout the pandemic and during a period of regulatory change, seeking guidance and providing assurance on our regulatory compliance.

Financial crime

There is a risk that we do not protect ourselves and our clients from money laundering, terrorist financing, bribery, corruption and tax evasion. We have robust policies and procedures and all our people complete mandatory financial crime training to help detect, prevent and report financial crime. This training includes: anti-money laundering and counter-terrorist financing; fraud; market abuse; and the criminal finances act. We robustly screen all our people and clients before they join us. We maintain robust cyber defences. We have strengthened our anti-money laundering capabilities through a number of key hires.

Strategic and business model

There is a risk that we are not able to deliver our strategy or achieve our objectives, or that external factors prevent us from doing so. We have a clear strategy which has been communicated, is understood by all our people, and is a critical factor considered in all our decision making. We scan the external environment for factors that may have a negative financial impact on our business. We communicated our strategy to external and internal stakeholders as part of the IPO for the parent Company. We are now focusing on refining the specific objectives and reporting mechanisms, to monitor our progress in delivering it.

Reputational Risk

There is a risk that damage to our reputation could limit our ability to retain and attract new business and to access funding sources. We maintain high standards at all times in the way we conduct our business and the way we work with stakeholders. We have enhanced our internal processes and resources to facilitate effective communication with all our stakeholders.

People Risk

There is a risk that we fail to attract, motivate and retain our people. We have a strong focus on conduct, ethics and values, and foster a collaborative working environment and culture. We offer continuous professional development and provide support, advice and training to our people, so they can meet their full potential. We have implemented a wide range of well-being programmes for our people, and carried out a Peel Hunt Group-wide consultation on future hybrid working arrangements. With the lifting of government restrictions, our people have begun to transition to a hybrid working environment, with a focus on responsibility to their teams – recognising the benefits to collaboration that brings. Since the pandemic we have also seen a significant increase in the competition for talent.

Environmental, social and governance (ESG) issues

There is a risk that we fail to operate in a manner consistent with our stakeholders' ESG expectations. We implement our Company strategy in a responsible and sustainable manner to deliver positive outcomes for all our stakeholders. We also ensure that external stakeholders with whom we forge strategic relationships are aligned to our appetite for ESG risk. We have taken steps to introduce independent review and challenge, ensuring we consider ESG factors in all our key decisions. This includes those relating to new clients, investment banking activities, strategic direction, and in response to changes in the external environment. During the year we established our Peel Hunt Group Board-level ESG Committee.

STRATEGIC REPORT

Digital and cyber security Risk

There is a risk that client, employee and business confidential information may be accidentally lost or deliberately exploited, or that critical business services are not available. We have implemented robust, layered, preventative and detective controls. We promote high awareness of cyber and information security across Peel Hunt and maintain appropriate business continuity, disaster recovery and incident response plans. We continued to enhance our cyber and information security controls and assurance programme, to ensure our resilience strategy remains effective.

Operational Risk

There is a risk of loss due to a failure of internal processes, people and systems, or from external events. We have a robust operational risk management approach, including robust risk and control self-assessments; focus on strong governance and escalation of risks and issues; and regular scenarios and stress tests on significant operational risks. We made a number of key hires at Peel Hunt Limited Level (including our CRO, Chief of Internal Audit and General Counsel) to strengthen our internal control environment.

Financial risk management objectives and policies

The main risks arising from financial instruments are credit risk, liquidity risk, market risk, equity price risk, foreign currency risk and interest rate risk each of which are discussed in further detail below.

- Credit risk, liquidity risk and market risk are discussed above under Principal Risk and Uncertainties section. In addition further information on these risks is disclosed in note 19 to the financial statements.
- Equity price risk, foreign exchange risk and interest rate risk are discussed and disclosed in note 19 to the financial statements.

Approved by the Board on 12 July 2022.

For and on behalf of the Board:



Steven Fine

Director

12 July 2022

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and the company financial statements in accordance with UK-adopted international accounting standards.

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and

prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements comply with the Companies Act 2006.

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the group's and company's auditors are unaware; and
 - they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group's and 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.

The financial statements on pages 18 to 52 were approved by the Board of Directors on 12 July 2022.

For and on behalf of the Board:



Steven Fine

Director

INDEPENDENT AUDITORS' REPORT

Independent auditors' report to the members of Peel Hunt Partnership Group Limited

Report on the audit of the financial statements

Opinion

In our opinion, Peel Hunt Partnership Group Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2022 and of the group's profit and the group's and company's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Company and consolidated Statements of financial position as at 31 March 2022; the Consolidated Statement of comprehensive income; the Company and consolidated Statements of changes in equity; and the Company and consolidated Statements of cash flow for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' 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 remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going to concern

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 the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, 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 audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

INDEPENDENT AUDITORS' REPORT

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 March 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

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

Auditors' 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 auditors' 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.

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.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK tax legislation and breaches of the rules of the Financial Conduct Authority ("FCA"), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Enquiries of management and review of internal audit reports in so far as they related to the financial statements
- Reviewing minutes of meetings of those charged with governance
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations
- Identifying and testing journal entries meeting specific fraud criteria, including those posted with certain descriptions, backdated journals or journals with unusual movements
- Challenging assumptions and judgements made by management in their significant accounting estimates
- Incorporating unpredictability into the nature, timing and/or extent of our testing

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

INDEPENDENT AUDITORS' REPORT

Use of this report

This report, including the opinions, has been prepared for and only for the company's directors as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements are not in agreement with the accounting records and returns.
- We have no exceptions to report arising from this responsibility.



Darren Meek – Senior Statutory Auditor

For and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

14 July 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Consolidated Year ended 31-Mar-22 £'000	Consolidated Year ended 31-Mar-21 £'000
<i>Continuing activities</i>	<i>Note</i>		
Revenue	3	131,024	196,874
Administrative expenses		(75,285)	(54,759)
Profit from operations	4	55,739	142,115
Finance income	7	21	30
Finance expense	7	(1,338)	(899)
Other income	8	819	360
Profit before remuneration to the members' of the LLP and tax		55,241	141,606
Members' remuneration charged as an expense	6	(9,908)	(20,117)
Profit before tax for the year		45,333	121,489
Tax	9	(5,190)	(1,546)
Profit for the year		40,143	119,943
Other comprehensive income for the year	12	27	-
Total comprehensive income for the year		40,170	119,943

Attributable to:

Owners of the Company	15,149	5,099
Non-controlling interests	24,994	114,844
Profit for the year	40,143	119,943
Owners of the Company	15,176	5,099
Non-controlling interests	24,994	114,844
Total comprehensive income for the year	40,170	119,943

The notes on pages 23 to 52 form part of these financial statements.

COMPANY AND CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

<i>Company Number – 07246104</i>	<i>Note(s)</i>	Company As at 31- Mar-22 £'000	Company As at 31- Mar-21 £'000	Consolidated As at 31-Mar-22 £'000	Consolidated As at 31-Mar-21 £'000
ASSETS					
Non-current assets					
Property, plant and equipment	10	-	-	9,305	9,754
Intangible assets	11	-	-	110	90
Investments not held for trading	12	-	-	-	20
Investments in subsidiary	26	252,900	59,111	-	-
Right-of-use assets	25	-	-	17,418	20,517
Intercompany loan	20	15,000	-	-	-
Deferred tax asset	17	-	-	165	426
Total non-current assets		267,900	59,111	26,998	30,855
Current assets					
Securities held for trading	13	-	-	50,341	47,296
Market and client debtors	19.2	-	-	559,485	531,178
Trade and other debtors	15	19,858	2,436	26,603	15,813
Amounts due from members		-	-	-	62
Cash and cash equivalents	16, 19.2	-	-	69,953	103,355
Total current assets		19,858	2,436	706,382	697,704
LIABILITIES					
Current liabilities					
Securities held for trading	13	-	-	(32,705)	(33,727)
Market and client creditors	19.2	-	-	(505,475)	(464,796)
Amounts due to members		-	-	(21,837)	(113,448)
Trade and other creditors	18	(11,749)	(4,503)	(16,599)	(14,138)
Borrowings	21	-	-	(15,000)	-
Lease liabilities	25	-	-	(2,197)	(313)
Provisions		-	-	(539)	(431)
Total current liabilities		(11,749)	(4,503)	(594,352)	(626,853)
Net current assets/(liabilities)		8,109	(2,067)	112,030	70,851
Non-current liabilities					
Lease liabilities	25	-	-	(20,133)	(22,251)
Borrowings	21	(15,000)	-	(15,000)	-
Total non-current liabilities		(15,000)	-	(35,133)	(22,251)
Net assets		261,009	57,044	103,895	79,455

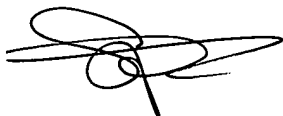
COMPANY AND CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		Company As at Year ended 31-Mar-22 £'000	Company As at Year ended 31-Mar-21 £'000	Consolidated As at Year ended 31-Mar-22 £'000	Consolidated As at Year ended 31-Mar-21 £'000
	Note(s)				
EQUITY					
Ordinary share capital	22	101	99	101	99
Share Premium	22	193,117	-	9,327	
Other reserves	22	30,685	30,014	30,842	30,144
Retained earnings	22	37,106	26,931	63,625	49,212
Total equity		261,009	57,044	103,895	79,455

The notes on pages 23 to 52 form part of these financial statements.

The financial statements on pages 18-20 were approved and authorised for issue on 12 July 2022.

For and on behalf of the Board:



Steven Fine

Director

COMPANY AND CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

					Company
	Ordinary share capital	Share Premium	Other reserves	Retained earnings	Total
Company	£'000	£'000	£'000	£'000	£'000
Balance brought forward at 1 April 2020	99	-	30,014	26,933	57,046
Profit for the year	-	-	-	4,498	4,498
Other comprehensive income	-	-	-	-	-
Total Comprehensive income for the year	-	-	-	4,498	4,498
Dividend Paid	-	-	-	(4,500)	(4,500)
Balance as at 31 March 2021	99	-	30,014	26,931	57,044
Profit for the year	-	-	-	10,175	10,175
Other comprehensive income	-	-	-	-	-
Total Comprehensive income for the year	-	-	-	10,175	10,175
Shares issued during the year	2	193,117	-	-	193,119
Partner Option exercise	-	-	671	-	671
Dividend Paid	-	-	-	-	-
Balance as at 31 March 2022	101	193,117	30,685	37,106	261,009

					Consolidated
	Ordinary share capital	Share Premium	Other reserves	Retained earnings	Total
Group	£'000	£'000	£'000	£'000	£'000
Balance as at 1 April 2020	99	-	30,144	48,613	78,856
Profit for the year	-	-	-	5,099	5,099
Other comprehensive income	-	-	-	-	-
Total Comprehensive income for the year	-	-	-	5,099	5,099
Dividend paid	-	-	-	(4,500)	(4,500)
Balance as at 31 March 2021	99	-	30,144	49,212	79,455
Profit for the year	-	-	-	15,149	15,149
Other comprehensive income	-	-	27	-	27
Total Comprehensive income for the year	-	-	-	-	15,176
Shares issued during the year	2	9,327	-	-	9,329
Partner Option exercise	-	-	671	-	671
Group Transfer of Peel Hunt Inc.	-	-	-	(736)	(736)
Dividend paid	-	-	-	-	-
Balance as at 31 March 2022	101	9,327	30,842	63,625	103,895

The notes on pages 23 to 52 form part of these financial statements.

COMPANY AND CONSOLIDATED STATEMENTS OF CASH FLOW

	Note	Company Year ended 31- Mar-22 £'000	Company Year ended 31- Mar-21 £'000	Consolidated Year ended 31- Mar-22 £'000	Consolidated Year ended 31- Mar-21 £'000
Net cash generated from / (used in) operations	24	-	4,500	(71,934)	84,147
Cash flows from investing activities:					
Capital introduced to subsidiary	26	(10,000)	-	-	-
Purchase of property, plant and equipment	10	-	-	(1,345)	(9,444)
Purchase of intangible assets	11	-	-	(6)	(16)
Disposal of Equity investments not held for trading	12	-	-	47	-
Loan to subsidiary	20	(15,000)	-	-	-
Net cash used in investing activities		(25,000)	-	(1,304)	(9,460)
Cash flows from financing activities:					
Interest paid	7	-	-	(469)	(253)
Capital introduced	26	10,000	-	10,000	-
Gain on option exercise		-	-	671	-
Group Transfer of Peel Hunt Inc.		-	-	(366)	-
Increase/(decrease) in borrowings	21	15,000	-	30,000	(7,500)
Lease liability payments	25	-	-	-	(1,247)
Revaluation of Right-of-use asset and Lease liability	25	-	-	-	46
Dividends paid		-	(4,500)	-	(4,500)
Net cash (used in)/generated from financing activities		25,000	(4,500)	39,836	(13,454)
Net (decrease)/increase in cash and cash equivalents		-	-	(33,402)	61,233
Cash and cash equivalents at beginning of period		-	-	103,355	42,122
Cash and cash equivalents at end of period	16	-	-	69,953	103,355

The notes on pages 23 to 52 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. General Information

Peel Hunt Partnership Group Limited is a private limited company, registered in England and Wales. Its registered office is 7th Floor, 100 Liverpool Street, London EC2M 2AT. The consolidated financial statements of the Company comprise the Company and its subsidiaries, together referred to as the "UK Group". The Company and its subsidiaries are domiciled in England and Wales. The financial statements are presented in Sterling and all values are rounded to the nearest thousand pounds (£'000) except where indicated otherwise.

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 UK Group's financial statements have been prepared in accordance with UK-adopted international accounting standards and the Companies Act 2006, applicable UK law.

On publishing the Company's financial statements here together with the UK 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 part of these approved financial statements.

The financial statements have been prepared on the historical cost basis, except for derivatives, financial assets at FVTPL and FVTOCI. 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. New and amended standards

2.2.1. New standards, interpretations and amendments effective from 1 April 2021:

There are no new standards, interpretations and amendments that became mandatorily effective for the current reporting period and had any material effect on the financial statements of the UK Group. The impact of interest rate benchmark reform is outlined in note 19.6.1.

2.2.2. New standards, interpretations and amendments not yet effective:

The following accounting standards have been issued by the IASB but are not yet effective:

- i) IFRS 17 Insurance contracts, effective from 1 January 2023
- ii) Amendments to IAS 1 and IFRS Practice statement 2, effective from 1 January 2023
- iii) Amendments to IAS 8, effective from 1 January 2023

Any new or amended accounting standards or interpretations, that are not yet mandatory, have not been early adopted.

2.3. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the UK Group and entities controlled by the Company made up to 31 March each year. Peel Hunt Partnership Group Limited has control over another entity when it has all of the following:

- 1) power over the relevant activities of the investee, for example through voting rights or other rights;
- 2) exposure to, or rights to, variable returns from its involvement with the investee; and
- 3) the ability to affect those returns through its power over the investee.

The assessment of control is based on the consideration of all facts and circumstances. Peel Hunt Partnership Group Limited reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

The profits allocated to external membership interests held in Peel Hunt LLP are presented as attributable to non-controlling interests. Amounts allocated to external membership interests are entirely at the discretion of the UK Group, and retentions may be made to fund capital or other requirements. Consequently the treatment adopted is considered appropriate. Any amounts allocated are due for payment and are included in Amounts due to members. Amounts due to members at year end is made up of opening balance adjusted for payments to members and any profit allocations made during the year. There are no residual entitlements to the net assets of the UK Group.

NOTES TO THE FINANCIAL STATEMENTS

2.4. Business combinations

Business combinations 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 UK 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. Acquisitions of subsidiaries and businesses under common control are accounted for by applying the predecessor accounting method, where all combining entities are controlled by the same entity before and after the business acquisition.

Assets and liabilities are recognised at their predecessor carrying amounts (i.e. the carrying amounts of the assets and liabilities in the books and records of the transferor prior to the transfer) with no fair value adjustments. Any difference between the cost of the acquisition and the aggregate book value of the assets and liabilities on the date of transfer is recognised as an adjustment to equity. As a result, no goodwill is recognised from the combination.

2.5. Going concern

The UK Group's principal activities are outlined above, with the risks and uncertainties facing the UK Group set out in the strategic report. The UK Group prepares detailed forecasts and projections for both the current year and medium term. In view of the UK Group's available financial resources, the Directors believe that the UK Group is well placed to manage its business risks successfully. The Directors are satisfied that the UK Group has adequate resources to operate within the level of its current and forecast liabilities. The UK Group also has a strong focus on working capital management and ensures the payment of the Company's current liabilities. There is also a focus on monitoring the regulatory capital of the LLP and the UK consolidation group to ensure all regulatory capital requirements are met.

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

2.6. Critical accounting judgements and key sources of estimation

The treatment in respect of external membership interests in Peel Hunt LLP is described in note 2.3.

There are no critical accounting policy judgements in respect of the application of accounting policies.

In the application of the UK Group's accounting policies, the Board is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the assets or liability affected in the future.

The estimates and underlying assumptions are reviewed on an ongoing basis. The Directors have considered whether an indication of impairment of the investment in subsidiaries exists, and performed a value in use assessment. In the process of applying the UK Group's accounting policies, management has made the following judgements and estimates which are most significant in respect of the amounts recognised in the Company Financial Statements:

- The Directors have considered the assumptions inherent in the medium-term business plan approved by the Board of the UK Group and the long-term sustainable growth of the UK Group
- Cash flows contain assumptions on growth in corporate clients, return on funding for market-making activities taking into account regulatory capital requirements and risk limits, and macroeconomic factors such as levels of market and client activity
- Future cash flows have been discounted at an appropriate weighted average cost of capital ("WACC") for the UK Group. The WACC has been estimated with reference to industry benchmarks thus is subject to fluctuations beyond the Directors' control
- A suitable terminal growth rate has been applied in line with long-term forecasts for UK GDP growth
- Considering the results of the impairment assessment the Directors conclude that they are satisfied that no impairment exists

Sensitivity analysis

Considering the sensitivity analysis that has been performed using reasonable possible changes in the terminal growth rate, WACC, and projected cash flows, the Directors have concluded that there is no change to their impairment assessment. Assuming all other variables remain constant:

- A 1ppt change in the terminal growth rate would result in a 9% variance in value in use
- A 1ppt change in WACC would result in a 12% variance in value in use
- A 10% change in future cash flows would result in a 9% variance in value in use.

2.7. Provisions

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

NOTES TO THE FINANCIAL STATEMENTS

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

2.8. Revenue

The UK Group applies IFRS 15 Revenue from contracts with customers. IFRS 15 establishes a five-step model governing revenue recognition. The five-step model requires the UK Group to (i) identify the contract with the customer, (ii) identify each of the performance obligations included in the contract, (iii) determine the amount of consideration in the contract, (iv) allocate the consideration to each of the identified performance obligations and (v) recognise revenue as each performance obligation is satisfied. All revenue is recognised at a point in time basis, with the exception of Investment banking retainers. No revenue has been recognised for performance obligations satisfied in other periods.

All revenue is reported under one operating segment consistent with internal reporting provided to the Board, which is responsible for allocating resources and assessing performance of the operating segment, and has been identified as the chief operating decision maker. The Board views the business as a single integrated business.

Revenue is recorded net of VAT and comprises of:

- Research payments are accrued over the financial year to which they relate in respect of payments for agreed research services. Contracts between the UK Group and each of its research clients, where discretionary, the commission is recorded based on variable consideration derived from the most recent level of research provided, updated for recent events or communications with the client. Execution commission from institutional execution business, less commissions paid away under commission sharing agreements is recognised on the trade date;
- Investment Banking revenue from advisory and investment banking services, less amounts paid to third parties, is recognised when the performance obligations have been met. The UK Group is contractually entitled to receive the fees upon deal completion which is the point in time when the fees are recognised;
- Investment Banking retainers are accrued over the financial year for which the service is provided which reflects the period the performance obligations relates to and are based on a contract between the UK Group and the client;
- Execution Services revenue - trading gains and losses from market making activities for long and short positions on a trade date basis i.e. the date the trades are executed, and comprises all gains and losses from changes in the fair value of financial assets and liabilities through profit and loss, together with any related dividends on positions held;
- Interest income, which is recognised on an accrued basis using the effective interest method.

2.9. Foreign currency translation

Foreign currency assets and liabilities have been translated into Sterling at the exchange rates ruling at the reporting date. Transactions in foreign currencies during the financial year 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.

2.10. 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 and building	remaining length of lease
Improvements	
Office equipment	3 to 5 years
Fixtures and fittings	5 years

The carrying value of artwork is based on the most recent independent valuation.

The residual values and useful lives are reviewed by the Directors and adjusted if appropriate at the end of each reporting period.

2.11. 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.

NOTES TO THE FINANCIAL STATEMENTS

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.

At each reporting date useful economic lives are reviewed by the Directors and adjusted if appropriate.

2.12. Impairment of non-financial assets

Tangible and Intangible assets

At each reporting date, the UK 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.

Investments in subsidiaries

At the end of each reporting date an impairment review is undertaken in respect of investment in the ordinary shares of subsidiaries. Where impairment may be indicated a test of the carrying value against the recoverable value is performed. Impairment being indicated where the investment exceeds the recoverable amount. The recoverable amount is calculated as a value in use ("VIU") which is derived from the present value of future cash flows expected to be received from the investment. Refer to note 2.6 for judgements and estimates made in relation to the impairment assessment performed.

2.13. Market and client debtors and creditors

Market and client debtor balances represent unsettled sold securities transactions and are recognised on a trade date basis.

Market and client creditor balances represent unsettled purchased securities transactions and are recognised on a trade date basis. Market and client debtor and creditor balances in these financial statements include agreed counterparty netting of £17.4m (31 March 2021: £9.7m). Otherwise, all debtor and creditor balances are shown gross and are stated at their contractual values.

2.14. Financial instruments

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

2.14.1 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");
- Financial assets at fair value through other comprehensive income ("FVTOCI"); and
- Financial assets held at amortised cost ("AC")

Financial assets are classified on the basis of two criteria:

- i. the business model within which the financial asset is managed, and
- ii. Their contractual cash flow characteristics (whether the cash flows represent 'solely payments of principal and interest' ("SPPI")).

The UK Group assess the business model criteria at portfolio level. Information that is considered in determining the applicable business model includes: (i) policies and objectives for the relevant portfolio, (ii) how the performance and risks of the portfolio are managed, evaluated and reported to management, and (iii) the frequency, volume and timing of sales in prior periods, sales expectation for future periods, and the reasons for such sales.

The contractual cash flow characteristics of financial assets are assessed with reference to whether the cash flows represent SPPI. In assessing whether contractual cash flows are SPPI compliant, interest is defined as consideration primarily of the time value of money and the credit risk of the principal outstanding. The time value of money is defined as the element of interest that provides consideration only for the passage of time and not consideration for other risks or costs associated with holding the financial asset. Terms that could change contractual cash flows so that it would not meet the condition of SPPI are considered including (i) contingent features, (ii) non-recourse arrangements, (iii) features that could modify the time value of money.

Peel Hunt Partnership Group Limited (formerly Macsco 22 Limited)

NOTES TO THE FINANCIAL STATEMENTS

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 UK 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 it:

Eliminates or significantly reduces a measurement or recognition inconsistency, sometimes known as an 'accounting mismatch', that otherwise would arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases.

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.

Financial assets at FVTOCI

The UK Group has investments in unlisted shares that are not traded in an active market which are not held for trading and are classified as financial assets at fair value through other comprehensive income.

The UK Group has an irrevocable election to treat these equities at fair value through other comprehensive income and accumulate these gains and losses in other reserves as they relate to investments in unlisted shares that are not traded in an active market. Interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets are recognised directly in profit or loss. Dividends on Investments not held for trading are recognised in profit or loss when the Company's right to receive the dividends is established.

Financial assets held at AC

Financial assets that are held to collect the contractual cash flows and which contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest are measured at amortised cost. Such financial assets include trade receivables, loans and other non-derivative financial assets that have a fixed or determinable payments.

Financial assets that are held at amortised cost are subsequently measured at amortised cost if they are held within a business model whose objective is to hold the financial assets in order to collect contractual cash flows and their contractual cash flows represent SPPI. 'Financial assets held at amortised cost' are measured at amortised cost using the effective interest method, less any impairment.

Impairment of financial assets

The UK Group assesses on a forward-looking basis the expected credit losses associated with its financial assets, other than those classified at FVTPL. Impairment is recognised at each reporting date. The measurement of expected credit losses reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecast of future economic conditions.

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. Indication of impairment for a portfolio of receivables could include the UK Group's 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.

In respect of Equity Investments not held for trading, 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.

NOTES TO THE FINANCIAL STATEMENTS

Derecognition 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.

2.14.2 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 UK 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 'Financial liabilities at amortised cost'.

Financial liabilities at amortised cost

Financial liabilities at amortised cost (also includes borrowings) are initially measured at fair value, net of transaction costs. Financial liabilities at amortised cost 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.

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 by management. 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 UK 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. This is also true for contracts containing one or more embedded derivatives; or
- the financial liability forms part of a UK 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 UK Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis;

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.

Derecognition of financial liabilities

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

2.14.3 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.

NOTES TO THE FINANCIAL STATEMENTS

2.15. Leases

Leases under IFRS 16 are defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

The UK Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the UK Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the UK Group uses its incremental borrowing rate.

The lease liability is presented as a separate line in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

The right-of-use assets are presented as a separate line in the statement of financial position.

2.16. Pensions

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

2.17. Members' remuneration

During the period, external membership interests were held in Peel Hunt LLP, a subsidiary of the Company. Contractual remuneration to members is charged to the income statement in the financial year, allocated on a discretionary basis as agreed by the Remuneration Committee.

2.18. Taxation

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

Peel Hunt Partnership Group Limited (formerly Macsco 22 Limited)

NOTES TO THE FINANCIAL STATEMENTS

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 UK Group intends to settle its current tax assets and liabilities on a net basis.

2.19. Cash and cash equivalents

Cash is represented by cash in hand and deposits held with financial institutions repayable without penalty. Cash equivalents are highly liquid investments that mature no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.20. Share based payments

Peel Hunt Partnership Group Limited (formerly Macsco 22 Limited), had an Employee Share Option Plan ("ESOP") and a Partner Share Option Plan ("PSOP") established in 2015, that has now been fully exercised. An Employee Benefit Trust was established by Peel Hunt Limited to acquire ordinary shares in the Peel Hunt Limited to be held on trust for the benefit of, and ultimately distributed to, employees and/or partners upon the exercise of the share options. The obligation of settling the awards would lie with Peel Hunt Limited. The cost of share awards made under the ESOP, as measured by the fair value of awards at the date of granting, were taken to the income statement over the vesting period, and disclosed under staff costs with a corresponding increase in equity Peel Hunt Limited.

3. Revenue

Revenue comprises the following:

	Consolidated Year ended 31-Mar-22 £'000	Consolidated Year ended 31-Mar-21 £'000
Research payments and execution commission	30,219	36,258
Execution Services revenue	42,857	116,706
Investment Banking revenue	57,948	43,910
Total revenue for the year	131,024	196,874

Although there are different revenue types, the nature of the UK Group's activities is considered to be subject to similar economic characteristics and therefore managed as a single business unit. All material revenue was generated from the UK Group's activities within the UK. Included within investment banking are retainers amounting to £8.3m (31 March 2021: £7.2m)

4. Profit from operations

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

	Consolidated Year ended 31-Mar-22 £'000	Consolidated Year ended 31-Mar-21 £'000
Depreciation and amortisation	1,761	1,105
Depreciation (Lease – see note 26)	2,090	2,528
Interest (Lease – see note 26)	868	646
Staff costs (see note 5)	50,726	23,090
Other non-staff costs	19,570	27,140
Auditors' remuneration in respect of Company	15	10
Auditors' remuneration in respect of Subsidiaries	160	130
Audit-related assurance services	95	110
Total administrative expenses	75,285	54,759

NOTES TO THE FINANCIAL STATEMENTS

Audit-related services includes £0.1m (31 March 2021: £0.1m) incurred in relation to the Client Money and Custody Assets (CASS) audit. Other non-staff costs comprise expenses incurred in the normal course of business, including technology costs, professional and regulatory fees, brokerage, clearing and exchange fees.

5. Staff costs

	Consolidated Year ended 31-Mar-22 £'000	Consolidated Year ended 31-Mar-21 £'000
Wages and salaries	32,682	18,770
Social security costs	4,795	2,273
Pensions costs	1,473	759
Other costs	711	1,288
Total staff costs for the year	39,661	23,090
Members remuneration charged as an expense	9,908	20,117
Total staff costs and members' remuneration charged as an expense for the year	49,569	43,207

Wages and salaries includes variable compensation for employees.

During prior years, Peel Hunt LLP awarded certain members and employees units in the LLP to enable these members or employees to participate in the profits generated by the LLP and receive post termination payments equal to the market value of the award at that time upon retirement.

The provision for the repurchase of unit awards on retirement, as at 31 March 2022 was £nil (31 March 2021: £1.2m). The provision was recognised by Peel Hunt Partnership Limited (formerly Peel Hunt Holdings Limited).

Other than the directors no staff are employed by the Company. The average number of members and employees of the UK Group during the year were:

	Year ended 31-Mar-22	2022 Average	Year ended 31-Mar-21	2021 Average
Dealing, sales, research and Investment Banking	204	205	205	198
Support and administration	99	88	80	73
Total number of members and employees	303	293	285	271
Members	0	72	144	143
Employees	303	221	141	128
Total number of members and employees	303	293	285	271

6. Information in relation to Members of Peel Hunt LLP

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

As at 31 March 2022, there are two members of Peel Hunt LLP: Peel Hunt Partnership Group Limited and Peel Hunt Partnership Limited. The highest paid member's remuneration for the current year was £12.7m (31 March 2021: £9.1m).

NOTES TO THE FINANCIAL STATEMENTS

7. Net finance expense

	Consolidated Year ended 31-Mar-22 £'000	Consolidated Year ended 31-Mar-21 £'000
Finance income:		
Bank interest received	21	30
Finance expense:		
Bank interest paid	(73)	(253)
Interest on lease liabilities	(868)	(646)
Interest accrued on loans	(397)	-
Finance expense for the year	(1,338)	(899)
Net finance expense for the year	(1,317)	(869)

8. Other income

	Consolidated Year ended 31-Mar-22 £'000	Consolidated Year ended 31-Mar-21 £'000
Sundry income and rebates	819	360
Total other income for the year	819	360

NOTES TO THE FINANCIAL STATEMENTS

9. Tax on profit on ordinary activities

9.1. Tax on profits

Corporation tax is calculated at 19% (2021: 19%) of the estimated taxable profit for the year. Note, corporation tax will increase to 25% from 1 April 2023. The tax charge per the Consolidated Statement of Comprehensive Income comprises the following:

	Consolidated Year ended 31-Mar-22 £'000	Consolidated Year ended 31-Mar-21 £'000
Current tax:		
UK Corporation tax for the year	3,458	1,240
Foreign tax for the year	-	110
Adjustments in respect of prior years	1,605	205
Deferred tax:		
Origination and reversal of timing differences (see note 18)	127	(9)
Total tax charge reported in the Consolidated Statement of Comprehensive Income	5,190	1,546

9.2. Reconciliation of tax charge

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

	Consolidated Year ended 31-Mar-22 £'000	Consolidated Year ended 31-Mar-21 £'000
Profit before tax on continuing operations	33,292	121,489
Tax at the UK corporation tax rate of 19% (2021: 19%)	8,613	23,083
Tax effect of profit attributable to non-controlling interest	(4,749)	(21,819)
Tax effect of expenses not deductible for tax	(132)	320
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	-	59
Ultimate parent company relief utilised	(383)	(261)
Origination and reversal of timing differences	127	-
Adjustments in respect of prior years	1,605	205
Temporary differences	109	(41)
Total tax charge reported in the Consolidated Statement of Comprehensive Income	5,190	1,546

NOTES TO THE FINANCIAL STATEMENTS

10. Property, plant and equipment

	Leasehold buildings and improvements	Artwork	Office equip- ment	Fixtures and fittings	Consolidated Total
As at 31 March 2022	£'000	£'000	£'000	£'000	£'000
Cost					
Balance at 1 April 2021	10,973	35	3,703	1,462	16,173
Peel Hunt Inc. Transfers out of Group	(22)	(1)	(90)	(116)	(229)
Additions during the year	475	0	721	149	1,345
Disposals during the year	-	-	-	-	-
Balance at 31 March 2022	11,426	34	4,334	1,495	17,289
Accumulated depreciation					
Balance at 1 April 2021	(3,320)	-	(2,478)	(621)	(6,419)
Peel Hunt Inc. Transfers out of Group	(1)	-	162	1	162
Charge for the year	(862)	-	(704)	(161)	(1,727)
Balance at 31 March 2022	(4,183)	0	(3,020)	(781)	(7,984)
Carrying value at 31 March 2022	7,243	34	1,314	714	9,305

	Leasehold buildings and improvements	Artwork	Office equip- ment	Fixtures and fittings	Consolidated Total
As at 31 March 2021	£'000	£'000	£'000	£'000	£'000
Cost					Cost
Balance at 1 April 2020	3,396	35	2,572	726	6,729
Additions during the year	7,577	-	1,131	736	9,444
Disposals during the year	-	-	-	-	-
Balance at 31 March 2021	10,973	35	3,703	1,462	16,173
Accumulated depreciation					
Balance at 1 April 2020	(2,839)	-	(1,951)	(560)	(5,350)
Charge for the year	(481)	-	(527)	(61)	(1,069)
Balance at 31 March 2021	(3,320)	-	(2,478)	(621)	(6,419)
Carrying value at 31 March 2021	7,653	35	1,225	841	9,754

As at 31 March 2022 the Company did not have any property, plant and equipment (31 March 2021: £nil).

NOTES TO THE FINANCIAL STATEMENTS

11. Intangible assets

	Sports De- ventures £'000	Computer Software £'000	Consolidated Total £'000
As at 31 March 2022			
Cost			
Balance at 1 April 2021	62	1,054	1,116
Additions during the year	-	6	6
Balance at 31 March 2022	62	1,060	1,122
Accumulated amortisation			
Balance at 1 April 2021	(10)	(968)	(978)
Charge for the year	(4)	(30)	(34)
Balance at 31 March 2022	(14)	(998)	(1,012)
Carrying value at 31 March 2022	48	62	110

	Sports De- ventures £'000	Computer Software £'000	Consolidated Total £'000
As at 31 March 2021			
Cost			
Balance at 1 April 2020	62	1,038	1,100
Additions during the year	-	16	16
Balance at 31 March 2021	62	1,054	1,116
Accumulated amortisation			
Balance at 1 April 2020	(10)	(932)	(942)
Charge for the year	-	(36)	(36)
Balance at 31 March 2021	(10)	(968)	(978)
Carrying value at 31 March 2021	52	86	138

As at 31 March 2022 the Company did not have any intangible assets (31 March 2021: £nil).

NOTES TO THE FINANCIAL STATEMENTS

12. Financial assets at fair value through other comprehensive income

	Consolidated 31-Mar-22 £'000	Consolidated 31-Mar-21 £'000
Investments not held for trading at the beginning of the year	20	20
Sale of investments not held for trading	(47)	-
Fair value gains recognised through equity	27	-
Investments not held for trading at fair value	-	20

13. Financial assets at fair value through profit and loss

	Consolidated 31-Mar-22 £'000	Consolidated 31-Mar-21 £'000
Long positions in market making and dealing operations:		
- Listed securities	49,973	46,608
- Unlisted securities	368	688
Long securities held for trading	50,341	47,296
Short positions in market making and dealing operations:		
- Listed securities	(32,441)	(33,400)
- Unlisted securities	(264)	(327)
Short securities held for trading	(32,705)	(33,727)

As at 31 March 2022 the Company did not have securities held for trading (31 March 2021: £nil).

14. Cash collateral

	Consolidated 31-Mar-22 £'000	Consolidated 31-Mar-21 £'000
Cash collateral	2,811	1,631
Total cash collateral	2,811	1,631

The UK Group enters into stock borrowing agreements with a number of 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 statement of financial position as cash collateral within trade and other debtors, the value of which is insignificantly different from the value of the securities purchased.

As at 31 March 2022 the Company did not have any cash placed as collateral (31 March 2021: £nil).

NOTES TO THE FINANCIAL STATEMENTS

15. Trade and other debtors

	Company 31-Mar-22 £'000	Company 31-Mar-21 £'000	Consolidated 31-Mar-22 £'000	Consolidated 31-Mar-21 £'000
Trade receivables	-	-	3,478	1,814
Less: provision for impairment	-	-	(243)	(223)
Net trade receivables	-	-	3,235	1,591
Accrued income	-	-	1,933	2,441
Deposits paid for property license	-	-	-	135
Amounts due from related companies	19,607	2,436	13,631	6,675
Prepayments	-	-	3,088	2,269
Other debtors	251	-	4,716	2,702
Total trade and other debtors	19,858	2,436	26,603	15,813

The majority of the trade receivables balance relates to Investment Banking fees and Research payments raised towards the end of the period, which have subsequently been paid.

Trade and other receivables are stated net of expected credit losses. The movement in expected credit losses during the year shown below relates solely to Investment Banking receivables and is recorded in the income statement within administrative expenses.

	Consolidated 31-Mar-22 £'000	Consolidated 31-Mar-21 £'000
At 1 April	(223)	(224)
Movement to level of expected credit losses	(20)	1
At 31 March	(243)	(223)

Any changes to the amount of the expected credit losses are recognised in the income statement within administrative expenses. Due to the immaterial nature of the UK Group's provision for expected credit losses, trade and other receivables are shown net of this provision on the Statement of Financial Position.

16. Cash and cash equivalents

	Company 31-Mar-22 £'000	Company 31-Mar-21 £'000	Consolidated 31-Mar-22 £'000	Consolidated 31-Mar-21 £'000
Cash in hand and held at bank	-	-	69,953	103,355
Total cash and cash equivalents	-	-	69,953	103,355

Cash held in segregated bank accounts relating to monies held on behalf of clients amounted to £8.20m at 31 March 2022 (31 March 2021: £1.02m) and is excluded from the amounts above and the statement of financial position. Client money relates to amounts received in the ordinary course of settlement of clients' trades and received in advance for the purchase of securities.

NOTES TO THE FINANCIAL STATEMENTS

17. Deferred tax

	Consolidated 31-Mar-22	Consolidated 31-Mar-21
	£'000	£'000
<i>Deferred tax asset comprises:</i>		
Capital allowances:		
Brought forward	293	279
Amounts credited to the profit and loss	(128)	14
Carried forward	166	293
Other:		
Brought forward	133	138
Amounts debited to the profit and loss on Peel Hunt Inc. transfer	(133)	(5)
Carried forward	-	133
Total deferred tax asset carrying value	165	426

The deferred tax asset of £0.2m (31 March 2021: asset of £0.4m) reflects the net tax charge at the enacted rate of 19% which is expected to arise from items of plant and equipment.

The Company has £nil unrelieved losses not recognised as a deferred tax asset (31 March 2021: £nil).

18. Trade and other creditors

	Company 31-Mar-22	Company 31-Mar-21	Consolidated 31-Mar-22	Consolidated 31-Mar-21
	£'000	£'000	£'000	£'000
Accruals and deferred income	15	25	14,783	12,310
Amounts due to related companies	11,734	4,478	-	-
Social security and PAYE	-	-	1,153	200
Corporation tax payable	-	-	-	768
Other creditors	-	-	663	860
Total trade and other creditors	11,749	4,503	16,599	14,138

NOTES TO THE FINANCIAL STATEMENTS

19. Financial instruments

19.1. Capital structure

Peel Hunt Partnership Group Limited is committed to maintaining a strong governance and control environment with a stable capital position and sound capital ratios at all times in order to meet capital requirements, and to support the growth of the business. Peel Hunt Partnership Group Limited continues to carry out regular formal assessments of its capital resources, in relation to those risks, the risk appetite and its regulatory capital requirements; and conducts stress tests and scenario analysis.

The applicable regulatory capital regime for investment firms changed on the 1st January 2022 with IFPR replacing CRD IV. Although, K-factor requirements (previously known as Pillar 1) are lower under the new regulation, Peel Hunt Partnership Group Limited has followed the transitional provisions described under MIFIDPRU TP 10, ensuring that an appropriate capital position is maintained. The transitional provisions are expected to remain in place whilst the FCA review our internal assessment of capital requirement under the new regime's Internal Capital and Risk Assessment ("ICARA").

Peel Hunt Partnership Group Limited maintained capital levels which exceed the minimum levels of capital throughout the financial year.

19.2. Financial assets and liabilities

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

	Company 31-Mar-22 £'000	Company 31-Mar-21 £'000	Consolidated 31-Mar-22 £'000	Consolidated 31-Mar-21 £'000
Financial assets measured at fair value through profit and loss				
Securities held for trading	-	-	50,341	47,296
Financial assets held at amortised cost				
Market and client debtors	-	-	559,485	531,178
Trade and other debtors	19,607	2,436	7,871	14,475
Amounts due from members	-	-	-	62
Financial assets measured at fair value through OCI				
Equity investments not held for trading	-	-	-	20
Cash				
Cash and cash equivalents	-	-	69,953	103,355
Total financial assets	19,607	2,436	687,650	696,386
Financial liabilities measured at fair value through profit and loss				
Securities held for trading	-	-	(32,705)	(33,727)
Financial liabilities at amortised cost				
Market and client creditors	-	-	(505,475)	(464,796)
Trade and other creditors	(11,734)	(4,503)	(11,010)	(10,600)
Amounts due to members	-	-	(22,837)	(113,448)
Lease liability	-	-	(22,330)	(22,564)
Loans	-	-	(30,000)	-
Total financial liabilities	(11,734)	(4,503)	(624,357)	(645,135)

NOTES TO THE FINANCIAL STATEMENTS

19.3. Risk management overview

The Board and Group Risk Committee are responsible for the oversight of risk management throughout the UK Group. This is achieved through a combination of group-level policies and processes and a range of local risk management frameworks and governance committees within the different operating entities.

The UK Group has an enterprise wide risk management framework ("EWRMF") which caters for all main risk types. The design, operation and maintenance of the EWRMF is the responsibility of the Risk & Compliance department, which includes:

- monitoring of risk profile against approved risk appetite;
- providing oversight and challenge of functional business units in their management of risk;
- reporting and escalation of key risk matters within LLP and to the Group Risk Committee or Group Audit Committee; and
- monitoring the external environment for risks to strategic objectives

The main governance forums for risk and control issues are the UK Group Board, the Group Audit Committees and the Executive Risk Committee ("ERC").

The ERC meets a minimum of four times per year and reports into the Executive Board and the Group Risk Committees. The main purpose of the ERC is to oversee the first line management of risks, confirm that the business is operating within the agreed risk limits, risk appetite and risk tolerance, provide executive review and discussion of documents to be reviewed by the Risk Committee and to discuss any operational or risk issues before these are reported to the Risk Committee. The ERC delegated authority from the Executive Board.

The ERC operates a New Business Request ("NBR") process, the main purpose of which is to oversee the controlled implementation of all new business activity, with appropriate escalation to the Group Risk Committees and the Executive Board.

19.4. Risk management framework

The EWRMF includes a formal Risk Appetite Statement ("RAS") approved by the Board which is reviewed on an annual basis.

The RAS formalises the risk appetite through qualitative and quantitative measures. Risk Management communicates the RAS throughout the firm through appropriate limits, metrics and key risk indicators. The firm operates a typical three lines of defence model, with managers of functional business units acting as the first line of defence, responsible for managing risks within their departments. Risk & Compliance acts as the second line of defence, providing oversight and challenge of the first line. Internal Audit represents the third line of defence.

The UK Group maintains a risk register which lists all the key risks to which the firm is exposed and records both the inherent and residual risk assessments, taking into account the effectiveness of the design and operation of mitigating controls. The risk register is presented annually to, and is reviewed by, the Executive Board and Group 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 EWRMF, which is promulgated and applied through risk management policies. Both the policies and the risk limits are reviewed on an ongoing basis by the Executive Board and the Group Risk Committee. Risk Management applies this framework and related policies and enforces these limits as part of the day-to-day activities of business.

19.5. Market risk

Market risk is the risk of loss caused by changes in the level or volatility of market rates or prices such as interest rates, equity prices and foreign exchange rates.

The UK Group controls market risk using strict aggregate trading and individual position limits for the Execution Services business. The Execution Services business' embedded Trading Risk and Controls unit is responsible for monitoring intra-day trading risk and for monitoring and reporting end of day limit usage to senior management. Risk Management is responsible for ensuring risk limits and reporting of trading risk are appropriate, as well as undertaking independent daily reporting which references externally provided end-of-day market prices (and challenging/escalating where required).

19.6. Equity price risk

Equity price risk is the risk of loss through changes in market prices. The UK Group is exposed to equity price risk through changes in equity prices and the volatility of equity prices on its equity holdings which comprises securities held for trading, predominately arising from market making.

Peel Hunt Partnership Group Limited (formerly Macsco 22 Limited)

NOTES TO THE FINANCIAL STATEMENTS

The Company is not exposed to equity price risk as it is not holding any securities or equity investments not held for trading.

The UK Group conducted a sensitivity analysis on a 5% increase/decrease in equity prices on securities held for trading and equity investments not held for trading. Assuming all other variables remain constant, the sensitivity analysis results in a change in net income for the year of +/- £0.9m (2021: +/- £0.7m).

19.6.1. Interest rate risk

Interest rate risk is the risk of loss due to changes in market interest rates. Interest rate risk arises on exposures relating to excess funds in cash, loan facilities with credit institutions and fixed income securities.

The UK 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 £0.3m (2021: £0.2m).

Interest rate benchmark reform

The UK Group has transitioned from the London InterBank Offered Rate ("LIBOR") to the Sterling OverNight Index Average ("SONIA") in line with FCA guidelines. The UK Group has not derecognised or modified the carrying amount of financial instruments for changes required by the reform, but instead updated the effective interest rate to reflect the change to the alternative benchmark rate. The UK Group does not apply hedge accounting and no significant new risks arose from the reform.

19.6.2. Foreign currency risk

Foreign currency risk is the risk of loss due to changes in foreign exchange rates. Foreign currency risk arises on financial instruments or obligations that are denominated in a currency other than Sterling.

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

	Consolidated 31-Mar-22 £'000	Consolidated 31-Mar-21 £'000
Net assets		
Euro	68	265
US Dollar	412	296
Other	519	471
Total currency exposure	999	1,032

The UK Group conducted a sensitivity analysis on a 5% strengthening and weakening in Sterling against foreign currency exposures at 31 March 2022. Assuming all other variables remain constant, the sensitivity analysis results in a change in net income for the year of +/- £0.03m (2021: +/- £0.05m).

NOTES TO THE FINANCIAL STATEMENTS

19.6.3. Fair value measurement

The table below shows the financial instruments carried at fair value by the following fair valuation hierarchy in accordance with IFRS 13:

Level 1: quoted prices (unadjusted) in active markets (i.e. where a live market price can be obtained) 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).

	Level 1	Level 2	Level 3	Consolidated Total £'000
As at 31 March 2022	£'000	£'000	£'000	
Financial assets at fair value through profit and loss				
Securities held for trading	48,894	1,079	368	50,341
Total financial assets at 31 March 2022	48,894	1,079	368	50,341
Financial liabilities at fair value through profit and loss				
Securities held for trading	(31,967)	(474)	(264)	(32,705)
Total financial liabilities at 31 March 2022	(31,967)	(474)	(264)	(32,705)

	Level 1	Level 2	Level 3	Consolidated Total £'000
As at 31 March 2021	£'000	£'000	£'000	
Financial assets at fair value through profit and loss				
Securities held for trading	46,231	377	688	47,296
Financial assets at fair value through OCI				
Equity investments not held for trading	-	-	20	20
Total financial assets at 31 March 2021	46,231	377	708	47,316
Financial liabilities at fair value through profit and loss				
Securities held for trading	(33,299)	(101)	(327)	(33,727)
Total financial liabilities at 31 March 2021	(33,299)	(101)	(327)	(33,727)

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 financial instruments held at FVTPL or FVTOCI.

NOTES TO THE FINANCIAL STATEMENTS

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

Pre-settlement risk is equal to the loss the UK Group would suffer if the counterparty fails to deliver securities, or pay for securities as agreed delivery versus payment ("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 default, 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 free of payment ("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 regular reviews on counterparty credit risk exposures and monitors these against counterparty trading limits.

The UK Group is exposed to underwriting risks where it underwrites investment transactions on behalf of its corporate clients. The Underwriting Committee reviews all proposed underwriting activities and its authority is subject to strict underwriting limits, which includes appropriate escalation and approval from senior executives and the Board. Market positions which arise from underwriting are managed in accordance with the market risk policy.

The UK 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:

	Neither past due nor im- paired £'000	Past due but not impaired				Impaired £'000	Company Carrying value before impair- ment £'000
		0-3 months £'000	3-6 month £'000	6-12 month £'000	> 1 year £'000		
As at 31 March 2022	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Trade and other debtors	19,607	-	-	-	-	-	19,607
Total financial assets at 31 March 2022	19,607	-	-	-	-	-	19,607

	Neither past due nor im- paired £'000	Past due but not impaired				Impaired £'000	Company Carrying value before impair- ment £'000
		0-3 months £'000	3-6 month £'000	6-12 month £'000	> 1 year £'000		
As at 31 March 2021	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Trade and other debtors	2,436	-	-	-	-	-	2,436
Total financial assets at 31 March 2021	2,436	-	-	-	-	-	2,436

NOTES TO THE FINANCIAL STATEMENTS

	Neither past due nor impaired	Past due but not impaired				Impaired	Consolidated Carrying value before impair- ment £'000
		0-3 months	3-6 month	6-12 month	> 1 year		
As at 31 March 2022	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Financial assets measured at fair value through profit and loss							
Securities held for trading	50,341	-	-	-	-	-	50,341
Financial assets at AC							
Market and client debtors	475,482	82,116	1,352	107	428	-	559,485
Trade and other debtors	6,789	817	52	114	184	298	8,254
Financial assets at OCI							
Equity investments not held for trading	-	-	-	-	-	250	250
Cash							
Cash and cash equivalents	69,953	-	-	-	-	-	69,953
Total financial assets at 31 March 2022	602,565	82,933	1,404	221	612	548	688,283

	Neither past due nor im- paired	Past due but not impaired				Impaired	Consolidated Carrying value before impair- ment £'000
		0-3 months	3-6 month	6-12 month	> 1 year		
As at 31 March 2021	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Financial assets measured at fair value through profit and loss							
Securities held for trading	47,296	-	-	-	-	-	47,296
Financial assets at AC							
Market and client debtors	435,461	94,484	486	431	316	-	531,178
Trade and other debtors	5,834	550	165	75	167	28	6,819
Financial assets measured at fair value through other comprehensive income							
Equity investments not held for trading	20	-	-	-	-	250	270
Cash							
Cash and cash equivalents	103,355	-	-	-	-	-	103,355
Total financial assets at 31 March 2021	591,966	95,034	651	506	483	278	688,918

NOTES TO THE FINANCIAL STATEMENTS

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

	Company 31-Mar-22 %	Company 31-Mar-21 %	Consolidated 31-Mar-22 %	Consolidated 31-Mar-21 %
Rating				
AAA-A rated	0.0	0.0	19.4	25.5
BBB-B rated	22.0	0.0	12.7	10.0
Unrated institutions and brokers	78.0	100.0	52.9	37.8
Other unrated	0.0	0.0	15.0	26.7
Total	100.0	100.0	100.0	100.0

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

19.7. Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting financial liabilities as they fall due, which 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, and strict trading systems controls that limit the amount of funding for trading activities. Further consideration of liquidity is undertaken with the ERC. The UK Group also manages liquidity in the trading book by conducting an ageing process on inventory and setting aside a reserve based on the age of each position. Operationally, this highlights at weekly intervals the areas of the trading portfolio that carry liquidity risk.

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

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

	Less than 1 year	1 - 2 years	2 - 5 years	Greater than 5 years	Company Total
As at 31 March 2022	£'000	£'000	£'000	£'000	£'000
Trade and other creditors	11,479	-	-	-	11,479
Loans	-	-	-	15,000	15,000
Total financial liabilities at 31 March 2022	11,479	-	-	15,000	26,479

	Less than 1 year	1 - 2 years	2 - 5 years	Greater than 5 years	Company Total
As at 31 March 2021	£'000	£'000	£'000	£'000	£'000
Trade and other creditors	-	-	-	4,478	4,478
Total financial liabilities at 31 March 2021	-	-	-	4,478	4,478

NOTES TO THE FINANCIAL STATEMENTS

	Less than 1 year	1 - 2 years	2 - 5 years	Greater than 5 years	Consolidated Total
As at 31 March 2022	£'000	£'000	£'000	£'000	£'000
Market and client creditors	505,475	-	-	-	505,475
Amounts due to members	21,837	-	-	-	21,837
Trade and other creditors	11,010	-	-	-	11,010
Lease liability	2,197	3,295	9,886	6,952	22,330
Loans ¹	16,263	1,059	3,168	19,757	40,247
Total financial liabilities at 31 March 2022	556,782	4,354	13,504	26,709	600,899

¹Includes the principal per the statement of financial position, plus estimated interest.

	Less than 1 year	1 - 2 years	2 - 5 years	Greater than 5 years	Consolidated Total
As at 31 March 2021	£'000	£'000	£'000	£'000	£'000
Market and client creditors	464,796	-	-	-	464,796
Amounts due to members	113,448	-	-	-	113,448
Trade and other creditors	10,600	-	-	-	10,600
Lease liability	313	2,528	10,344	9,379	22,564
Total financial liabilities at 31 March 2021	589,157	2,528	10,344	9,379	611,408

19.8. Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

The UK Group monitors and mitigates the effects of operational risks within the business through:

- Implementation of the EWRMF and Operational Risk Management Policy, which together set out how operational risk is: defined; identified and classified; assessed; managed, monitored and reported;
- First line risk management, which ensures that all potential and existing operational risks within the UK Group are properly reviewed and monitored and that control processes are in place to minimise operational risks throughout the organisation;
- Analysis and reporting of operational risk events, and reporting of any material failings or management actions, to the ERC.

Coordination of Risk and Control Self-Assessments (RCSAs) and corresponding periodic control testing by Risk Management, which are conducted 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.

NOTES TO THE FINANCIAL STATEMENTS

19.9. Business risk

Business risk relates to the ability of the UK Group to generate profit from the UK Group's assets or business activities over the long-term. External factors that may have a negative financial impact on the UK Group may include, but not necessarily be limited to a reduction in:

- trading activity, financial asset prices or commission rates;
- institutional relationships or the coverage and recognised quality of research;
- market capitalisation or number of retained corporate clients, capital markets activity or fee rate.

19.10. Regulatory risk

Regulatory risk is the risk of loss resulting from failure to adhere to applicable regulatory standards. This includes those related to financial crime and conduct risk.

The UK Group monitors and mitigates regulatory risk within the business through:

- The operation of a comprehensive compliance monitoring framework
- Maintenance of regulatory compliance policies to ensure obligations of the firm are understood, supported by specific procedures
- Provision of ongoing training to all staff to promote further relate regulatory obligations and compliance policies to day to activities
- Maintenance of open, constructive relationships with all internal and external stakeholders, including relevant regulatory bodies

20. Intercompany Loan

	31-Mar-22	31-Mar-21
	£'000	£'000
Subordinated loan – due within more than 1 year	15,000	-
Total Intercompany loan	15,000	-

On 16 December 2021, the LLP signed an intercompany subordinated loan agreement with Peel Hunt Partnership Group Limited with a facility limit of £30m to support the regulatory capital requirements of the LLP. This Intra-Group Subordinated loan is unsecured and qualifies as tier 2 regulatory capital. The termination date for the loan is 30 September 2030 with a principal repayment notice period of 3 months by either party whilst an interest rate of 7% p.a is payable quarterly. On 1 January 2022, £15m of the facility was drawn which represents the outstanding balance at year end

21. Long-term loans

	31-Mar-22	31-Mar-21
	£'000	£'000
Subordinated Debt – due more than 1 year	15,000	-
Evergreen loan – due within a year	15,000	-
Total long-term loans	30,000	-

On 16 December 2021, the Company signed an intercompany subordinated loan agreement with Peel Hunt Limited with a facility limit of £30m to support the regulatory capital requirements of the UK Group. This Intra-Group Subordinated loan is unsecured and qualifies for tier 2 regulatory capital. The termination date for the loan is 30 September 2030 with a principal repayment notice period of 3 months by either party whilst an interest rate of 7% p.a is payable quarterly. On 1 January 2022, £15m of the facility was drawn which represents the outstanding at year end.

NOTES TO THE FINANCIAL STATEMENTS

On 16 December 2021, Peel Hunt LLP signed an Evergreen intercompany loan agreement with Peel Hunt Limited with a facility limit of £50m to support the working capital requirements. This Intra-Group Evergreen loan is unsecured and does not qualify for regulatory capital. The loan has a term of rolling 1 month with a principal repayment notice period of 1 month by either party whilst an interest rate of 5.5% p.a is payable quarterly. On 1 January 2022, £15m of the facility was drawn which represents the outstanding at year end.

The UK Group has a committed Revolving Credit Facility (RCF) of up to £30m in order to further support its general corporate and working capital requirements. Interest accrues at 2.95% plus SONIA on drawn balances, and a flat 1% on the undrawn balance, quarterly in arrears. As at 31 March 2022, the RCF was undrawn.

22. Share capital and reserves

The ordinary share capital of the Company comprises the following:

	31-Mar-22 £	31-Mar-21 £
Issued		
A ordinary shares: 25,000,002 shares at 0.1p each (31 March 2021: 25,000,002 shares at 0.1p each)	25,000	25,000
B ordinary shares: 75,715,127 shares at 0.1p each (31 March 2021: 73,618,125 shares at 0.1p each)	75,715	73,618
Total ordinary share capital	100,715	98,618

The authorised share capital of A ordinary shares is 25,000,002 shares at 0.1p each and the authorised share capital of B ordinary shares is 75,715,127 shares at 0.1p each. The issued share capital of the company is fully paid, and each class of share have identical and full voting and income rights.

In September 2021, the Company issued 2,097,000 B Ordinary shares of £0.1 pence each. A further 1 B Ordinary share of 0.1 pence was issued at a premium of £178,675,780.

In November 2021, the Company issued 1 B Ordinary share of 0.1 pence at a premium of £14,441,014.

23. Investment in joint venture

Peel Hunt LLP holds a 50% share in a private company, which was acquired on 27 November 2013. The investment in joint venture was previously fully impaired given low to nil prospects of future revenues. The joint venture company is currently in liquidation.

NOTES TO THE FINANCIAL STATEMENTS

24. Net cash generated from/(used in) operations

Cash generated from/(used in) operations as per the Consolidated Cash Flow Statement comprise of the following:

	Company Year ended 31-Mar-22 £'000	Company Year ended 31-Mar-21 £'000	Consolidated Year ended 31-Mar-22 £'000	Consolidated Year ended 31-Mar-21 £'000
Profit for the period	12,564	4,498	45,333	121,489
<i>Adjustments for:</i>				
Depreciation and amortisation	-	-	3,851	3,632
Impairment loss on loans and receivables	-	-	244	30
Fair value gain on sale of securities	-	-	27	-
Transfer of Peel Hunt Inc	-	-	(814)	-
Increase in provisions	-	-	109	203
FX movement on deferred tax asset	-	-	-	5
Net finance costs	-	-	1,317	869
<i>Change in working capital:</i>				
(Increase)/decrease in net securities held for trading	-	-	(4,068)	4,057
Decrease/(increase) in net market and client debtors	-	-	12,372	(16,045)
(Increase)/decrease in trade and other debtors	(17,172)	522	(10,814)	(2,470)
Decrease in net amounts due to members	-	-	(116,563)	(31,981)
Increase /(decrease) in trade and other creditors	7,245	(520)	3,230	5,817
Cash generated from/(used in) operations	2,637	4,500	(65,776)	85,606
Interest received	-	-	20	30
Corporation tax paid	(2,637)	-	(6,178)	(1,489)
Net cash generated from/(used in) operations	-	4,500	(71,934)	84,147

NOTES TO THE FINANCIAL STATEMENTS

25. Lease liabilities

During the prior year, the UK Group moved offices from Moor House to larger premises in a new building at 100 Liverpool Street. The Moor House lease expired on 23 January 2021 and the 100 Liverpool Street lease was active from 13 August 2020. Staff occupied the new premises from January 2021. Following the pre-IPO restructure in September 2021, Peel Hunt Inc. is no longer part of the UK Group for consolidation purposes.

	31-Mar-22	31-Mar-21
	£'000	£'000
Depreciation expense in relation to premises leases	(2,090)	(2,528)
Interest expense in relation to premises leases	(868)	(646)
Net operating cost in relation to premises leases	(2,958)	(3,174)

The lease liabilities were discounted at the incremental borrowing rate from January 2020. The discount rate was 3.97%, which was derived from the available rate of borrowing at the time of the lease for the leases held by the UK Group

As at 31 March 2022 the Group held a balance for right-of-use assets and lease liabilities of:

Right-of-use assets	31-Mar-22	31-Mar-21
For the year ended:	£'000	£'000
Opening balance sheet date	20,517	2,309
Addition	-	20,902
Transfer of Peel Hunt Inc. Right-of-use-asset out of the Group	(1,009)	-
Revaluation of Right-of-use-asset	-	(166)
Depreciation charge	(2,090)	(2,528)
Closing balance sheet date	17,418	20,517

Lease liabilities	31-Mar-22	31-Mar-21
For the year ended	£'000	£'000
Opening balance sheet date	(22,564)	(2,383)
Addition	-	(20,902)
Disposal	1,102	-
Interest expense	(868)	(646)
Revaluation of Lease liability	-	120
Lease payments	-	1,247
Closing balance sheet date	(22,330)	(22,564)

At 31 March the Group was committed to making the following payments in respect of leases:

	31-Mar-22	31-Mar-21
	£'000	£'000
Land and buildings		
Outstanding commitments		
Within one year	2,015	311
Within two to five years	12,092	13,009
Over 5 years	12,256	14,280
	26,363	27,600

NOTES TO THE FINANCIAL STATEMENTS

The UK Group does not have short-term leases, low-value assets accounted for by applying IFRS 16 paragraph 6, no variable lease payments, extension options and termination options.

26. Investment in subsidiary

The Company directly holds 100% of the ordinary share capital of Peel Hunt Partnership Limited, which is registered in England and Wales. The Company has one vote out of 501 total voting rights in the LLP, which is registered in England and Wales. Peel Hunt Partnership Limited owns the remaining 500 voting right in the LLP and is the corporate member. The Company has a 100% indirect shareholding in P.H Nominees Limited, a dormant Company, via Peel Hunt Partnership Limited. P.H Nominees Limited is incorporated in England and Wales. The Company also has 100% indirect shareholdings in Peel Hunt Nominees Limited and M22 Nominees Limited via Peel Hunt Partnership Limited, of which both companies are in liquidation.

The investment in subsidiaries is accounted for at cost, which totals £69.1m (2021: £59.1m) for Peel Hunt Partnership Limited and £183.8m (2021: £0.00m) for the LLP. During the year the Company injected £10.0m capital into Peel Hunt Partnership Limited and £183.8m into Peel Hunt LLP as part of the UK Group restructure.

27. Related party transactions

During the year, the following transactions occurred with related parties:

27.1. Transactions with group companies

Peel Hunt Partnership Group Limited is the parent of Peel Hunt Partnership Limited, Peel Hunt LLP. Intra-group transactions between Peel Hunt LLP, Peel Hunt Partnership Limited 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 note 15 and 18.

The intra-group balance disclosed in note 15 relates to transactions with the ultimate controlling party, Peel Hunt Limited and Peel Hunt Inc. The balance outstanding as at 31 March 2022 is a receivable from Peel Hunt Limited of £13.44m (31 March 2021: receivable of £2.40m) and Peel Hunt Inc. of £0.19m (31 March 2021: 0)

Notes 20 and 21 disclose intercompany loan balances between Group companies.

27.2. Key management remuneration

Following the IPO, key management includes the Board and the Executive Board. Prior to the IPO key management also included the Management Committee and Risk Committee. The total short-term employee benefits is made up of fixed and variable remuneration paid to key management amounting to £6.4m for the year ended 31 March 2022 (31 March 2021: £20.7m).

27.3. Transaction with other related parties

During the year, in accordance with Section 850E of the Income Tax (Trading and Other Income) Act 2005 (ITTOIA 2005), £588,713 was paid to a former Director of the Company, James Britton, in order to settle liabilities owed to him by the UK Group resulting from compliance with Section 850C of ITTOIA 2005, with no personal benefit arising.

NOTES TO THE FINANCIAL STATEMENTS

28. Provisions

	31-Mar-22	31-Mar-21
	£'000	£'000
Non-current		
At beginning of year	431	227
Amounts recognised in profit or loss during the year	109	204
Total provisions	540	431

The amount provided above is primarily in respect of dilapidations related to the UK Group's offices at 100 Liverpool Street and previous offices at Moor House, representing the estimated amount of the liability. In addition, £0.01m (2021: £0.01m) relates to aged unsettled deals with brokers in administration.

29. Ultimate controlling party

The Group is immediately and ultimately controlled by Peel Hunt Limited, incorporated in Guernsey. The results of the UK Group are consolidated by Peel Hunt Limited. The consolidated financial statements of Peel Hunt Limited can be obtained from Ground Floor, Dorey Court, Admiral Park, St Peter Port, Guernsey, GY1 2HT.