PEEL HUNT

MACSCO 22 LIMITED

(COMPANY NUMBER 07246104)

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2021

CONTENTS

DIRECTORS' REPORT

The Board of Macsco 22 Limited (the "Board") presents the report and the audited financial statements of Macsco 22 Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31 March 2021.

Principal activities

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

The principal activities of the Group are to provide investment banking services in UK mid and small cap companies.

Structure

The Company is a limited company incorporated in the UK, under number 07246104 on 6 May 2010.

The Company is a wholly-owned subsidiary of the ultimate controlling party of the Group, PH Capital Limited.

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

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

Board

The Directors who served throughout the year were as follows:

Directors

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

Corporate Governance

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

Macsco Board

The Macsco 22 Limited Board meets on a quarterly basis and is chaired by a Non-Executive. Macsco 22 Limited acts as the intermediate parent of Peel Hunt Holdings Limited and its subsidiaries, monitors the overall capital and performance of the Company and its subsidiaries and determines dividends to be paid to its shareholder.

PHHL Board

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

LLP Board

The Peel Hunt LLP Board meets on alternate months and is chaired by a Non-Executive. 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 two Designated Members, four independent Non-Executives (two independent Non-Executives retired on 31 March 2021) and two other Non-Executives. There are a series of Board level committees that report directly to the LLP Board. Further details on these committees can be found in the Annual Report and Financial Statements of the LLP for the year ended 31 March 2021.

Inc. Board

The Peel Hunt Inc. Board meets on a quarterly basis. The Inc. Board is responsible for providing oversight and management of the profitable development of the business of Peel Hunt Inc.

Going concern

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

DIRECTORS' REPORT

The Directors are satisfied that the Group has adequate resources to operate within the level of its current and forecast liabilities. The Group also has a strong focus on working capital management and ensures 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. The Company does not have any obligation to repay long-term debt prior to maturity.

The UK government's decision to withdraw from the European Union (EU), hasn't had a material impact on the Company's business model, however access to EU markets and counterparties remains a focus for Peel Hunt.

Prior to the year under review, Coronavirus was declared a pandemic by the World Health Organisation. The initial uncertainty led to unprecedented and dramatic falls in global equity markets and significant volatility in UK equity prices. During the year, the UK government declared a series of nationwide lockdowns, closing non-essential workplaces, including manufacturing, retail and leisure businesses. The continued closure of UK businesses had a significant strain on their profitability, cash flow and balance sheets.

Peel Hunt has been able to help clients access capital through its Investment Banking division and also helped provide much needed liquidity to UK equity markets through its Execution & Trading team. This has resulted in significant increases in market making volumes during the year to 31 March 2021, leading to an increase in revenue against the original budget

With the advancement of vaccination programmes and government intervention to stimulate the economy, certain industry sectors began to regain market losses. Some industry sectors have continued to adapt and outperform expectations, widening the gap with industry sectors that have suffered a decline due to the pandemic.

No Peel Hunt staff have been placed on furlough as a result of the pandemic, and no reliance has been placed on government loans, grants or rates relief.

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

Charitable contributions

Group charitable contributions of £45,320 (31 March 2020: £38,430), were made during the period under review and no political contributions were made (31 March 2020: £nil).

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)

Statement of carbon emissions in compliance with SECR covering energy use and associated greenhouse gas emissions relating to gas, electricity and transport, intensity ratios and information relating to energy efficiency actions:

	31-Mar-21	31-Mar-20
Total energy use covering electricity, gas and transport (kWh)	565,978	739,560
Total emissions generated through combustion of gas (tCO2e)	35.97	42.60
Total emissions generated through use of purchased electricity (tCO2e)	77.69	128.76
Total emissions generated through business travel (tCO2e)	1.73	1.17
Total gross emissions (tCO2e)	120.72	172.53
Intensity ratio (total gross emissions) (kgCO2e per sqft)	2.00	8.46

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.

Independent Auditors

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

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

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

PricewaterhouseCoopers LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the next Board meeting.

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

Steven Fine – Director

STRATEGIC REPORT

Our approach

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

Peel Hunt Inc. ("PH Inc.") is the Group's US broker-dealer working closely with Peel Hunt to provide brokerage services in UK mid and small-cap equities to US Institutional clients.

What we do

As a business, 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.

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.

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 450 stocks from FTSE 100 through to AIM, from a pool of 35 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 and PH Inc. have over 1300 institutional relationships covering long only, absolute return, sovereign funds, wealth management and family offices in the UK, the US and Europe.

Execution & Trading Platform

One of the largest market makers and liquidity providers, trading in all UK equities and a large number of international equities - over 11,000 instruments covering small cap, AIM, FTSE 250, FTSE 100, corporate bonds, ETFs, Investment Trusts and international equities. The 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.

Review of performance

Financial and operational highlights

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

- 106% increase in turnover for the Group to £196.9m (31 March 2020: £95.5m)
- 203% increase in commission and trading revenue to £149.8m (31 March 2020: £153m)
- 92% increase in revenue generated per average headcount to £0.7m (31 March 2020: £0.4m)
- 29% increase in administrative expenses to £54.8m (31 March 2020: £42.4m)
- 244% increase in profit before tax for the Group to £121.5m (31 March 2020: £35.4m)
- Net assets strengthened to £79.5m (31 March 2020: £78.9m)
- 146% increase in cash and cash equivalents £103.4m (31 March 2020: £42.1m)

Revenue

No revenue is generated by the Company other than dividend income as its principal activity is to act as the intermediate holding company of the Group. Dividend income received during the year was £4.5m (31 March 2020: £2m). Any dividends would be received from Peel Hunt Holdings.

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

Income earned in Peel Hunt increased on the prior year driven by a strong performance in Execution and Trading, primarily due to increased trading volumes.

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 Group for the benefit of shareholders, 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 Clients & Counterparties, Staff, Regulators, Shareholders, Suppliers and Community & Environment. The 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?
Clients & Counterparties	• Peel Hunt is a people-focused business, here to serve its clients. The Board recognises that one of the most significant drivers of the Group's success is understanding our clients' requirements and delivering services to meet those needs. • Peel Hunt is a successful and growing business. The Group's collegiate environment means all staff work together to get the best possible results for the Group, clients and counterparties. • Peel Hunt aims to build brand awareness, loyalty and market share through strong relationships and long-term partnerships.	• Peel Hunt's partnership ethos best aligns the Group's interests with those of our clients. Peel Hunt only engages with clients as a house when Investment Banking, Sales and Research all agree. This contributes towards successful, long-term, client relationships. • Regular engagement with clients and counterparties facilitates an understanding of their needs, and provides an opportunity to develop strong and lasting relationships. • Peel Hunt meets with research recipients and key counterparties a number of times per year, alongside daily informal interactions with institutional investors and market counterparties. • As a NOMAD or Broker, we have frequent contact with our Investment Banking clients. During the pandemic, there was even closer contact with clients, partly to understand clients' needs and requirements and to see how we or the capital markets could help. • Throughout the Coronavirus pandemic the Board and Management ensured that resources were allocated to providing the most relevant and valued services to the Group's clients. This included adding new services such as virtual conferences with clients, research podcasts and video series and daily coronavirus news bulletins. • Peel Hunt established the Non-Executive Director Awards, to recognise the achievements of Non-Executive Directors who contribute to the success and growth of businesses and Not-For-Profit organisations across the UK.

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?
		• Peel Hunt continually monitors best-execution factors to ensure the best possible treatment of client orders handled. • In the unlikely event that a client and counterparty interaction goes wrong, Peel Hunt operates robust complaints procedures to establish the root cause of any incidents raised, and prevent reoccurrence.
Staff	• The Board recognises the vital role staff play in the success of the Group, delivering the highest levels of service to the Group's clients and counterparties. The Group can only be as good as the people it employs. • The strength of our operation is built upon the hard work and dedication of our staff, and the Board recognise the benefits of developing the next generation. • Staff rely on the Group to provide stable employment, free from discrimination and the opportunity to realise their potential in the workplace. • By focussing on employing high performing staff, encouraging our people to ask questions, test opinions and develop alternative ideas and solutions, we are able to create an agile workforce that can make decisions quickly and react to rapidly changing market conditions. • Peel Hunt's culture is strong and staff turnover low.	• The Group deploys an employee engagement system that allows staff to provide feedback to management. • The Group operates an annual performance appraisal process, to evaluate staff and set goals and objectives that are in alignment with the organisational strategy. • The wellness of staff is of paramount importance to the Board, recognising that a happy, motivated workforce is a successful one. To address this a number of initiatives have been rolled out over the last year with work/life balance being continuously assessed. • All staff were provided with the necessary IT solutions and equipment where needed to support them while working at home. This ensured that the transition to Group wide working from home occurred smoothly. In continuing to support staff while working from home, the Group has undertaken an employee survey to understand their needs and concerns • During the year the Group also moved to a new, market leading, net zero carbon Head Office which is equipped with the latest technology and facilities, incorporating a large social hub for staff.

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?
	• Becoming a truly diverse and inclusive Group is not only the right thing to do, it is crucial to helping us grow the business. • Peel Hunt is proud to be expanding the diversity of our staff, including by gender, ethnic background, and other characteristics. This promotes a sense of belonging that drives productivity, creativity and innovation.	• In addition to mandatory regulatory training, employees have access to a variety of career development tools to enable them to enhance their skill set and realise their full potential. • Peel Hunt solicits suggestions from staff with regard to operational efficiencies and cost saving initiatives, for which staff have the opportunity to receive a recognition award and extra holiday allowance. • Office preparations made to provide a safe working environment for staff who needed to work from the office, or who wanted to return to the office post-lockdown. • Flexible home working arrangements have been maintained during the pandemic, and the ability for teams to self-organise between remote working versus office working has been extended for the remainder of the year, at the discretion of line management. • The Board and Management keep all staff informed of important events and information by way of weekly CEO video briefings, quarterly "town hall" Group updates, staff newsletters and a high degree of informal day-to-day contact.

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?
Regulators	• The Group operates in a highly regulated environment, and strives to ensure that the Group maintains the highest ethical and professional standards and a reputation for good conduct. • Peel Hunt seeks a constructive and cooperative relationships with the bodies and authorities that supervise and regulate the Group's activities. • The Group's ambitions are underpinned by its core values, and the recruitment, selection and retention initiatives of the Group.	• The Group operates an open, transparent and co-operative relationship with the primary regulator (Financial Conduct Authority) ensuring that all requirements are met and that the Group is kept abreast with the latest developments on the regulatory horizon. • The Group maintains formal meetings and an ongoing dialogue with UKLA, AIM Team, Takeover Panel, FCA and FINRA. • The Group maintains regular communication with exchanges where the firm is a member. • The Group encourages a no-blame culture, with the aim of learning from past mistakes and taking action to improve processes, practices and behaviours. • The Group has designed and operates policies and procedures in response to the Criminal Finances Act, to guard against the inadvertent facilitation of tax evasion, when dealing with key stakeholders. • The Group monitors staff conduct closely by way of a conduct scorecard. Metrics were designed to consider the impact on clients, financial markets and the Group. • The Group operates clear whistleblowing procedures, to promote the opportunity for staff to speak-up about any perceived wrongdoing without fear of reprisal. • The Group provides mandatory compliance training for all staff on a broad array of regulatory and compliance topics. • The Group engages with industry bodies, working groups and round-tables where the firm is a member to discuss and debate current topics affecting the industry.

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?
Suppliers	• Peel Hunt look to engage with suppliers on a long-term and sustainable basis. These long-term relationships are with reputable partners, who share the Group's core values. • Peel Hunt aims to treat suppliers fairly. • Peel Hunts looks to minimise reputational risk and/or disruptions from failed supplier relationships.	• The Board operates a third party evaluation, selection and management process to embed supplier engagement and coordination across the Group. • Peel Hunt monitors payment statistics to check that suppliers are being paid within the agreed terms. • Regular meetings carried out with key suppliers with ongoing updates on performance to aid decision making. • As part of the Third Party Due Diligence process suppliers are requested to confirm that that modern slavery is not taking place in their business or supply chains.
Shareholders	• The Board are responsible for the stewardship of shareholder capital and generating sustainable returns on its investment. • The Group is 75% owned by staff. • The Board are responsible for ensuring the engagement supports the Group's understanding of the Group's strategic aims to ensure long term sustainable value is achieved.	• Updates to Group level board, including the monthly update calls and the ultimate parent Group board meetings. • The Board provide updates to members and shareholders through member and shareholder meetings.
Community & Environment	• Peel Hunt is committed to making a difference in the communities that it operates in. • The Group aims to minimise any adverse impact that it may have on the environment, and aspires to be carbon neutral.	• Peel Hunt is exploring options to become carbon neutral in the near future. With the move to 100 Liverpool St., a state of the art building in terms of sustainability (an excellent rated BREEAM building), Peel Hunt's London carbon footprint is expected to reduce. • Peel Hunt continues to analyse the carbon footprint of its operations with a view to finding further opportunities to reduce the environment burden, such as to operate a paperless office environment.

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?
		• Peel Hunt is partaking in a Corporation of London led, Department for Business, Energy and Industrial Strategy and HM Treasury commissioned, taskforce to boost socio-economic diversity at senior levels within UK financial & professional services. • All staff receive a day for volunteering activities annually. Activities include working in local soup kitchens, on city farms, etc., and has raised more than £100k for the Group's charity partners via numerous fundraising events. Staff have been offered the opportunity to nominate/vote for the official charity partner on rotation. • The Group has a well-developed wellbeing programme for its staff covering topics such as mental and physical health and stress management. • The Board increased its commitment to community, diversity and sustainability by establishing a specific Board ESG Committee in June 2021 to oversee two oversight committees – Diversity & Inclusion Committee and Community & Sustainability Committee – formed in January 2020.

STRATEGIC REPORT

Financial risk management objectives and policies

The principal risks of the 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 Partnership is performed by the front office and support functions with the second line monitoring by the Risk and Compliance department. During the year the Audit Committee has appointed Ernst and Young as its independent internal audit function as part of the third line of defence. Ernst and Young provides an independent assessment of the adequacy and satisfactory application of the risk control framework and reports directly to the Audit Committee.

Legal and Regulatory Risk

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

Financial Risk

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

Operational and Reputational Risk

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

Staff Risk

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

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

Steven Fine – Director

16 July 2021

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 international accounting standards in conformity with the requirements of the Companies Act 2006.

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 international accounting standards in conformity with the requirements of the Companies Act 2006 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 also 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 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.

The financial statements on pages 16 to 46 were approved by the Board of Directors on 16 July 2021 and signed on its behalf by:

Steven Fine – Director

INDEPENDENT AUDITORS' REPORT

Independent auditors' report to the members of Macsco 22 Limited

Report on the audit of the financial statements

Opinion

In our opinion, Macsco 22 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 2021 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 international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Macsco 22 Limited report and financial statements for the year ended 31 March 2021 (the "Annual Report"), which comprise: the Company and consolidated statements of financial position as at 31 March 2021; the Consolidated Statement of comprehensive income; the Company and consolidated Statement 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 2021 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 the Companies Act 2006, 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 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 to increase or reduce income and expenditure, and management bias in accounting estimates and judgements. Audit procedures performed by the engagement team included:

- enquiry of management, the internal auditors, and those charged with governance including consideration of known or suspected instances of non-compliances with laws and regulation and fraud.
- 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.
- addressing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness.
- 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 members 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

Darren Meek – Senior Statutory Auditor

For and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

16 July 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Continuing activities	*Note(s)*	**Consolidated Year ended 31-Mar-21 £'000**	**Consolidated Year ended 31-Mar-20 £'000**
Revenue	*3*	**196,874**	**95,545**
Administrative expenses		(54,759)	(42,400)
Profit from operations	*4*	**142,115**	**53,145**
Finance income	*7*	30	118
Finance expense	*7*	(899)	(311)
Other income	*8*	360	142
Profit before remuneration to the members' of the LLP and tax		**141,606**	**53,094**
Members' remuneration charged as an expense	*6*	(20,117)	(17,732)
Profit before tax for the year		**121,489**	**35,362**
Tax	*9*	(1,546)	(1,669)
Profit for the year		**119,943**	**33,693**
Other comprehensive income for the year	*12*	-	-
Total comprehensive income for the year		**119,943**	**33,693**

Attributable to:		
Owners of the Company	5,099	4,841
Non-controlling interests	114,844	28,852
	119,943	**33,693**

The notes on pages 21 to 46 form part of these financial statements.

COMPANY AND CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Company Number - 07246104	*Note(s)*	Company As at 31- Mar-21 £'000	Company As at 31- Mar-20 £'000	Consolidated As at 31-Mar-21 £'000	Consolidated As at 31-Mar-20 £'000
ASSETS					
Non-current assets					
Property, plant and equipment	*10*	-	-	9,754	1,379
Intangible assets	*11*	-	-	90	110
Investments not held for trading	*12*	-	-	20	20
Investments held to maturity	*13*	-	-	48	48
Investments in subsidiary	*28*	59,111	59,111	-	-
Right-of-use assets	*26*	-	-	20,517	2,309
Deferred tax asset	*18*	-	-	426	417
Total non-current assets		**59,111**	**59,111**	**30,855**	**4,283**
Current assets					
Securities held for trading	*14*	-	-	47,296	54,224
Market and client debtors	*20.4.5*	-	-	531,178	515,527
Trade and other debtors	*16*	2,436	2,958	15,813	13,373
Amounts due from members		-	-	62	-
Cash and cash equivalents	*17, 20.4.5*	-	-	103,355	42,122
Total current assets		**2,436**	**2,958**	**697,704**	**625,246**
LIABILITIES					
Current liabilities					
Securities held for trading	*14*	-	-	(33,727)	(36,598)
Market and client creditors	*20.5*	-	-	(464,796)	(465,190)
Amounts due to members		-	-	(113,448)	(30,532)
Trade and other creditors	*19*	(4,503)	(5,023)	(14,138)	(8,242)
Borrowings	*21*	-	-	-	(7,500)
Provisions		-	-	(431)	(228)
Total current liabilities		**(4,503)**	**(5,023)**	**(626,540)**	**(548,290)**
Net current assets/(liabilities)		**(2,067)**	**(2,065)**	**71,164**	**76,956**
Non-current liabilities					
Lease liabilities	*26*	-	-	(22,564)	(2,383)
Total non-current liabilities		**-**	**-**	**(22,564)**	**(2,383)**
Net assets		**57,044**	**57,046**	**79,455**	**78,856**

The notes on pages 21 to 46 form part of these financial statements

COMPANY AND CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note(s)	Company As at Year ended 31-Mar-21 £'000	Company As at Year ended 31-Mar-20 £'000	Consolidated As at Year ended 31-Mar-21 £'000	Consolidated As at Year ended 31-Mar-20 £'000
EQUITY					
Ordinary share capital	23	99	99	99	99
Retained earnings		26,931	26,933	49,212	48,613
Other reserves		30,014	30,014	30,144	30,144
Total equity		**57,044**	**57,046**	**79,455**	**78,856**

The notes on pages 21 to 46 form part of these financial statements.

The financial statements on pages 16-18 were approved and authorised for issue on 16 July 2021.

Signed on behalf of the Board by:

Steven Fine – Director

COMPANY AND CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Company	Ordinary share capital	Own Shares Held by the company	Other reserves	Retained earnings	Company Total
	£'000	£'000	£'000	£'000	£'000
Balance brought forward at 1 April 2019	99	-	15,014	26,433	41,546
Capital Introduction	-	-	15,000	-	15,000
Dividend Paid	-	-	-	(1,500)	(1,500)
Profit for the year	-	-	-	2,000	2,000
Balance as at 31 March 2020	99	-	30,014	26,933	57,046
Dividend Paid	-	-	-	(4,500)	(4,500)
Profit for the year	-	-	-	4,498	4,498
Balance as at 31 March 2021	**99**	**-**	**30,014**	**26,931**	**57,044**

Group	Ordinary share capital	Own shares held by the company	Other reserves	Retained earnings	Consolidated Total
	£'000	£'000	£'000	£'000	£'000
Balance as at 1 April 2019	99	-	15,144	45,272	60,515
Profit for the year	-	-	-	4,841	4,841
Dividend paid	-	-	-	(1,500)	(1,500)
Capital Introduction	-	-	15,000	-	15,000
Balance as at 31 March 2020	99	-	30,144	48,613	78,856
Profit 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**

The notes on pages 21 to 46 form part of these financial statements.

COMPANY AND CONSOLIDATED STATEMENT OF CASH FLOW

	Note(s)	Company Year ended 31- Mar-21 £'000	Company Year ended 31- Mar-20 £'000	Consolidated Year ended 31- Mar-21 £'000	Consolidated Year ended 31- Mar-20 £'000
Net cash generated from operations	25	**4,500**	**-**	**84,147**	**7,518**
Cash flows from investing activities:					
Capital introduced to subsidiary	28	-	(15,000)	-	-
Purchase of property, plant and equipment	10	-	-	(9,444)	(762)
Purchase of intangible assets	11	-	-	(16)	(95)
Disposal of Equity investments not held for trading	12	-	-	-	79
Net cash used in investing activities		-	**(15,000)**	**(9,460)**	**(778)**
Cash flows from financing activities:					
Interest paid	7	-	-	(253)	(126)
Capital introduced	23	-	15,000	-	15,000
(Decrease)/Increase in borrowings	21	-	-	(7,500)	7,500
Lease liability payments	26	-	-	(1,247)	(1,433)
Revaluation of Right-of-use asset and Lease liability	26	-	-	46	-
Dividends paid		(4,500)	(1,500)	(4,500)	(1,500)
Net cash (used in)/generated from financing activities		**(4,500)**	**13,500**	**(13,454)**	**19,441**
Net increase/ in cash and cash equivalents		-	-	61,233	26,181
Cash and cash equivalents at beginning of period		-	-	42,122	15,941
Cash and cash equivalents at end of period	17	-	-	**103,355**	**42,122**

The notes on pages 21 to 46 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. General Information

Macsco 22 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 "Group".

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 Group's financial statements have been prepared in accordance with The Companies Act 2006, applicable UK law and International Financial Reporting Standards (IFRS).

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

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

2.2. New and amended standards

The Group have not applied any amended or new standards in the year.

2.3. Basic consolidation

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

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

The Non-controlling interest relates to the individual members of the LLP, these amounts are included in Amounts due to members on the Statement of Financial Position.

2.4. Business combinations

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

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

2.5. Going concern

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

The Directors are satisfied that the Group has adequate resources to operate within the level of its current and forecast liabilities. The Group also has a strong focus on working capital management and ensures 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. The Company does not have any obligation to repay long-term debt prior to maturity.

The UK government's decision to withdraw from the European Union (EU), hasn't had a material impact on the Company's business model, however access to EU markets and counterparties remains a focus for Peel Hunt.

Prior to the year under review, Coronavirus was declared a pandemic by the World Health Organisation. The initial uncertainty led to unprecedented and dramatic falls in global equity markets and significant volatility in UK equity prices. During the year, the UK government declared a series of nationwide lockdowns, closing non-essential workplaces, including manufacturing, retail and leisure businesses. The continued closure of UK businesses had a significant strain on their profitability, cash flow and balance sheets.

Peel Hunt has been able to help clients access capital through its Investment Banking division and also helped provide much needed liquidity to UK equity markets through its Execution & Trading team. This has resulted in significant increases in market making volumes during the year to 31 March 2021, leading to an increase in revenue against the original budget

With the advancement of vaccination programmes and government intervention to stimulate the economy, certain industry sectors began to regain market losses. Some industry sectors have continued to adapt and outperform expectations, widening the gap with industry sectors that have suffered a decline due to the pandemic.

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

NOTES TO THE FINANCIAL STATEMENTS

2.6. Critical accounting judgements and key sources of estimation

In the application of the 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, such as the valuation of stocks in non-active markets (see note 20.4.4). Actual results may differ from those estimates.

The Group has awarded certain members and employees units in the Partnership to enable these members or employees to be participate in the profits generated by the Partnership and receive post termination payments equal to the market value of the award at that time upon retirement. The Group exercised judgement in determining the accounting policy for these units and concluded that these units should be accounted for under IAS 19 Employee Benefits.

The units have both a capital value and a distribution value associated with them. The Group makes certain judgements about future events and conditions to determine the value of these units at retirement and the associated expense to be recognised in the period. The value of the units and the expense were calculated using a model based on the present value of future cash flows, with a number of assumptions. Note 5 provides more information about the key assumptions used in the model. Through the initial application of IFRS 16, the Group exercised judgements and certain key estimations such as:

Identifying whether a contract (or part of a contract) includes a lease;

Determination of the appropriate rate to discount the lease payments;

Assessment of whether a right-of-use asset is impaired.

The main assumptions are disclosed in note 26.

2.7. Provisions

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

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

2.8. Revenue

All revenue is derived from services rendered, and is recognised in the income statement when it has been earned and it is probable that the economic benefit from the transaction will be received, in accordance with IFRS 15. Revenue, is recorded net of VAT and comprises:

gross commission from institutional execution business, less commissions paid away under commission sharing agreements, which is recognised on the trade date;

research fees are accrued over the period to which they relate;

fee income from Investment Banking services, less amounts paid to third parties, which is recognised once there is a contractual entitlement for the Partnership to receive it. Investment Banking retainers are accrued over the period for the service is provided;

trading gains and losses from market making activities; and

interest income, which is recognised 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 period have been converted into Sterling at the rates ruling at the time the transactions were executed. All exchange differences are reflected in the income statement.

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 improvements	remaining length of lease
Office equipment	3 to 5 years
Fixtures and fittings	5 years

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

2.11. 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.

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

2.12. Impairment of tangible and intangible assets (excluding goodwill)

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered

NOTES TO THE FINANCIAL STATEMENTS

an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement.

2.13. 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 £9.7m (31 March 2020: £19.8m). 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 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");

Investments not held for trading; and

Loans and receivables.

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

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

it has been acquired principally for the purpose of selling in the near term; or

on initial recognition it is part of a portfolio of identified financial instruments that the Group manage together and has a recent actual pattern of short-term trading; or

it is a derivative that is not recognised and effective as a hedging instrument.

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

such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

it forms part of a contract containing one or more embedded derivatives, and IFRS 9 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

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

Investments not held for trading

The Group has investments in unlisted shares that are not traded in an active market but that are classified as investments not held for trading financial assets and stated at cost.

Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve with the exception of impairment losses. Interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets are recognised directly in profit or loss.

Dividends on Investments not held for trading instruments are recognised in profit or loss when the Company's right to receive the dividends is established.

Loans and receivables

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

NOTES TO THE FINANCIAL STATEMENTS

Impairment of financial assets

The 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. Objective evidence of impairment for a portfolio of receivables could include the 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.

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

In respect of Equity Investments not held for trading securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

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 Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

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

Other financial liabilities

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

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

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

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 Group manages together and has a recent actual pattern of short-term profit-taking; or

it is a derivative that is not designated and effective as a hedging instrument.

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

such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

it forms part of a contract containing one or more embedded derivatives, and IFRS 9 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL.

NOTES TO THE FINANCIAL STATEMENTS

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 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.

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

2.17. Members' remuneration

Contractual remuneration to members of the LLP is charged to the income statement in the financial year. Profits available for distribution are divided amongst Partnership's Members as an allocation against reserves. A certain amount is allocated on a discretionary basis as agreed by the Remuneration Committee with the balance in proportion to the number of units held by each of the Partnership's Members.

2.18. Taxation

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

Current tax

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

Deferred tax

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3. Revenue

Revenue comprises the following:

	Consolidated Year ended 31-Mar-21 £'000	Consolidated Year ended 31-Mar-20 £'000
Commission and trading income	149,934	49,501
Investment Banking fees and retainers	46,940	46,044
Total revenue for the year	**196,874**	**95,545**

Although there are different revenue types, the nature of the Group's activities are considered to be subject to similar economic characteristics and therefore managed as a single business unit.

4. Profit from operations

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

	Consolidated Year ended 31-Mar-21 £'000	Consolidated Year ended 31-Mar-20 £'000
Depreciation and amortisation	1,105	898
Depreciation (Lease – see note 26)	2,528	1,045
Interest (Lease – see note 26)	646	185
Staff costs (see note 5)	23,090	17,490
Auditors remuneration in respect of audit services for the Company	10	7
Auditors remuneration in respect of audit services for other Group Companies	215	158

NOTES TO THE FINANCIAL STATEMENTS

5. Staff costs

	Consolidated Year ended 31-Mar-21 £'000	Consolidated Year ended 31-Mar-20 £'000
Wages and salaries	18,770	14,178
Social security costs	2,273	1,637
Pensions costs	759	683
Other costs	1,288	992
Total staff costs for the year	**23,090**	**17,490**

Wages and salaries includes variable compensation for employees.

During the year, the Partnership awarded certain members and employees units in the LLP to enable these members or employees to participate in the profits generated by the Partnership and receive post termination payments equal to the market value of the unit at that time upon retirement from Peel Hunt Holdings. The provision for future purchases of units is determined using the following key assumptions:

	2021 Members	2020 Members	2021 Employees	2020 Employees
Forfeiture rate	40%	40%	50%	50%
Risk-free interest rate	0.11%	0.50%	0.12%	0.75%
Estimated retirement age (years)	60	60	60	60

The provision for unit awards increased by £0.01m (2020: reduced by £0.02m) during the year to £1.21m (2020: £1.20m), this was recognised in administrative expenses.

The directors conducted a sensitivity analysis considering a 10% variance in the estimated value of the units. Assuming all other variables remain constant, the sensitivity analysis results in a change in administration expenses of +/- £0.13m (2020: +/- £0.13m).

No staff are employed by the Company, other than the directors who receive have no remuneration for qualifying services to the Company. The average number of members and employees of the Group during the year were:

	As at Mar-21	2020/21 Average	As at Mar-20	2019/20 Average
Dealing, sales, research and Investment Banking	205	198	191	185
Support and administration	80	73	67	65
Total number of members and employees	**285**	**271**	**258**	**250**
Members	144	143	138	138
Employees	141	128	120	112
Total number of members and employees	**285**	**271**	**258**	**250**

6. Information in relation to Members of Peel Hunt LLP

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

The highest paid Member's remuneration (including ownership income) for the current year was £9.12m (31 March 2020: £7.16m).

Remuneration of £203,670 (31 March 2020: £115,128) was earned by the independent Non-Executives of Peel Hunt.

NOTES TO THE FINANCIAL STATEMENTS

7. Net finance expense

	Consolidated Year ended 31-Mar-21 £'000	Consolidated Year ended 31-Mar-20 £'000
Finance income:		
Bank interest received	30	118
Finance expense:		
Bank interest paid	(253)	(126)
Interest on lease liabilities	(646)	(185)
Finance expense for the year	(899)	(311)
Net finance expense for the year	**(869)**	**(193)**

8. Other income

	Consolidated Year ended 31-Mar-21 £'000	Consolidated Year ended 31-Mar-20 £'000
Sundry income and rebates	360	142
Total other income for the year	**360**	**142**

9. Tax on profit on ordinary activities

9.1. Tax on profits

Corporation tax is calculated at 19% (2020: 19%) of the estimated taxable profit for the year. Taxation for other jurisdictions is calculated as the rates prevailing in the respective jurisdictions. The tax charge per the Consolidated Statement of Comprehensive Income comprises the following:

	Consolidated Year ended 31-Mar-21 £'000	Consolidated Year ended 31-Mar-20 £'000
Current tax:		
UK Corporation tax for the year	1,240	1,418
Foreign tax for the year	110	158
Adjustments in respect of prior years	205	202
Deferred tax:		
Origination and reversal of timing differences (see note 18)	(9)	(109)
Total tax charge reported in the Consolidated Statement of Comprehensive Income	**1,546**	**1,669**

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-21 £'000	Consolidated Year ended 31-Mar-20 £'000
Profit before tax on continuing operations	**121,489**	**35,362**
Tax at the UK corporation tax rate of 19% (2020: 19%)	23,083	6,719
Tax effect of profit attributable to non-controlling interest	(21,819)	(5,483)
Tax effect of expenses not deductible for tax	320	390
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	59	97
Ultimate parent company relief utilised	(261)	(225)
Adjustments in respect of prior years	205	202
Temporary differences	(41)	(31)
Total tax charge reported in the Consolidated Statement of Comprehensive Income	**1,546**	**1,669**

NOTES TO THE FINANCIAL STATEMENTS

10. Property, plant and equipment

As at 31 March 2021	Leasehold buildings and improvements £'000	Artwork £'000	Office equipment £'000	Fixtures and fittings £'000	Consolidated Total £'000
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 2020	Leasehold buildings and improvements £'000	Artwork £'000	Office equipment £'000	Fixtures and fittings £'000	Consolidated Total £'000
Balance at 1 April 2019	**3,149**	**29**	**2,091**	**698**	**5,967**
Additions during the year	247	6	481	28	**762**
Disposals during the year	-	-	-	-	-
Balance at 31 March 2020	**3,396**	**35**	**2,572**	**726**	**6,729**
Accumulated depreciation					
Balance at 1 April 2019	**(2,397)**	-	**(1,581)**	**(530)**	**(4,508)**
Charge for the year	(442)	-	(370)	(30)	(842)
Balance at 31 March 2020	**(2,839)**	-	**(1,951)**	**(560)**	**(5,350)**
Carrying value at 31 March 2020	**557**	**35**	**621**	**166**	**1,379**

During the year the Group moved offices from Moor House to 100 Liverpool Street, leading to an increase in leasehold improvements, office equipment and fixtures and fittings.

As at 31 March 2021 the Company did not have any property, plant and equipment (31 March 2020: £nil).

NOTES TO THE FINANCIAL STATEMENTS

11. Intangible assets

As at 31 March 2021	Sports Debentures £'000	Computer Software £'000	Consolidated Total £'000
Cost			
Balance at 1 April 2020	14	1,038	1,052
Additions during the year	-	16	16
Balance at 31 March 2021	**14**	**1,054**	**1,068**
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	**4**	**86**	**90**

As at 31 March 2020	Sports Debentures £'000	Computer Software £'000	Consolidated Total £'000
Cost			
Balance at 1 April 2019	14	943	957
Additions during the year	-	95	95
Balance at 31 March 2020	**14**	**1,038**	**1,052**
Accumulated amortisation			
Balance at 1 April 2019	(10)	(876)	(886)
Charge for the year	-	(56)	(56)
Balance at 31 March 2020	**(10)**	**(932)**	**(942)**
Carrying value at 31 March 2020	**4**	**106**	**110**

As at 31 March 2021 the Company did not have any intangible assets (31 March 2020: £nil).

NOTES TO THE FINANCIAL STATEMENTS

12. Investments not held for trading

	Consolidated 31-Mar-21 £'000	Consolidated 31-Mar-20 £'000
Investments not held for trading at the beginning of the year	20	99
Not held for trading investments sold	-	(79)
Investments not held for trading at fair value	**20**	**20**

As at 31 March 2021 the Company did not have any Investments not held for trading (31 March 2020: £nil).

13. Investments held to maturity

	Consolidated 31-Mar-21 £'000	Consolidated 31-Mar-20 £'000
Sports Debenture	48	48
Investments held to maturity	**48**	**48**

The investments held to maturity relate to four debentures, which are carried at amortised cost and are redeemable at par on 31 August 2080.

As at 31 March 2021 the Company did not have any investments held to maturity (31 March 2020: £nil).

14. Securities held for trading

	Consolidated 31-Mar-21 £'000	Consolidated 31-Mar-20 £'000
Long positions in market making and dealing operations:		
- Listed securities	46,608	53,561
- Unlisted securities	688	663
Long securities held for trading	**47,296**	**54,224**
Short positions in market making and dealing operations:		
- Listed securities	(33,400)	(36,074)
- Unlisted securities	(327)	(524)
Short securities held for trading	**(33,727)**	**(36,598)**

As at 31 March 2021 the Company did not have securities held for trading (31 March 2020: £nil).

NOTES TO THE FINANCIAL STATEMENTS

15. Cash collateral

	Consolidated 31-Mar-21 £'000	Consolidated 31-Mar-20 £'000
Cash collateral	1,631	496
Total cash collateral	**1,631**	**496**

The LLP 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 balance sheet. The cash advanced is recorded on the balance sheet 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 2021 the Company did not have cash collateral (31 March 2020 £nil).

16. Trade and other debtors

	Consolidated 31-Mar-21 £'000	Consolidated 31-Mar-20 £'000
Trade receivables	1,814	2,875
Less: provision for impairment	(223)	(224)
Net trade receivables	1,591	2,651
Accrued income	2,441	1,355
Deposits paid for property license	135	236
Amounts due from related companies	6,675	6,330
Prepayments	2,269	1,941
Other debtors	2,702	860
Total trade and other debtors	**15,813**	**13,373**

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

As at 31 March 2021, the Company only held trade and other debtors of £2.4m of amounts due from related companies (31 March 2020: £2.9m).

17. Cash and cash equivalents

	Company 31-Mar-21 £'000	Company 31-Mar-20 £'000	Consolidated 31-Mar-21 £'000	Consolidated 31-Mar-20 £'000
Cash in hand and held at bank	-	-	103,355	42,122
Total cash and cash equivalents	**-**	**-**	**103,355**	**42,122**

Cash held in segregated bank accounts relating to monies held on behalf of clients amounted to £1.02m at 31 March 2021 (31 March 2020: £2.2m) and is excluded from the amounts above. Client money relates to amounts received in the ordinary course of settlement of clients' bargains and received in advance for the purchase of securities.

NOTES TO THE FINANCIAL STATEMENTS

18. Deferred tax

	Consolidated 31-Mar-21 £'000	Consolidated 31-Mar-20 £'000
Deferred tax asset comprises:		
Capital allowances:		
Brought forward	279	223
Amounts credited to the profit and loss	14	56
Carried forward	**293**	**279**
Other:		
Brought forward	138	85
Amounts (debited)/credited to the profit and loss	(5)	53
Carried forward	**133**	**138**
Total deferred tax asset carrying value	**426**	**417**

The deferred tax asset of £0.4m (31 March 2020: 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 and start-up costs incurred in relation to Peel Hunt Inc.

The Company has £nil unrelieved losses not recognised as a deferred tax asset (31 March 2020: £nil).

19. Trade and other creditors

	Company 31-Mar-21 £'000	Company 31-Mar-20 £'000	Consolidated 31-Mar-21 £'000	Consolidated 31-Mar-20 £'000
Accruals and deferred income	25	25	12,310	6,021
Amounts due to related companies	4,478	4,998	-	-
Social security and PAYE	-	-	200	304
Corporation tax payable	-	-	768	689
Other creditors	-	-	860	1,228
Total trade and other creditors	**4,503**	**5,023**	**14,138**	**8,242**

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

NOTES TO THE FINANCIAL STATEMENTS

20. Financial instruments

20.1. Capital structure

The capital of the Company and its subsidiaries is structured in the form of issued share capital and retained earnings.

The Group is regulated by the Financial Conduct Authority and as such is subject to certain regulatory capital requirements as defined by Capital Requirement Regulation (CRR) EU575/2013..

20.1.1. 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-21 £'000	Company 31-Mar-20 £'000	Consolidated 31-Mar-21 £'000	Consolidated 31-Mar-20 £'000
Financial assets measured at fair value through profit and loss				
Securities held for trading	-	-	47,296	54,224
Loans and receivables				
Market and client debtors	-	-	531,178	515,527
Trade and other debtors	2,436	2,958	14,475	12,802
Amounts due from members	-	-	62	-
Not held for trading				
Equity investments not held for trading	-	-	20	20
Cash				
Cash and cash equivalents	-	-	103,355	42,122
Total financial assets	**2,436**	**2,958**	**696,386**	**624,695**
Financial liabilities measured at fair value through profit and loss				
Securities held for trading	-	-	(33,727)	(35,598)
Financial liabilities at amortised cost				
Market and client creditors	-	-	(464,796)	(465,190)
Trade and other creditors	(4,503)	(5,023)	(10,600)	(7,851)
Amounts due to members	-	-	(113,448)	(30,532)
Borrowings	-	-	-	(7,500)
Total financial liabilities	**(4,503)**	**(5,023)**	**(622,571)**	**(546,671)**

NOTES TO THE FINANCIAL STATEMENTS

20.2. Risk management overview

The Risk Management function of Peel Hunt, which also covers Peel Hunt Inc. is responsible for:

monitors the Group's risk profile against the approved risk appetite;

has responsibility for ensuring effective risk management and control through the maintenance and implementation of the Enterprise-Wide Risk Management Framework and associated standards and policies;

the implementation and maintenance of the Enterprise-Wide Risk Management Framework (EWRMF) and associated standards and policies ;

providing oversight and challenge of functional business units in their management of risk;

sets the agenda for and provides challenge at the Group's Risk Management Forum; and

provides updates to the Risk Committee and to the Board on the risks facing the Group.

The main governance forums for risk and control issues are the Risk Committee, the Audit Committee and the Risk Management Forum ('RMF').

The RMF meets on a monthly basis and reports into the Risk Committee. The main purpose of the RMF is to 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 RMF has certain specified delegated authority from the Board's Risk Committee.

The New Business Request ('NBR') Committee reports into the RMF. The main purpose of the Committee is to approve (or reject) and oversee the controlled implementation of all new business activity, with appropriate escalation to the Risk Committee, the Executive Committee ('ExCo') and the Board.

20.3. Risk management framework

A formal Risk Appetite Statement (RAS') has been approved by the Board and is reviewed on an annual basis.

The RAS formalises the risk appetite of the LLP 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 Management acts as the second line of defence, providing oversight and challenge of the first line. Risk Management is also responsible for assisting internal audit (the 'third line of defence') and overseeing training to staff regarding risk management standards and the risk appetite.

The LLP maintains a risk register which lists all the key risks to which the Partnership 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 Risk Committee, to ensure that risks are being identified and managed appropriately and that any management actions arising therefrom are being completed on a timely basis.

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

20.4. 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.

Peel Hunt controls market risk using strict aggregate trading and individual position limits for the Execution and Trading business. The Execution & Trading 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).

NOTES TO THE FINANCIAL STATEMENTS

20.4.1. Equity price risk

Equity price risk is the risk of loss through changes in market prices. Peel Hunt 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.

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

The 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 of +/- £0.7m (2020: +/- £0.9m).

20.4.2. 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 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 £0.2m (2020: £0.1m).

20.4.3. 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 Group's functional currency, expressed in Sterling equivalent:

	Consolidated 31-Mar-21 £'000	Consolidated 31-Mar-20 £'000
Net assets		
Euro	265	294
US Dollar	296	1,213
Other	471	(32)
Total currency exposure	**1,032**	**1,475**

The Group conducted a sensitivity analysis on a 5% strengthening and weakening of Sterling against foreign currency exposures at 31 March 2021. Assuming all other variables remain constant, the sensitivity analysis results in a change in net income of +/- £0.05m (2020: +/- £0.07m).

NOTES TO THE FINANCIAL STATEMENTS

20.4.4. 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).

As at 31 March 2021	Level 1 £'000	Level 2 £'000	Level 3 £'000	Consolidated Total £'000
Financial assets at fair value through profit and loss				
Securities held for trading	46,231	377	688	**47,296**
Not held for trading				
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)**

As at 31 March 2020	Level 1 £'000	Level 2 £'000	Level 3 £'000	Consolidated Total £'000
Financial assets at fair value through profit and loss				
Securities held for trading	53,278	283	663	**54,224**
Not held for trading				
Equity investments not held for trading	-	-	20	**20**
Total financial assets at 31 March 2020	**53,278**	**283**	**683**	**54,244**
Financial liabilities at fair value through profit and loss				
Securities held for trading	(35,064)	(1,010)	(524)	**(36,598)**
Total financial liabilities at 31 March 2020	**(35,064)**	**(1,010)**	**(524)**	**(36,598)**

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 at FVTPL or Equity investments not held for trading financial assets.

NOTES TO THE FINANCIAL STATEMENTS

20.4.5. Credit risk

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

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

Pre-settlement risk is equal to the loss Peel Hunt would suffer if the counterparty fails to deliver securities, or pay for securities as agreed (DVP). The exposure is measured from trade date on settlements and is calculated based upon an estimate of the replacement cost of the trade if the counterparty were to 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 (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 Group is exposed to credit risk relating to non-trade receivables. Exposures to this risk are monitored on a monthly basis by reviewing outstanding balances.

The Group is exposed to underwriting risks where it underwrites investment transactions on behalf of clients of the Peel Hunt. 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 LLP Board. Market positions which arise from underwriting are managed in accordance with the market risk policy.

The Group is also exposed to credit risk relating to Cash and cash equivalents. Exposures to this risk is monitored on a daily basis using the guidance provided by Risk Committee on diversification limits. The table below reflects the age analysis of financial assets:

		Past due but not impaired					**Company**
	Neither past due nor impaired	0-3 months	3-6 month	6-12 month	> 1 year	Impaired	**Carrying value before impairment**
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**

		Past due but not impaired					**Company**
	Neither past due nor impaired	0-3 months	3-6 month	6-12 month	> 1 year	Impaired	**Carrying value before impairment**
As at 31 March 2020	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**
Trade and other debtors	2,958	-	-	-	-	-	**2,958**
Total financial assets at 31 March 2020	**2,958**	**-**	**-**	**-**	**-**	**-**	**2,958**

NOTES TO THE FINANCIAL STATEMENTS

		Past due but not impaired					Consolidated
	Neither past due nor impaired	0-3 months	3-6 month	6-12 month	> 1 year	Impaired	Carrying value before impairment
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**
Loans and receivables							
Market and client debtors	435,461	94,484	486	431	316	-	**531,178**
Trade and other debtors	5,834	550	165	75	167	28	**7,014**
Not held for trading							
Equity investments not held for trading	20	-	-	-	-	-	**270**
Cash							
Cash and cash equivalents	103,355	-	-	-	-	-	**103,355**
Total financial assets at 31 March 2021	**591,966**	**95,034**	**651**	**506**	**483**	**28**	**689,113**

		Past due but not impaired					Consolidated
	Neither past due nor impaired	0-3 months	3-6 month	6-12 month	> 1 year	Impaired	Carrying value before impairment
As at 31 March 2020	£'000	£'000	£'000	£'000	£'000	£'000	**£'000**
Financial assets measured at fair value through profit and loss							
Securities held for trading	54,224	-	-	-	-	-	**54,224**
Loans and receivables							
Market and client debtors	408,096	106,135	362	508	426	-	**515,527**
Trade and other debtors	5,052	-	-	-	-	26	**5,276**
Not held for trading							
Equity investments not held for trading	20	-	-	-	-	-	**270**
Cash							
Cash and cash equivalents	42,122	-	-	-	-	-	**42,122**
Total financial assets at 31 March 2020	**509,514**	**106,135**	**362**	**508**	**426**	**26**	**617,419**

NOTES TO THE FINANCIAL STATEMENTS

The Group's non-cash at bank counterparty and credit risk exposures are categorised by the following credit ratings (where credit ratings could be obtained):

	Company 31-Mar-21 %	Company 31-Mar-20 %	Consolidated 31-Mar-21 %	Consolidated 31-Mar-20 %
Rating				
AAA-A rated	0.0	0.0	25.5	15.8
BBB-B rated	0.0	0.0	10.0	14.1
Unrated institutions and brokers	100.0	100.0	37.8	46.2
Other unrated	0.0	0.0	26.7	23.9
Total	**100.0**	**100.0**	**100.0**	**100.0**

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

20.5. 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, strict trading systems controls that limit the amount of funding for trading activities. Further consideration of liquidity is conducted in the monthly Risk Management Forum. Peel Hunt also monitors liquidity in the trading book by conducting an ageing process on inventory and setting aside a reserve based on the age of each position. Operationally, this highlights at weekly intervals the areas of the trading portfolio that carry liquidity risk.

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

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

	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**

	Less than 1 year	1 - 2 years	2 - 5 years	Greater than 5 years	Company Total
As at 31 March 2020	£'000	£'000	£'000	£'000	**£'000**
Trade and other creditors	-	-	-	4,998	**4,998**
Total financial liabilities at 31 March 2020	**-**	**-**	**-**	**4,998**	**4,998**

NOTES TO THE FINANCIAL STATEMENTS

As at 31 March 2021	Less than 1 year £'000	1 - 2 years £'000	2 - 5 years £'000	Greater than 5 years £'000	**Consolidated Total £'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
Total financial liabilities at 31 March 2021	**588,844**	**-**	**-**	**-**	**588,844**

As at 31 March 2020	Less than 1 year £'000	1 - 2 years £'000	2 - 5 years £'000	Greater than 5 years £'000	**Consolidated Total £'000**
Market and client creditors	465,190	-	-	-	465,190
Amounts due to members	30,532	-	-	-	30,532
Trade and other creditors	7,851	-	-	-	7,851
Borrowings	7,500				7,500
Total financial liabilities at 31 March 2020	**511,073**	**-**	**-**	**-**	**511,073**

NOTES TO THE FINANCIAL STATEMENTS

20.6. Operational risk

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

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

Implementation of the Enterprise-Wide Risk Management Framework and Operational Risk Management Policy, which together set out how operational risk should be: defined; identified and classified; assessed and analysed; and managed, monitored and reported;

Risk Management, which ensures that all potential and existing operational risks within Peel Hunt 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 any resulting management actions, to the Risk Committee;

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.

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

20.7. Business risk

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

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

NOTES TO THE FINANCIAL STATEMENTS

21. Borrowings

	31-Mar-21 £'000	31-Mar-20 £'000
Bank Facility	-	7,500
Total short-term loans	**-**	**7,500**

The Group has borrowing facilities of £17.5m available, of which none were drawn, as at 31 March 2021 (31 March 2020: £7.5m).

22. Long-term loans

Neither the Group nor the Company hold any long-term loans (31 March 2020: £nil)

23. Ordinary share capital

The ordinary share capital of the Company comprises the following:

	31-Mar-21 £	31-Mar-20 £
Issued		
A ordinary shares: 25,000,002 shares at 0.1p each(31 March 2020: 25,000,002 shares at 0.1p each)	25,000	25,000
B ordinary shares: 73,618,125 shares at 0.1p each (31 March 2020: 73,618,125 shares at 0.1p each)	73,618	73,618
Total ordinary share capital	**98,618**	**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 75,000,000 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.

NOTES TO THE FINANCIAL STATEMENTS

24. Investment in joint venture

The Partnership holds a 50% share in a private company, which was acquired on 27 November 2013. The investment was previously fully impaired given low to nil prospects of future revenues.

25. Cash generated from operations

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

	Company	Company	Consolidated	Consolidated
	31-Mar-21 £'000	31-Mar-20 £'000	31-Mar-21 £'000	31-Mar-20 £'000
Profit for the period	**4,498**	**2,000**	**121,489**	**35,362**
Adjustments for:				
Depreciation and amortisation	-	-	3,632	1,943
Impairment loss on loans and receivables	-	-	30	(94)
Lease charges	-	-	-	(355)
Increase/(decrease) in provisions	-	-	203	(405)
FX movement on deferred tax asset	-	-	5	(13)
Net finance costs	-	-	869	193
Change in working capital:				
Decrease in net securities held for trading	-	-	4,057	5,913
Increase in net market and client debtors	-	-	(16,045)	(22,302)
Decrease/(Increase) in trade and other debtors	522	(2,551)	(2,470)	(2,893)
Increase/(Decrease) in net amounts due to members	-	-	(31,981)	(9,728)
(Decrease)/increase in trade and other creditors	(520)	2,051	5,817	1,121
Cash generated from operations	**4,500**	**1,500**	**85,606**	**8,742**
Interest received	-	-	30	118
Corporation tax paid	-	-	(1,489)	(1,342)
Net cash generated from operations	**4,500**	**1,500**	**84,147**	**7,518**

NOTES TO THE FINANCIAL STATEMENTS

26. Lease liabilities

During the year, the Partnership 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. Peel Hunt Inc. had two office facilities under lease, the first expired on 28 February 2021 and the second expires on 30 September 2024

	31-Mar-21 £'000	31-Mar-20 £'000
Depreciation expense in relation to premises leases	(2,528)	(1,045)
Interest expense in relation to premises leases	(646)	(185)
Net operating cost in relation to premises leases	**(3,174)**	**(1,230)**

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 Partnership and 6% for the leases held in relation to Peel Hunt Inc.

As at 31 March 2021 the Group held a balance for right-of-use assets and lease liabilities of:

Right-of-use assets **For the year ended:**	**31-Mar-21** **£'000**	**31-Mar-20** **£'000**
Balance at 1 April	2,309	3,485
Addition	20,902	1,069
Disposal	-	(1,200)
Revaluation of Right-of-use-asset	(166)	-
Depreciation charge	(2,528)	(1,045)
Right-of-use assets	20,517	2,309

Lease liabilities **For the year ended**	**31-Mar-21** **£'000**	**31-Mar-20** **£'000**
Balance at 1 April	(2,383)	(4,116)
Addition	(20,902)	(1,069)
Disposal	-	1,554
Interest expense	(646)	(185)
Revaluation of Lease liability	120	-
Lease payments	1,247	1,433
Lease liabilities	(22,564)	(2,383)

At 31 March 2021 the Group was committed to making the following payments in respect of leases:

Land and buildings	**31-Mar-21** **£'000**	**31-Mar-20** **£'000**
Outstanding commitments		
Within one year	311	1,275
Within two to five years	13,009	1,330
Over 5 years	14,280	-
	27,600	**2,605**

NOTES TO THE FINANCIAL STATEMENTS

27. Share based payments

The company established the Peel Hunt Partner Share Option Plan ("PSOP") and Peel Hunt Employee Share Option Plan ("ESOP") in the year ended 31 March 2016. Any applicable share awards under the ESOP and/or PSOP have been recognised in the Ultimate controlling party.

28. Investment in subsidiary

The Company directly holds 100% of the ordinary share capital of Peel Hunt Holdings Limited which is registered in England and Wales.

The investment in subsidiary is accounted for at cost which totals £59.1m (2020: £59.1m) and there has been no indication of impairment since the prior year.

29. Related party transactions

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

29.1. Transactions with group companies

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

The intra-group balance disclosed in note 16 relates to transactions with the ultimate controlling party, PH Capital Limited. The balance outstanding as at 31 March 2021 is a receivable from PH Capital Limited of £2.4m (31 March 2020: receivable of £2.9m).

The intra-group balance disclosed in note 19 relates to transactions with Peel Hunt LLP and Peel Hunt Holdings. The balance outstanding as at 31 March 2021 is a payable to Peel Hunt Holdings of £4.27m (31 March 2020: payable of £2.47m) and a payable to Peel Hunt LLP of £0.20m (31 March 2020: payable of £0.20m).

29.2. Key management remuneration

Peel Hunt's key management personnel is comprised of members of the Executive Committee, Management Committee and Risk Committee. The total fixed and variable remuneration paid to key management amounted to £20,739,067 for the year ended 31 March 2021 (31 March 2020: £7,414,835).

30. Ultimate controlling party

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