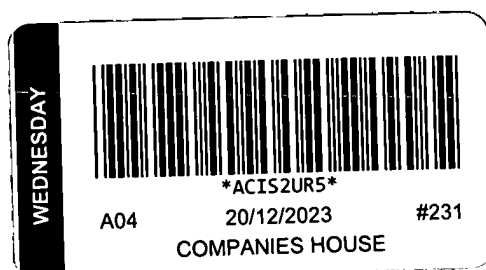


PEEL HUNT

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

PEEL HUNT PARTNERSHIP GROUP LIMITED
07246104



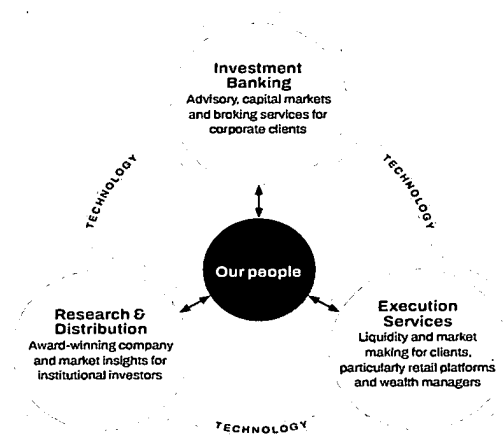
CONTENTS

	Page(s)
Strategic report	2-7
Directors' report	8-10
Directors' responsibilities statement	11
Independent auditors' report	12-14
Consolidated statement of comprehensive income	15
Consolidated and Company statement of financial position	16-17
Consolidated and Company statement of changes in equity	18
Consolidated and Company statement of cash flows	19
Notes to the financial statements	20-51

STRATEGIC REPORT

Our Business Model

Peel Hunt LLP, the UK Group's main trading subsidiary, is a specialist UK investment bank with over 300 people in the UK. Our business model differs from most competitors in two ways. First, alongside serving institutions and corporate clients, we also serve retail investors through intermediaries. By serving retail intermediaries through our Execution Services division, we diversify our business and as a result, have a reduced exposure to the capital markets cycle. Through the significant retail volumes we execute, we gain better insights into the investment ecosystem, which, in turn, benefits our institutional and corporate clients. Second, we act as one firm: we consider a client of one business area to be a client of the whole firm. Whichever service we provide, they have our whole team behind them. Our business model is supported by our refined strategic priorities, which are designed to help us build on our strengths and become more focused, ambitious and systematic in our approach to growth.



Market review

FY23 has been characterised by a challenging economic and market environment – higher inflation and rising interest rates, as well as continued geopolitical uncertainty, have continued to weigh heavily on investor confidence. This has led to particularly low capital markets activity and lower trading volumes. Our focus during the year has been on maintaining the strength and resilience of our business and ensuring a focus on strong liquidity management, delivering on our key strategic priorities and also containing some of the inflationary and post-IPO cost increases the business has faced.

Business Review

Full-year revenues dropped to £82.3m, which, when combined with the inflationary and post-IPO increases in our cost base, led to a loss after tax of £0.3m for the year. Despite the financial results, the business remains well capitalised and has been resilient in the face of extremely difficult markets. We have a strong balance sheet following the IPO, and we maintain a large portfolio of liquid, short-term equities, as well as some government bonds, both of which can provide funding to the business at short notice.

Investment Banking

Peel Hunt's integrated Investment Banking model provides corporate clients with advice on and services in Equity Capital Markets (ECM), M&A, Private Capital Markets, Retail Capital Markets, Debt Advisory, Corporate Broking and Investor Relations. The UK Group has eight specialist sector teams and 155 (31 March 2022: 162) retained corporate clients, with an average market capitalisation of £690.5m.

Investment Banking revenue was affected by the uncertain global economic environment throughout the year and FY23's unusually low capital markets activity. The downturn has suppressed client activity and stalled IPO mandates. As a result, our revenue for the year was down 59.6% to £23.4m, compared with £57.9m in FY22.

Overall, we acted on 27 ECM transactions over FY23, versus 46 in FY22. Nonetheless, we worked on a number of successful secondary fundraising transactions with a total value of £829.6m and acted on a number of high profile public M&A transactions. During the year we added 19 new retained corporate clients, including 39 in the FTSE 350, resulting in a 5.8% increase in our retained income.

We have continued to strengthen our Private Capital Markets capabilities, enabling us to act for public and private companies alike. We have also invested in our Debt Advisory business. We continue to receive new mandate enquiries and have a number of pipeline deals that we expect to execute when market conditions permit.

STRATEGIC REPORT

Execution services

Our Execution Services business covers execution, market making and trading. We make markets in over 16,000 instruments in over 60 markets, including UK and overseas equities, ETFs, investment trusts and fixed income securities. We are a registered market maker on the London Stock Exchange (LSE), Instinet, Acquis Stock Exchange and International Property Securities Exchange. Our trading platform, which uses proprietary technology, provides liquidity to our customers and clients. We provide bespoke dealing and execution services for institutional asset managers, registrars, private client wealth managers and private banks. In FY23, our trading platform processed approximately 113 million quotes, representing approximately £83.8bn in value. We are a leading provider of retail liquidity executing 56,700 trades per day on average.

The Execution Services team has performed well despite the challenging economic climate, generating revenue of £33.8m (FY22: £46.1m). Crucially, we retained a leading market position with a 13% share of LSE volume, ahead of our pre-pandemic market share. Systematic Trading and Investment Trusts performed in-line with expectations. Fixed Income has outperformed given the greater trading opportunities in fixed income securities this year. The capital and funding we've applied to the trading business has yielded positive returns in difficult markets. We have not completely avoided the market turbulence, with lower trading volumes, particularly in small-cap and AIM stocks, but the revenue we have generated has contributed to the resilience of the business overall.

Research and Distribution

Our Research team has been ranked number 1 for six years in the Institutional Investor Survey for UK Small & Midcap Research (2026-2022). Our Research team produces in-depth research on 433 UK companies and investment trusts with a team of 41-strong analysts covering 19 sectors – one of the widest coverages by a mid- and small-cap research team.

Our Distribution team was ranked number 1 in the 2022 Institutional Investor survey for UK Small & Midcap Sales and Execution. We have a 46-strong sales, sales/trading and core trading team distributing globally to UK, European, North American, Middle Eastern and Asian clients. We cover all major categories of equity investor including long-only institutions, hedge funds, sovereign wealth funds, private equity, private wealth managers and family offices with 1,243 institutional relationships.

Research & Distribution has had another stable, resilient year, despite the challenges in the macroeconomic landscape. Revenue from research payments and execution commissions was down 6.9% at £25.1m (FY22: £27.0m). Although market volumes fell, we saw momentum in new account openings in both formal research agreements and trading accounts. Our business has shown resilience and stability under difficult circumstances this year. The experience and consistency of our research, distribution and core trading teams have been more important than ever as we stepped forward to help our clients navigate challenging markets.

Strategic priorities

During the last year of challenging markets, we have refined our strategic priorities and set the direction of the business for the next five years. This will help us continue to diversify our business, and will position us well for when the market cycle turns. The executive team set the vision and framework, and commissioned a group made up of members from both the Executive Board and the Management Committee to develop the work, encouraging them to explore ideas for the kind of business we want to be. This collaborative process resulted in us setting five strategic priorities to help us become more focused, ambitious and systematic in our approach to growth.

We aim to extend our leading liquidity provision, expand our investment banking capabilities, advance our position as a distribution powerhouse, embed technology in everything we do and leverage our unique culture to boost performance.

Review of performance

Financial and operational highlights

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

- Revenue for the year amounted to £82.3m (31 March 2022: £131.0m). Our revenue performance was down on the previous year as a result of particularly low capital markets activity.
- Loss before tax (LBT) for the year amounted to £0.6m (31 March 2022: profit before tax of £45.3m). This reflects a weaker revenue performance, combined with increasing costs relating to inflationary pressures and post-IPO cost increases.
- Net assets maintained at £103.6m (31 March 2022: £103.9m). Net assets remained strong notwithstanding FY23 financial results.
- Cash balances amounted to £24.6m (31 March 2022: £67.0m). Our cash position remained adequate, after settlement of pre-IPO commitments and investment in the trading book.
- Carbon intensity ratio of 5.9 kgCO₂e per sqft (31 March 2022: 5.0 kgCO₂e per sqft)
- Our combined culture and engagement surveys resulted in employee engagement of 78% (31 March 2022: 82%). We scored 7.8 out of 10, which is 0.4 below last year. Our score was reflective of the financial services sector average of 79%. The drop against last year is against the backdrop of challenging capital markets.

Revenue

No revenue is generated by the Company other than distribution income as its principal activity is to act as the intermediate holding company of the UK Group and a corporate member of Peel Hunt LLP. No distribution income was received from Peel Hunt LLP during the year (31 March 2022: £13.3m). Revenue earned by the UK Group mainly relates to revenue generated by Peel Hunt LLP.

STRATEGIC REPORT

Section 172 Statement

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

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

Stakeholder	Why it is important to engage? What is the impact of the engagement?	How Management and/or Directors engaged? What were the key topics/priorities of engagement?
Our people	Our business depends on the great people who work at Peel Hunt LLP. By empowering our people to succeed, they will be able to contribute to our long-term success and act in the best interests of our clients and other stakeholders. By fostering a diverse, inclusive and safe working environment, our people are supported, able to thrive and contribute to our success.	<ul style="list-style-type: none"> This year, we held a number of 'Culture Jam' sessions – an opportunity for our people to have a structured discussion around their needs and wants. Following the last engagement survey the Human Resources ("HR") team has continued to focus on its wellbeing programme, especially on mental health awareness and new family support platforms including the Parents and Carers Network. HR has worked with Investment Banking on the new graduate programme and supported the creation of a scholarship scheme as well as the business's increased Diversity, Equity and Inclusion (DEI) initiatives. In response to employees, Peel Hunt has enhanced business communications around its strategy, purpose and strategic goals. We are also looking at implementing a corporate title structure and IT is working to implement more collaborative tools.
Our shareholder	Our shareholder provides the equity capital for our business. Engagement with the shareholder is key to our success and our aim to create long-term sustainable shareholder value.	<ul style="list-style-type: none"> We prioritise regular dialogue with our shareholder to offer objective information about our strategic priorities and performance, and to discuss how we're delivering our strategy and driving future growth. The Board members for the Company are the same as those for parent company Peel Hunt Limited thus the Company operates within the strategy set out by the parent Company.
Our clients	The UK Group's business depends on working together with clients to create value. By engaging regularly with our clients, we can better understand their needs and see how we can best serve them. This enables us to maintain the partnership ethos which has been a key component of our culture.	<ul style="list-style-type: none"> We gather feedback from our clients, to understand how we can structure what we do in a way that best meets their needs. We have many channels to communicate with our clients, from emails, calls and digital channels, to conferences and meetings, social and special events, and relationship reviews. The Board is updated on client engagement by the Chief Executive officer ("CEO") as part of his report to the Board, and by the business heads in their presentations to the Board and informal interactions with the Board.
Our regulators	The UK Group works in a highly-regulated environment and we operate to a high ethical and professional standard, supported by our strong internal culture. We consider that it is key to have positive and constructive relationships with our regulators	<ul style="list-style-type: none"> We operate an open, transparent and cooperative relationship with the Group's regulators, including the Financial Conduct Authority ("FCA", the London Stock Exchange ("LSE"), the Takeover Panel and Acquis Stock Exchange ("AQSE"). Working with regulators ensures we are able to comply with regulatory requirements and gives insight into upcoming regulatory trends and developments. Throughout our business, from Board level through to executive management and our people, we ensure compliance with applicable regulations in respect of the way in which we conduct our business and in the decisions we make. The Board is kept apprised of material communications with our regulators, through regular reports from the Group Chief Risk Officer (CRO) and the Head of Group Compliance. Interactions with and communications from our regulators influence the development of our risk and control framework, culture and conduct initiatives and policies, and remuneration structures.

STRATEGIC REPORT

Section 172 Statement continued

Stakeholder	Why it is important to engage? What is the impact of the engagement?	How Management and/or Directors engaged? What were the key topics/priorities of engagement?
Our suppliers	We work with key suppliers across our business. They supply us with essential products and services, which enable us to deliver for our clients. Partnering and collaborating with our suppliers help us to drive progress on delivering our purpose and strategy, and ensures the security of supply of all our services to meet our clients' needs.	<ul style="list-style-type: none"> • Key supplier reviews consisting of due diligence assessments. • Regular review meetings to discuss and assess service levels. • Monitoring and reviewing performance and value delivery of all contracted Service Level Agreements and Key Performance Indicators. • Face to face meetings. • Day-to-day communication.

By aligning our decision-making to the vision, values and purpose of the Company, alongside strategic priorities and due consideration of all stakeholders, we strive to achieve outcomes that are crucial to the short-, medium- and long-term success of the business. The below table shows how we have considered the interests and needs of stakeholders in our key decisions this year.

Key decisions	What we did	Consideration of stakeholders in our key decisions
Appointment of new Board Chair and Company Secretary	In July 2022, the Board formally appointed Lucinda Riches as Chair of the Board. Lucinda brings a wealth of relevant experience to the Board having formerly been Global Head of Equity Capital Markets and a member of the board at UBS Investment Bank. Lucinda also brings best practice governance experience from her other board roles including notably FTSE 100 company Ashtead Group plc. At the same time, our General Counsel Michael Lee was appointed as Company Secretary to support Lucinda and the Board as a whole in delivering excellent governance for all our stakeholders.	The Board considered all stakeholders in its selection and appointment of Lucinda as Chair of the Board. Lucinda's considerable and highly relevant experience will ensure that under her stewardship stakeholders' interests are protected. In appointing our General Counsel as statutory Company Secretary for the Group, the Board took into account that Michael has over a decade of experience as general counsel at a listed financial services peer.
Reviewing and challenging the proposed strategy refinement and approving targeted investments in line with the new strategy	During and in the period following the IPO, the Board received a number of presentations from the senior management team as to the strategic direction of the business and of the front office business areas. The dedicated Board strategy day in October 2022 culminated in the development of a five-year strategic plan with clear priorities and targeted investments to support delivery	A clear strategy is key to ensuring maximisation of shareholder value and gives direction and clarity of purpose to our people. In considering investments to deliver the strategy, the Board and management carefully balance costs and opportunities in considering the level and timing of investment.
Considering the M&A landscape and inorganic growth opportunities	The Board, along with our advisors, regularly considers the M&A landscape including opportunities for inorganic growth.	The Board regularly considers opportunities to grow the business in a strategic and financially accretive manner to maximise shareholder value.

Principal Risks and Uncertainties

The senior management 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 Board.

The day-to-day management of risks within the UK Group is performed by the front office and support functions with the second line monitoring performed by the Risk and Compliance department. The Group Audit Committee appointed a Big 4 audit firm as the Group's independent internal audit function as part of the third line of defence. The Chief Audit Executive with the support of the Big 4 audit firm provides an independent assessment of the adequacy and satisfactory application of the risk and control framework and reports directly to the Group Audit Committee.

Capital Risk

There is a risk that we don't retain sufficient capital resources to meet our ongoing business and regulatory obligations. We are prudent and proactive in our capital management, ensuring we always hold capital in excess of regulatory requirements. We regularly stress test our positions against severe scenarios. We have retained a healthy capital surplus with adequate capital for ongoing business operations and stressed scenarios.

Liquidity Risk

There is a risk that we are unable to meet our financial liabilities as they fall due. We maintain a prudent level of liquidity and funding to meet our normal business activity and increasing regulatory requirements.

STRATEGIC REPORT

Liquidity Risk continued

We also run regular stress tests to ensure we have sufficient liquidity in severe scenarios. We have retained a healthy liquidity surplus.

However, given the poor business environment, we have enhanced liquidity forecasting and stress testing to ensure we could withstand a prolonged downturn in conditions.

Market Risk

There is a risk of losses on financial instruments arising from movements in market prices. We manage our trading activities in a balanced and well-disciplined way. We maintain a diversified portfolio and, where appropriate, hedge exposures. We monitor multi-level limits and regularly test our positions in stressed scenarios. We have continued to operate a diversified portfolio across our market-making books, limiting our exposure to single stock losses and demonstrated good discipline in an environment of reduced trading activity and periodic bouts of volatility.

Credit Risk

There is a risk of financial loss from a counterparty failing to discharge an obligation. We monitor our exposures against limits on trading counterparties, investment banking underwriting and delivery versus payment settlement. We regularly stress test our positions against severe scenarios. We have continued to monitor the external credit environment, recognising the risk of increased defaults. Trading has continued to be focused on reputable, high credit quality institutions with no significant exposures as a result.

Conduct Risk

There is a risk that we do not adequately consider the impact of our actions on clients, consumers and financial markets. We promote a culture where good conduct, risk awareness and positive client outcomes are a key part of how we operate, from how we design our products and services, through to client delivery. We have further matured our internal approach to monitoring and managing conduct, ensuring closer working relationships across HR, Risk and Compliance functions alongside updated remuneration and risk-adjustment policies. We have also enhanced our operational resilience processes and have made good progress on the implementation of the Financial Conduct Authority ("FCA")'s Consumer Duty.

Regulatory Risk

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

Financial crime risk

There is a risk that we do not protect ourselves and our clients from money laundering, terrorist financing, bribery, corruption and tax evasion. We have robust policies and procedures and all our people complete mandatory financial crime training to help detect, prevent and report financial crime. The training includes: anti-money laundering and counter-terrorist financing, fraud, market abuse and the Criminal Finances Act. We robustly screen all our people and clients before they join us. We maintain robust cyber defences. We have continued to operate our policies and procedures, with an ongoing focus on sanctioned individuals as a result of the continued war in Ukraine.

General operational risk

There is a risk of loss due to a failure of internal processes, people or systems or external events. We have a robust operational risk management approach, including strong governance and escalation of risks and issues. We also employ scenario analysis and stress tests on significant operational risks. We have observed and learned from external events, such as cyber attacks, and are taking steps to increase our resilience as a result.

Digital and cyber security risk

There is a risk that client, employee or business confidential information may be accidentally lost or deliberately exploited, or that critical business services are not available. We have implemented robust, layered, preventative and detection controls. We promote high awareness of cyber and information security across Peel Hunt and maintain appropriate business continuity, disaster recovery and incident response plans. We have continued to enhance our digital and cyber security controls, monitoring the external environment on the changing nature of attacks and technology developments, such as ChatGPT, and their implications for cyber security. We are also reviewing our data loss prevention controls to allow us to continue to mature our approach to protecting our data.

STRATEGIC REPORT

People risk

There is a risk that we fail to attract, motivate and retain people. We have a strong focus on conduct, ethics and values, and foster a collaborative working environment and culture. We offer continuous professional development and provide support, advice and training to our people, so they can meet their full potential. We have maintained a hybrid approach to working, balancing the benefits of home and office working for our people. We continued our award-winning wellbeing programme. We are also in the process of enhancing incentives for eligible people.

Environmental, social and governance (ESG) issues

There is a risk that we fail to operate in a manner consistent with our stakeholders' ESG expectations. We implement our strategy in a responsible and sustainable manner to deliver positive outcomes for all our stakeholders. We also make sure that the strategic partners we work with share our values. Our Board-level ESG Committee is now well established, and we have set targets for diversity and carbon reduction this year. Our DEI and Sustainability Forums have launched initiatives in support of these targets.

Strategic and business model Risk

There is a risk that we are not able to deliver our strategy or achieve our objectives, or that external factors prevent us from doing so. We have a clear strategy, which has been communicated across the Group, and is a critical factor in all our decision-making. We scan the external environment for changes that may have a negative financial impact on our business. We have refined our strategy following input from the Board, executive and senior management and external advisors to ensure that we understand what is required to deliver on our strategic priorities and the key risks that may prevent us from doing so.

Reputational risk

There is a risk that damage to our reputation could limit our ability to attract and retain new business and to access funding sources. We maintain high standards at all times in the way we conduct our business and the way we work with stakeholders. Our Social, Ethical, Environment and Reputational (SEER) Committee carries out independent reviews of investment banking transactions and clients when necessary. We have continued to consider the reputational impact of our decisions and partnerships.

Financial risk management objectives and policies

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

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

Approved by Board on 12 July 2023

Signed on behalf of the Board by:



Steven Fine – Director
12 July 2023

DIRECTORS' REPORT

The Board of Peel Hunt Partnership Group Limited (the "Board") presents the report and the audited financial statements (the "accounts") of Peel Hunt Partnership Group Limited (the "Company") and its subsidiaries (together the "UK Group") for the year ended 31 March 2023.

Principal activities

The Company is the holding company of Peel Hunt Partnership Limited ("PHPL"), Peel Hunt LLP (the "LLP" or "Peel Hunt"), P.H Nominees Limited and Peel Hunt Nominees Limited. The UK Group's principal activities are Investment Banking, Research and Distribution and Execution Services in UK mid cap and growth companies to institutional clients, wealth managers and private client brokers.

Structure

Peel Hunt Partnership Group Limited ("PHPGL") is incorporated as a private company limited by shares, with registered office situated in England and Wales under company number 07246104 on 6 May 2010. The Company is a wholly-owned subsidiary of the ultimate controlling party of the UK Group, Peel Hunt Limited. PHPL is a wholly-owned subsidiary of the Company and is also the corporate Member of Peel Hunt LLP. The registered address of the Company is 7th Floor, 100 Liverpool Street, London EC2M 2AT.

Board

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

Directors

Darren Carter
Sunil Dhall
Steven Fine
Simon Hayes (Resigned 07 July 2022)
Maria Bentley (Appointed 04 April 2022)
Elizabeth Blythe
Richard Brearley
Lucinda Riches

Corporate Governance

The UK Group operates its governance structure through the PHPGL Board, the PHPL Board and the LLP Board. The UK Group is committed to the principles of governance best practice.

PHPGL Board

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

PHPL Board

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

LLP Board (the "Executive Board")

The Executive Board meets formally at least six times a year, and otherwise as required. The Executive Board is responsible for providing oversight and management of the profitable development of the LLP, in line with current strategic plans and objectives. The Executive Board is also responsible for managing the LLP's risks and setting the tone of culture and conduct within the LLP. As at the year end, the Executive Board comprised of Executive Management which is led by the CEO. There are a number of committees that report directly to the Executive Board.

Further details on these committees can be found in the Annual Report and Financial Statements of Peel Hunt Limited for the year ended 31 March 2023.

Results

Refer to the strategic report for business and financial review.

DIRECTORS' REPORT

Going Concern

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

The Directors have assessed the UK Group's projected business activities and available financial resources together with a detailed cash flow forecast for the next 18 months from the date these financial statements were approved. The Directors have used a base case and a severe but plausible downside scenario to perform the going concern assessment.

The base case scenario assumes:

- Long-term sustainable growth of the UK Group as approved by the Board in the UK Group's five-year business plan, including continued growth in corporate clients
- Increased interest rates, as well as inflationary pressures on all cost categories
- Continued strategic investment in the UK Group, particularly in relation to technology and Execution Services

The severe but plausible downside scenario assumes:

- Worsening of the economic climate from the current historic low levels, continuing to keep capital market activity low and trading volumes reduced
- An operational event occurs reducing profitability and cash
- Management continue to rationalise cost where possible

The results of the scenario analysis consider the impact on profitability, cash, liquid assets, regulatory capital and covenant requirements. The severe but plausible downside scenario also includes active management of the UK Group's liquid assets in order to ensure the UK Group's ability to repay its long-term loans as required, which would remove any potential covenant constraints. In view of the UK Group's available financial resources, the Directors believe that the UK Group is well placed to manage its business risks successfully.

The Directors are satisfied that the UK Group has adequate resources to continue in operational existence for a period of at least 12 months from the date these financial statements are approved and for the foreseeable future. The UK Group has a strong focus on working capital management to ensure the payment of the UK Group's liabilities as they fall due. There is also a focus on monitoring the regulatory capital resource and requirements of Peel Hunt LLP and the UK regulatory group to ensure that all regulatory capital and liquidity requirements and covenant requirements are met.

Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements for the year ended 31 March 2023.

Equal opportunities

Our employment policies are based on a commitment to provide equal opportunity, from the selection and recruitment process through to training, development, appraisal and promotion. We do not discriminate between employees or prospective employees on the grounds of age, race, disability, religion, gender or any other criteria. We provide our people with information about things that matter to them through CEO regular video updates, quarterly company updates and voluntary lunch and learn sessions among others.

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

Political donations

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

Charitable contributions

The UK Group made charitable contributions amounting to £50,345 (31 March 2022: £50,000) during the year.

Directors' indemnities

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

DIRECTORS' REPORT

Streamlined Energy and Carbon Reporting (SECR)

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

	31 March 2023 £'000	31 March 2022 £'000
Total energy use covering electricity, gas, heat and transport (kWh)	914,558	823,545
Total emissions generated through combustion of gas (tCO ₂ e)	0	0
Total emissions generated through use of purchased electricity (tCO ₂ e)	206	220
Total emissions generated through business travel (tCO ₂ e)	0	0
Total carbon emissions (tCO ₂ e)	28	14
Total gross emissions (tCO ₂ e)	234	234
Carbon intensity ratio (kgCO ₂ e per sqft)	6	5

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

Information included in the Strategic report

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

Independent Auditors

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

Approved by the Board on 12 July 2023.

Signed on behalf of the Board by:



Steven Fine - Director
12 July 2023

DIRECTORS' RESPONSIBILITIES STATEMENT IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Report and 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 UK Group and the Company financial statements in accordance with UK-adopted international accounting standards.

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the UK Group and Company will continue in business.

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

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

Directors' confirmations

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

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

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

Approved by Board on 12 July 2023

Signed on behalf of the Board by:

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke, representing the signature of Steven Fine.

Steven Fine – Director
12 July 2023

INDEPENDENT AUDITORS' REPORT

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

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the UK Group's and of the Company's affairs as at 31 March 2023 and of the UK Group's loss and the UK Group's and Company's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions 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 Report and Financial Statements (the "Annual Report"), which comprise: the Consolidated and Company Statements of Financial position as at 31 March 2023; the Consolidated Statement of Comprehensive Income; the Consolidated and Company Statements of Changes in Equity; and the Consolidated and Company Statements of Cash Flows 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 UK 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 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 UK 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 UK 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.

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.

INDEPENDENT AUDITORS' REPORT

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 2023 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 UK 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 UK 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 UK 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 UK Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of the rules of the Financial Conduct Authority ("FCA"), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Enquiries of management and review of internal audit reports in so far as they related to the financial statements;
- Identifying and testing journal entries meeting specific fraud criteria, including those posted at non-routine times, backdated journals, unexpected account combinations or journals with unusual words and blank descriptions;
- Incorporating unpredictability into the nature, timing and/or extent of our testing;
- Challenging the significant assumptions and judgements made by management in key accounting estimates; and
- Review of correspondence and reports to the regulators.

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.

Use of this report

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

INDEPENDENT AUDITORS' REPORT

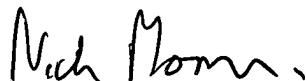
Other required reporting

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.



Nick Morrison (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
13 July 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March

Continuing activities	Note	Consolidated Year ended 31 March 2023 £'000	Consolidated Year ended 31 March 2022 £'000
Revenue	3	82,314	131,024
Administrative expenses		(80,949)	(75,285)
Profit from operations	4	1,365	55,739
Finance income	7	653	21
Finance expense	7	(2,794)	(1,338)
Other income	8	180	819
(Loss)/profit before members' remuneration and tax		(596)	55,241
Members' remuneration charged as an expense	6	–	(9,908)
(Loss)/profit before tax for the year		(596)	45,333
Tax	9	269	(5,190)
(Loss)/profit for the year		(327)	40,143
Other comprehensive income for the year	12	–	27
Total comprehensive (expense)/income for the year		(327)	40,170
<i>Attributable to:</i>			
Owners of the Company		(327)	15,149
Non-controlling interests		–	24,994
(Loss)/profit for the year		(327)	40,143
<i>Attributable to:</i>			
Owners of the Company		(327)	15,176
Non-controlling interests		–	24,994
Total comprehensive (expense)/income for the year		(327)	40,170

Other comprehensive income is not recycled to profit and loss.

The notes on pages 20-51 form part of these financial statements.

CONSOLIDATED AND COMPANY STATEMENTS OF FINANCIAL POSITION

As at 31 March

Company Number – 65579	Notes	Company As at 31 March 2023 £'000	Company As at 31 March 2022 £'000	Consolidated As at 31 March 2023 £'000	Consolidated As at 31 March 2022 £'000
ASSETS					
Non-current assets					
Property, plant and equipment	10	–	–	8,051	9,305
Intangible assets	11	–	–	718	110
Investments in subsidiaries	26	252,900	252,900	–	–
Right-of-use assets	25	–	–	15,328	17,418
Intercompany loan	20	15,000	15,000	–	–
Deferred tax asset	17	–	–	266	165
Total non-current assets		267,900	267,900	24,363	26,998
Current assets					
Securities held for trading	13	–	–	54,144	50,341
Market and client debtors	19.1	–	–	471,504	559,485
Trade and other debtors	15	15,015	19,858	38,480	26,603
Cash and cash equivalents	16, 19.1	–	–	24,619	69,953
Total current assets		15,015	19,858	588,747	706,382
LIABILITIES					
Current liabilities					
Securities held for trading	13	–	–	(32,062)	(32,705)
Market and client creditors	19.1	–	–	(421,953)	(505,475)
Amounts due to members		–	–	–	(21,837)
Trade and other creditors	18	(6,826)	(11,749)	(4,489)	(16,599)
Lease liabilities	25	–	–	(2,517)	(2,197)
Borrowings	21	–	–	(15,000)	(15,000)
Provisions	28	–	–	(577)	(539)
Total current liabilities		(6,826)	(11,749)	(476,598)	(594,352)
Net current assets		8,189	8,109	112,149	112,030
Non-current liabilities					
Borrowings	21	(15,000)	(15,000)	(15,000)	(15,000)
Lease liabilities	25	–	–	(17,944)	(20,133)
Total non-current liabilities		(15,000)	(15,000)	(32,944)	(35,133)
Net assets		261,089	261,009	103,568	103,895

CONSOLIDATED AND COMPANY STATEMENTS OF FINANCIAL POSITION CONTINUED

As at 31 March

	Note	Company As at 31 March 2023 £'000	Company As at 31 March 2022 £'000	Consolidated As at 31 March 2023 £'000	Consolidated As at 31 March 2022 £'000
EQUITY					
Ordinary share capital		101	101	101	101
Share premium		193,117	193,117	9,327	9,327
Other reserves		30,685	30,685	30,842	30,842
Retained earnings		37,186	37,106	63,298	63,625
Shareholders' equity	22	261,089	261,009	103,568	103,895

The notes on pages 20-51 form part of these 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.

The financial statements on pages 15-19 were approved by the Board of Directors on 12 July 2023 and

signed on its behalf by:



Steven Fine Director

CONSOLIDATED AND COMPANY STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 March

Company

	Ordinary share capital £'000	Share premium £'000	Other reserves £'000	Retained Earnings £'000	Total Equity £'000
Balance as at 1 April 2021	99	–	30,014	26,931	57,044
Profit for the year	–	–	–	10,175	10,175
Other comprehensive income	–	–	–	–	–
Total comprehensive income	–	–	–	10,175	10,175
<i>Transactions with owners</i>					
New shares issued during the year	2	193,117	–	–	193,119
Partner option exercise	–	–	671	–	671
Balance as at 31 March 2022	101	193,117	30,685	37,106	261,009
Profit for the year	–	–	–	80	80
Other comprehensive income	–	–	–	–	–
Total comprehensive income	–	–	–	80	80
Balance as at 31 March 2023	101	193,117	30,685	37,186	261,089

Group

	Ordinary share capital £'000	Share premium £'000	Other reserves £'000	Retained Earnings £'000	Total Equity £'000
Balance as at 1 April 2021	99	–	30,144	49,212	79,455
Profit for the year	–	–	–	15,149	15,149
Other comprehensive income	–	–	27	–	27
Total comprehensive income	–	–	27	15,149	15,176
<i>Transactions with owners</i>					
New shares issued during the year	2	9,327	–	–	9,329
Partner option exercise	–	–	671	–	671
Group transfer of Peel Hunt Inc.	–	–	–	(736)	(736)
Balance as at 31 March 2022	101	9,327	30,842	63,625	103,895
Loss for the year	–	–	–	(327)	(327)
Other comprehensive income	–	–	–	–	–
Total comprehensive expense	–	–	–	(327)	(327)
<i>Transactions with owners</i>					
Share based payment expense	–	–	–	647	647
Share based payment expense recharged	–	–	–	(647)	(647)
Dividends paid	–	–	–	–	–
Balance as at 31 March 2023	101	9,327	30,842	63,298	103,568

The notes on pages 20-51 form part of these financial statements.

CONSOLIDATED AND COMPANY STATEMENTS OF CASH FLOWS

For the year ended 31 March

	Note	Company Year ended 31 March 2023 £'000	Company Year ended 31 March 2022 £'000	Consolidated Year ended 31 March 2023 £'000	Consolidated Year ended 31 March 2022 £'000
Net cash generated from/(used in) operations	24	1,050	–	(39,528)	(71,934)
Cash flows from investing activities					
Capital introduced to subsidiary	26	–	(10,000)	–	–
Purchase of property, plant and equipment	10	–	–	(461)	(1,345)
Purchase of intangible assets	11	–	–	(682)	(6)
Disposal of equity investments not held for trading	12	–	–	–	47
Loan to subsidiary	20	–	(15,000)	–	–
Net cash used in investing activities		–	(25,000)	(1,143)	(1,304)
Cash flows from financing activities					
Interest paid	7	(1,050)	–	(1,924)	(469)
Dividends paid		–	–	–	–
Capital introduced	26	–	10,000	–	10,000
Lease liability payments	25	–	–	(2,739)	–
Group transfer of Peel Hunt Inc.		–	–	–	(366)
Proceeds from options exercise		–	–	–	671
Increase in borrowings	21	–	15,000	–	30,000
Net cash (used in)/generated from financing activities		(1,050)	25,000	(4,663)	39,836
Net decrease in cash and cash equivalents		–	–	(45,334)	(33,402)
Cash and cash equivalents at beginning of period		–	–	69,953	103,355
Cash and cash equivalents at the end of the year	16	–	–	24,619	69,953

The notes on pages 20-51 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 General Information

Peel Hunt Partnership Group Limited is a private limited company, registered in England and Wales. Its registered office is 7th Floor, 100 Liverpool Street, London EC2M 2AT. The consolidated financial statements of the Company comprises the Company and its subsidiaries, together referred to as the "UK Group". The Company and its subsidiaries are domiciled in England and Wales.

The financial statements are presented in sterling and all values are rounded to the nearest thousand pounds (£'000) except where indicated otherwise.

Significant accounting policies applied in the preparation of the financial statements are described below. These policies have been applied consistently throughout the financial year and the prior year.

2 Significant accounting policies

2.1. Basis of preparation

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

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

The financial statements have been prepared on the historical cost basis, except for derivatives, financial assets and liabilities which are valued at fair value through profit and loss (FVTPL) and fair value through other comprehensive income (FVTOCI). Historical cost is generally based on the fair value of the consideration given in exchange for the assets. The principal accounting policies adopted are set out below.

2.2. New and amended standards

2.2.1 New standards, interpretations and amendments effective from 1 April 2022:

There are no new standards, interpretations and amendments that became mandatorily effective for the current reporting period and had any material effect on the financial statements of the UK Group and Company.

2.2.2 New standards, interpretations and amendments not yet effective:

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

- i) IFRS 17 Insurance contracts, effective from 1 January 2023
- ii) Amendments to IAS 1 and IFRS Practice statement 2, effective from 1 January 2023
- iii) Amendments to IAS 8, effective from 1 January 2023
- iv) IAS 12 Income Taxes, effective from 1 January 2023
- v) IFRS 16 Leases, effective from 1 January 2024
- vi) IAS 1 Presentation of financial statements, effective from 1 January 2024

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

2.3. Basis of consolidation

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

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

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

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

2.3. Basis of consolidation continued

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

2.4. Business combinations

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

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 (2008) are recognised at their fair value at the acquisition date. Acquisitions of subsidiaries and businesses under common control are accounted for by applying the predecessor accounting method, where all combining entities are controlled by the same entity before and after the business acquisition.

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

2.5. Going concern

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

The Directors have assessed the UK Group's projected business activities and available financial resources together with a detailed cash flow forecast for the next 18 months from the date these financial statements were approved. The Directors have used base case and severe but plausible scenarios to perform the going concern assessment.

The base scenario assumes:

- Long-term sustainable growth of the UK Group as approved by the Board in the UK Group's five-year business plan, including continued growth in corporate clients
- Increased interest rates, as well as inflationary pressures on all cost categories
- Continued strategic investment in the UK Group, particularly in relation to technology and Execution Services

The severe but plausible downside scenario assumes:

- Worsening of the economic climate from the current historic low levels, continuing to keep capital market activity low and trading volumes reduced
- An operational event occurs reducing profitability and cash
- Management continue to rationalise cost where possible

The results of the scenario analysis consider the impact on profitability, cash, liquid assets, regulatory capital and covenant requirements. The severe but plausible downside scenario also includes active management of the UK Group's liquid assets in order to ensure the UK Group's ability to repay its long-term loans as required, which would remove any potential covenant constraints. In view of the UK Group's available financial resources, the Directors believe that the UK Group is well placed to manage its business risks successfully.

The Directors are satisfied that the UK Group has adequate resources to continue in operational existence for a period of at least 12 months from the date these financial statements are approved and for the foreseeable future. The UK Group has a strong focus on working capital management to ensure the payment of the UK Group's liabilities as they fall due. There is also a focus on monitoring the regulatory capital resource and requirements of Peel Hunt LLP and the UK regulatory group to ensure that all regulatory capital and liquidity requirements and covenant requirements are met.

Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements for the year ended 31 March 2023.

2.6. Critical accounting judgements and key sources of estimation

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

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

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

The estimates and underlying assumptions are reviewed on an ongoing basis.

Carrying value of the parent company's investment in subsidiaries

The Directors have identified an indication of a potential impairment of the investment in subsidiaries, as the carrying value of these investments is currently higher than the Group's market capitalisation. Group refers to Peel Hunt Limited and its subsidiaries. As a result, a full impairment assessment has been performed. In the process of determining the value in use, the Directors have considered the following:

- The assumptions inherent in the five-year business plan approved by the Group Board and the long-term sustainable growth of the UK Group
- The assumptions regarding growth in corporate clients, return on funding of market-making activities taking considering regulatory capital requirements and risk limits, and macroeconomic factors such as levels of market and client activity
- Future cash flows have been discounted at an appropriate weighted average cost of capital (WACC) for the UK Group. The WACC has been estimated with reference to industry benchmarks thus is subject to fluctuations beyond the Directors' control
- A suitable terminal growth rate has been applied consistent with long-term forecasts for UK GDP growth

Considering the results of the impairment assessment the Directors conclude that they are satisfied that no impairment exists.

Sensitivity analysis

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

- A 1 percentage point decrease in the terminal growth rate would result in a 4% decrease in value in use reducing the available headroom by £13m to £33m
- A 1 percentage point increase in WACC would result in a 11% decrease in value in use reducing the available headroom by circa £33m to £12m
- A 9% decrease in revenue in the terminal year would result in the value in use being equal to the carrying amount of the investment in subsidiaries, reducing the headroom £nil

2.7. Provisions

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

The UK Group applies IFRS 15 Revenue from contracts with customers. IFRS 15 establishes a five-step model governing revenue recognition. The five-step model requires the UK Group to (i) identify the contract with the customer, (ii) identify each of the performance obligations included in the contract, (iii) determine the amount of consideration in the contract, (iv) allocate the consideration to each of the identified performance obligations and (v) recognise revenue as each performance obligation is satisfied. All revenue is recognised at a point in time basis, with the exception of investment banking retainers and research payments as outlined below.

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

Revenue is recorded net of VAT and comprises of:

- Research payments are accrued over the financial year to which they relate in respect of payments for agreed research services. Where contracts between the UK Group and each of its research clients are discretionary, the commission is recorded based on variable consideration derived from the most recent level of research provided, updated for recent events or communications with the client. Commission from institutional execution business, less commissions paid away under commission sharing agreements, is recognised on the trade date
- Revenue from advisory and investment banking services, less amounts paid to third parties, which is recognised when the performance obligations have been met and the UK Group is contractually entitled to receive the fees
- Retainers are accrued over the financial year for which the service is provided, which reflects the period the performance obligations relate to, and are based on a contract between the UK Group and the client
- Trading gains and losses from market-making activities for long and short positions on a trade date basis i.e. the date the trades are executed, and comprises all gains and losses from changes in the fair value of financial assets and liabilities through profit and loss, together with any related dividends on positions held

2.9. Foreign currency translation

Foreign currency assets and liabilities have been translated into sterling at the exchange rates ruling at the reporting date. Transactions in foreign currencies during the financial year have been converted into sterling at the rates ruling at the time the transactions were executed. All exchange differences are reflected in the statement of comprehensive income.

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

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

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

Notes to the financial statements

2.11. Intangible assets

Intangible assets represent internally generated intangible assets, computer software and sports debentures. 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
- The cost of the asset can be measured reliably

Internally generated intangible assets comprise of capitalised development costs for certain technology developments for key projects in the UK Group. The costs incurred in the research phase of these internal projects are expensed. Development costs of an individual project are recognised as an intangible asset if, and only if, the UK Group can demonstrate:

- the technical feasibility of completing the development;
- that it will be available for use or resale;
- its ability to complete and its intention to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the development; and
- the ability to reliably measure the costs during the development.

Following initial recognition, intangible assets are stated at cost less accumulated amortisation, and where applicable, accumulated impairment losses. Amortisation begins when the asset is available for use. Amortisation is charged to the income statement within the administrative expenses line on a straight-line basis over the estimated useful economic lives of each item. Internally generated intangible assets are amortised over three years, computer software is amortised over five years and sports debentures are amortised over the life of the ticket rights.

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

2.12. Impairment of non-financial assets

Tangible and intangible assets

At each reporting date, the UK Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any).

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

Investments in subsidiaries

At the end of each reporting date a review for indicators of impairment is undertaken in respect of investment in the ordinary shares of subsidiaries. Factors considered in the review include UK Group market capitalisation versus carrying amount of the investment in subsidiaries and economic viability and expected future financial performance of the UK Group. If there is an indicator of impairment, the Directors undertake a full impairment assessment. An impairment loss is recognised in the income statement when the investments in subsidiaries carrying amount exceeds the recoverable amount.

The recoverable amount is calculated as the higher of the value in use (VIU) or fair value less costs to sell (FVLCTS). VIU is derived from the present value of future cash flows expected to be received from the UK Group. Refer to Note 2.6 for judgements and estimates made in relation to the impairment assessment performed.

2.13. Market and client debtors and creditors

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

Market and client creditor balances represent unsettled purchased securities transactions and are recognised on a trade date basis. When there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability immediately, market and client debtors and creditors are offset, and the net amount reported in the consolidated statement of financial position. Market and client debtor and creditor balances in these financial statements include agreed counterparty netting of £11.9m (31 March 2022: £17.4m). Otherwise, all debtor and creditor balances are shown gross and are stated at their contractual values.

2.14. Financial instruments

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

2.14.1. Financial assets

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

Financial assets are classified into the following categories:

- Financial assets at fair value through profit or loss (FVTPL)
- Financial assets at fair value through other comprehensive income (FVTOCI)
- Financial assets held at amortised cost (AC)

Financial assets are classified on the basis of two criteria:

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

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

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

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
- On initial recognition it is part of a portfolio of identified financial instruments that the UK Group manages together and has a recent actual pattern of short-term trading
- It is a derivative that is not recognised and effective as a hedging instrument

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

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

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

Financial assets at FVTOCI

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

2.14.1. Financial assets continued

The UK Group has an irrevocable election to treat these equities at fair value through other comprehensive income and accumulate these gains and losses in other reserves as they relate to investments in unlisted shares that are not traded in an active market. Interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets are recognised directly in profit or loss.

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

Financial assets held at amortised costs

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

Financial assets are initially recorded at fair value and subsequently measured at amortised cost if they are held within a business model whose objective is to hold the financial assets in order to collect contractual cash flows and their contractual cash flows represent SPPI. Financial assets held at amortised cost are measured at amortised cost using the effective interest method, less any impairment. Interest income, which is recognised on an accrued basis using the effective interest method is reported in the income statement.

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.

Impairment of financial assets

Provisions for expected credit losses for trade receivables are recognised based on the simplified approach within IFRS 9. Under the simplified impairment approach, the measurement basis for the credit loss allowance is lifetime Expected Credit Losses (ECL). The UK Group elected to use a simplified 'provision matrix' for calculating expected losses as an IFRS 9 practical expedient. The provision matrix is based on the UK Group's historical default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates.

The lifetime ECL is calculated by multiplying the relevant default rate (i.e historical default rates plus adjustments for forward-looking estimates) per ageing bucket with the corresponding trade receivable. The provision for ECL is recognised in the income statement. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

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

Derecognition of financial assets

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

2.14.2. Financial liabilities and equity

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

Equity instruments

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

Financial liabilities

Financial liabilities are classified as either financial liabilities at FVTPL or financial liabilities at amortised cost. Financial liabilities at amortised cost (also includes borrowings) are initially measured at fair value, net of transaction costs, and subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective interest basis.

Notes to the financial statements

2.14.2. Financial liabilities and equity continued

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial instrument 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 selling it in the near term
- On initial recognition it is part of a portfolio of identified financial instruments that the UK Group manages together and has a recent actual pattern of short-term profit-taking
- It is a derivative that is not designated and effective as a hedging instrument

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

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise. This is also true for contracts containing one or more embedded derivatives
- 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 UK Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement 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.

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

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the UK Group uses its incremental borrowing rate. The lease liability is presented as a separate line in the consolidated statement of financial position. The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

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

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

2.16. Pensions

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

2.17. Members' remuneration

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

2.18. Taxation

Current tax

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

Deferred tax

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the financial year 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 UK Group intends to settle its current tax assets and liabilities on a net basis.

Other tax matters

During the prior period there was no requirement to accrue for individual income tax due by the external members, amounts were retained by the UK Group on behalf of the members to ensure that future income tax liabilities in respect of income from the UK Group were met.

2.19. Cash and cash equivalents

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

2.20. Share-based payments

Peel Hunt Limited issues equity-settled share-based awards to employees of the UK Group through share options under the Peel Hunt Long Term Incentive Plan (LTIP). The LTIP provides the rules under which the Restricted Share Plan (RSP) awards were granted. Share options are awarded to employees taking into account the requirements of the Investment Firms Prudential Regime (IFPR). On Vesting, employees are awarded shares in Peel Hunt Limited the parent company.

Equity-settled share-based payment schemes are measured at fair value, excluding the effect of non-market-based vesting conditions if any, at the date of grant using an appropriate option pricing model. Share options under the RSP have been valued using Black Scholes-Merton option pricing model. The RSP scheme require the estimation of appropriate forfeiture rate to estimate the number of share options which are likely to vest. The fair value of the share options is recognised over the vesting period to reflect the value of the employee services received. The charge relating to grants to employees of the UK Group is recognised as an expense in the Consolidated Statement of Comprehensive Income.

Notes to the financial statements

3 Revenue

Revenue comprises the following:

	Consolidated Year ended 31 March 2023 £'000	Consolidated Year ended 31 March 2022 £'000 Restated
Research payments and Execution commission	25,093	26,963
Execution Services revenue	33,810	46,113
Investment Banking revenue	23,411	57,948
Total revenue for the year	82,314	131,024

Although there are different revenue types, the UK Group's activities are considered to be subject to similar economic characteristics and therefore managed as a single business unit. All material revenue was generated from the UK Group's activities within the UK. Included within investment banking revenue are retainers amounting to £8.8m (2022: 8.3m).

We have reclassified £3.5m from Research payments and Execution commission to Execution services revenue in the prior year to be better match how the business is managed. The effect of the reclassification is immaterial in the current year.

4 Loss/profit from operations

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

	Consolidated Year ended 31 March 2023 £'000	Consolidated Year ended 31 March 2022 £'000
Depreciation and amortisation	1,789	1,761
Lease depreciation (see Note 25)	2,090	2,090
Staff costs (see Note 5)	46,315	50,726
Other non-staff costs	30,452	20,438
Auditors' remuneration in respect of Company	15	15
Auditors' remuneration in respect of subsidiaries	186	160
Audit-related assurance services	102	95
Total administrative expenses	80,949	75,285

Audit-related assurance services relates to the Peel Hunt LLP Client Money and Custody Assets (CASS) audit. Other non-staff costs comprise expenses incurred in the normal course of business, including technology costs, premises costs, professional and regulatory fees, brokerage, clearing and exchange fees.

5 Staff costs

	Consolidated Year ended 31 March 2023 £'000	Consolidated Year ended 31 March 2022 £'000
Wages and salaries	38,232	32,682
Social security costs	5,437	4,795
Other Pensions costs	2,623	1,473
Other costs	23	711
Total staff costs for the year	46,315	39,661
Members' remuneration charged as an expense	-	9,908
Total staff costs and members' remuneration charged as an expense for the year	46,315	49,569

Wages and salaries include variable compensation for employees.

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

	As at 31 March 2023	2022/23 Average	As at 31 March 2022	2021/22 Average
Dealing, sales, research and corporate advisory	201	206	204	205
Support and administration	103	104	99	88
Total number of members and employees	304	310	303	293
Members	-	-	-	72
Employees	304	310	303	221
Total number of members and employees	304	310	303	293

6 Members' remuneration charged as an expense

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

As at 31 March 2023, there are two members of Peel Hunt LLP: Peel Hunt Partnership Group Limited and Peel Hunt Partnership Limited. The highest paid member's remuneration for the current year was £nil (2022: £12.7m).

7 Net finance expense

	Consolidated Year ended 31 March 2023 £'000	Consolidated Year ended 31 March 2022 £'000
Finance income		
Bank interest received	653	21
Finance expense		
Bank interest paid	(50)	(73)
Interest on lease liabilities	(870)	(868)
Interest accrued on loans	(1,874)	(397)
Finance expense for the year	(2,794)	(1,338)
Net finance expense for the year	(2,141)	(1,317)

8 Other income

	Consolidated Year ended 31 March 2023 £'000	Consolidated Year ended 31 March 2022 £'000
Sundry income and rebates	180	819
Total other income for the year	180	819

9 Tax

9.1. Tax on (loss)/profit

Since the UK is the primary tax jurisdiction for the UK Group the corporation tax is calculated at 19% (2022: 19%) of the estimated taxable profit for the year. Note, corporation tax will increase to 25% from 1 April 2023 for profits above £250,000. The tax (credit)/charge per the consolidated statement of comprehensive income comprises the following:

	Consolidated Year ended 31 March 2023 £'000	Consolidated Year ended 31 March 2022 £'000
Current tax:		
UK Corporation tax for the year	10	3,458
Adjustments in respect of prior years	(179)	1,605
Deferred tax:		
Origination and reversal of timing differences (see Note 17)	(100)	127
Total tax (credit)/charge reported in the consolidated statement of comprehensive income	(269)	5,190

9.2. Reconciliation of tax charge

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

	Consolidated Year ended 31 March 2023 £'000	Consolidated Year ended 31 March 2022 £'000
(Loss)/profit before tax on continuing operations	(596)	45,333
Tax at the UK corporation tax rate of 19% (2022: 19%)	(113)	8,613
Tax effect of profit attributable to non-controlling interest	—	(4,749)
Tax effect of expenses not deductible for tax	349	(132)
Ultimate parent company relief utilised	(340)	(383)
Origination and reversal of timing differences	(100)	127
Adjustments in respect of prior years	(179)	1,605
Temporary differences	114	109
Total tax (credit)/charge reported in the consolidated statement of comprehensive income	(269)	5,190

10 Property, plant and equipment

	Leasehold buildings and improvements £'000	Other Assets £'000	Office equipment £'000	Fixtures and fittings £'000	Consolidated Total £'000
2023					
Cost					
Balance at 1 April 2022	11,426	34	4,334	1,495	17,289
Additions during the year	168	–	228	65	461
Disposals during the year	–	–	–	–	–
Balance at 31 March 2023	11,594	34	4,562	1,560	17,750
Accumulated depreciation					
Balance at 1 April 2022	(4,183)	–	(3,020)	(781)	(7,984)
Charge for the year	(882)	–	(639)	(194)	(1,715)
Disposals during the year	–	–	–	–	–
Balance at 31 March 2023	(5,065)	–	(3,659)	(975)	(9,699)
Carrying value at 31 March 2023	6,529	34	903	585	8,051
2022					
Cost					
Balance at 1 April 2021	10,973	35	3,703	1,462	16,173
Peel Hunt Inc. Transfers out of Group	(22)	(1)	(90)	(116)	(229)
Additions during the year	475	–	721	149	1,345
Disposals during the year	–	–	–	–	–
Balance at 31 March 2022	11,426	34	4,334	1,495	17,289
Accumulated depreciation					
Balance at 1 April 2021	(3,320)	–	(2,478)	(621)	(6,419)
Peel Hunt Inc. Transfers out of Group	(1)	–	162	1	162
Charge for the year	(862)	–	(704)	(161)	(1,727)
Disposals during the year	–	–	–	–	–
Balance at 31 March 2022	(4,183)	–	(3,020)	(781)	(7,984)
Carrying value at 31 March 2022	7,243	34	1,314	714	9,305

11 Intangible assets

Group

	Intellectual Property in Progress	Internal Software Intellectual Property	Sports Debentures	Computer Software	Consolidated Total
2023	£'000	£'000	£'000	£'000	£'000
Cost					
Balance at 1 April 2022	–	–	62	1,060	1,122
Additions during the year	682	–	–	–	682
Transfers (out)/in	(551)	551	–	–	–
Balance at 31 March 2023	131	551	62	1,060	1,804
Accumulated amortisation					
Balance at 1 April 2022	–	–	(14)	(998)	(1,012)
Charge for the year	–	(45)	–	(29)	(74)
Balance at 31 March 2023	–	(45)	(14)	(1,027)	(1,086)
Carrying value at 31 March 2023	131	506	48	33	718
2022					
			Sports Debentures £'000	Computer Software £'000	Consolidated Total £'000
Cost					
Balance at 1 April 2021			62	1,054	1,116
Additions during the year			–	6	6
Balance at 31 March 2022			62	1,060	1,122
Accumulated amortisation					
Balance at 1 April 2021			(10)	(968)	(978)
Charge for the year			(4)	(30)	(34)
Balance at 31 March 2022			(14)	(998)	(1,012)
Carrying value at 31 March 2022			48	62	110

Intellectual property in progress and Internal software intellectual property are internally generated intangible assets that are directly attributable to the development costs for individual internal projects that are capitalised based on management's assessment of the likelihood of a successful outcome for each project. This is based on the management's judgement that the project is technologically, commercially and economically feasible. The completed internal projects are transferred out of the Intellectual property in progress account to Internal software intellectual property account when the software is available for use.

See Note 2.11 for a description of the accounting policy and related judgements.

12 Financial assets at fair value through other comprehensive income

	Consolidated Year ended 31 March 2023 £'000	Consolidated Year ended 31 March 2022 £'000
Investments not held for trading at 1 April	–	20
Sale of investments not held for trading	–	(47)
Fair value gains recognised through equity	–	27
Investments not held for trading at 31 March	–	–

13 Financial assets and liabilities at fair value through profit and loss

	Consolidated 31 March 2023 £'000	Consolidated 31 March 2022 £'000
Long positions in market making and dealing operations:		
– Listed securities	53,117	49,973
– Unlisted securities	1,027	368
Long securities held for trading	54,144	50,341
Short positions in market making and dealing operations:		
– Listed securities	(31,610)	(32,441)
– Unlisted securities	(452)	(264)
Short securities held for trading	(32,062)	(32,705)

14 Cash collateral

	Consolidated 31 March 2023 £'000	Consolidated 31 March 2022 £'000
Cash collateral	2,423	2,811
Total cash collateral	2,423	2,811

The UK Group enters into stock borrowing agreements with a number of institutions on a collateralised basis. Under such agreements securities are purchased with a commitment to return them at a future date and price. The securities purchased are not recognised on the statement of financial position. The cash advanced is recorded on the statement of financial position as cash collateral within trade and other debtors, the value of which is insignificantly different from the value of the securities purchased.

15 Trade and other debtors

	Company 31 March 2023 £'000	Company 31 March 2022 £'000	Consolidated 31 March 2023 £'000	Consolidated 31 March 2022 £'000
Trade receivables	–	–	3,043	3,478
Less: provision for expected credit losses	–	–	(521)	(243)
Net trade receivables	–	–	2,522	3,235
Accrued income	–	–	2,552	1,933
Amounts due from related companies (see Note 27)	14,683	19,607	23,926	13,631
Prepayments	–	–	3,786	3,088
Other debtors	332	251	5,694	4,716
Total trade and other debtors	15,015	19,858	38,480	26,603

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

Trade and other receivables are stated net of the provision for expected credit losses.

	Consolidated 2023 £'000	Consolidated 2022 £'000
At 1 April	(243)	(223)
Movement in provision for expected credit losses	(278)	(20)
At 31 March	(521)	(243)

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

16 Cash and cash equivalents

	Company 31 March 2023 £'000	Company 31 March 2022 £'000	Consolidated 31 March 2023 £'000	Consolidated 31 March 2022 £'000
Cash in hand and held at bank	–	–	9,619	69,953
Cash equivalents	–	–	15,000	–
Total cash and cash equivalents	–	–	24,619	69,953

Cash held in segregated bank accounts relating to monies held on behalf of clients amounted to £2.0m at 31 March 2023 (31 March 2022: £8.2m) and is excluded from the amounts above and the statement of financial position. Client money relates to amounts received in the ordinary course of settlement of clients' trades and received in advance for the purchase of securities.

Cash equivalents is made up of money market funds that are highly liquid and readily convertible to cash.

17 Deferred tax

	Consolidated 31 March 2023 £'000	Consolidated 31 March 2022 £'000
<i>Deferred tax asset comprises:</i>		
Capital allowances:		
Brought forward	166	293
Amounts debited to the profit and loss	-	(127)
Carried forward	166	166
Other:		
Brought forward	-	133
Amounts credited/(debited) to the profit and loss	100	(133)
Carried forward	100	-
Total deferred tax asset carrying value	266	166

The deferred tax asset reflects the net tax charge at the UK enacted rate of 19%. The whole amount of deferred tax is expected to be recovered from taxable profits no more than 12 months after the reporting period.

The Company has £nil unrelieved losses not recognised as a deferred tax asset (31 March 2022: £nil).

18 Trade and other creditors

	Company 31 March 2023 £'000	Company 31 March 2022 £'000	Consolidated 31 March 2023 £'000	Consolidated 31 March 2022 £'000
Accruals and deferred income	-	15	2,164	14,783
Amounts due to related companies (see Note 27)	6,826	11,734	11	-
Social security and PAYE	-	-	1,502	1,153
Other creditors	-	-	812	663
Total trade and other creditors	6,826	11,749	4,489	16,599

19 Financial instruments

19.1. Capital structure

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

Peel Hunt Partnership Group Limited follows the MIFIDPRU Prudential Sourcebook for MiFID Investment Firms, with its minimum requirements aligned to the transitional provisions described under MIFIDPRU TP10, ensuring that an appropriate capital position is maintained. The transitional provision will remain in place until September 2023, with requirements defaulting to those as assessed within the Internal Capital and Risk Assessment (ICARA) in line with MIFIDPRU 7.4.

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

19.1.1. 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 March 2023 £'000	Company 31 March 2022 £'000	Consolidated 31 March 2023 £'000	Consolidated 31 March 2022 £'000
Financial assets measured at fair value through profit and loss				
Securities held for trading	–	–	54,144	50,341
Financial assets held at amortised cost				
Market and client debtors	–	–	471,504	559,485
Trade and other debtors	14,683	19,607	8,214	8,254
Cash				
Cash and cash equivalents	–	–	24,619	69,953
Total financial assets	14,683	19,607	558,481	688,033
Financial liabilities measured at fair value through profit and loss				
Securities held for trading	–	–	(32,062)	(32,705)
Financial liabilities at amortised cost				
Market and client creditors	–	–	(421,953)	(505,475)
Trade and other creditors	(6,826)	(11,734)	(812)	(11,010)
Amounts due to members	–	–	–	(21,837)
Lease liability	–	–	(20,461)	(22,330)
Loans	–	–	(30,000)	(30,000)
Total financial liabilities	(6,826)	(11,734)	(505,288)	(623,357)

19.2. Risk management overview

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

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

- Monitoring of risk profile against approved risk appetite
- Providing oversight and challenge of functional business units in their management of risk
- Reporting and escalation of key risk matters to the Executive Board and to the Group Risk Committee
- Monitoring the external environment for risks to strategic objectives

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

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

19.3. Risk management framework

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

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

The UK Group maintains a risk register which lists all the key risks to which the firm is exposed and records both the inherent and residual risk assessments, taking into account the effectiveness of the design and operation of mitigating controls. The risk register is presented annually to, and is reviewed by, the Executive Board and Group Risk Committee, to ensure that risks are being identified and managed appropriately and that any management actions arising therefrom are being completed on a timely basis.

The risk management framework under which the business operates is documented in the ERMF, which is promulgated and applied through risk management policies. Both the policies and the risk limits are reviewed on an ongoing basis by the Executive Board and the Group Risk Committee. Risk Management monitors the application of this framework and related policies and enforces these limits as part of the day-to-day activities of the business.

19.4. 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.

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

19.4.1. Price risk

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

The Company is not exposed to price risk through holding of securities or investments not held for trading.

The UK Group conducted a sensitivity analysis on a 5% increase/decrease in equity prices on securities held for trading. Assuming all other variables remain constant, the sensitivity analysis results in a change in net income for the year of +/- £1.1m (2022: +/- £0.9m).

19.4.2. 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 UK Group conducted a sensitivity analysis on a 100bps increase in interest rates. Assuming all other variables remain constant, the sensitivity analysis results in a net increase in interest expense of £0.3m (2022: £0.3m).

19.4.3. 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 UK Group's functional currency, expressed in sterling equivalent:

	Consolidated 31 March 2023 £'000	Consolidated 31 March 2022 £'000
Net assets		
Euro	120	68
US dollar	438	412
Other	561	519
Total currency exposure	1,119	999

19.4.4. 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)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

As at 31 March 2023	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	52,988	129	1,027	54,144
Total financial assets at 31 March 2023	52,988	129	1,027	54,144

Financial liabilities at fair value through profit and loss				
Securities held for trading	(31,610)	–	(452)	(32,062)
Total financial liabilities at 31 March 2023	(31,610)	–	(452)	(32,062)

As at 31 March 2022	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	48,894	1,079	368	50,341
Total financial assets at 31 March 2022	48,894	1,079	368	50,341

Financial liabilities at fair value through profit and loss				
Securities held for trading	(31,967)	(474)	(264)	(32,705)
Total financial liabilities at 31 March 2022	(31,967)	(474)	(264)	(32,705)

The carrying amount of financial instruments other than those designated at fair value, are not significantly different from fair value. The Company does not have any financial instruments held at FVTPL or FVTOCI.

Financial assets and liabilities recognised at fair value through profit and loss in the financial statements are reviewed to determine whether transfers have occurred between Level 3 and other levels in the hierarchy by re-assessing the categorisation at the end of each reporting year. Movements in Level 3 financial assets and liabilities on a net basis are as follows:

	2023 £'000	2022 £'000
At 1 April	104	360
Additions	576	98
Net losses	(91)	(63)
Disposals	44	86
Transfer to Level 1	(58)	(377)
At 31 March	575	104

19.4.5. 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 honour an obligation.

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

Exposures are measured from trade date on settlements and are calculated based upon an estimate of the replacement cost of the trade if the counterparty were to default, based on the difference between the original transaction value and the market value of the unsettled trade.

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

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

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

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

As at 31 March 2023	Neither past due nor impaired £'000	Past due but not impaired				Impaired £'000	Company Carrying value before impairment £'000
		0-3 months £'000	3-6 months £'000	6-12 months £'000	> 1 year £'000		
Trade and other debtors	14,683	–	–	–	–	–	14,683
Total financial assets at 31 March 2023	14,683	–	–	–	–	–	14,683

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

Notes to the financial statements

19.4.5. Credit risk continued

As at 31 March 2023	Overdue					Impaired £'000	Consolidated Carrying value before impairment £'000
	Not overdue £'000	0-3 months £'000	3-6 months £'000	6-12 months £'000	> 1 year £'000		
Financial assets measured at fair value through profit and loss							
Securities held for trading	54,144	–	–	–	–	–	54,144
Financial assets held at amortised cost							
Market and client debtors	409,010	61,583	361	146	404	–	471,504
Trade and other debtors	4,586	1,709	462	555	381	521	8,214
Cash							
Cash and cash equivalents	24,619	–	–	–	–	–	24,619
Total financial assets at 31 March 2023	492,359	63,292	823	701	785	521	558,481

As at 31 March 2022	Overdue					Impaired £'000	Consolidated Carrying value before impairment £'000
	Not overdue £'000	0-3 months £'000	3-6 months £'000	6-12 months £'000	> 1 year £'000		
Financial assets measured at fair value through profit and loss							
Securities held for trading	50,341	–	–	–	–	–	50,341
Financial assets held at amortised cost							
Market and client debtors	475,482	82,116	1,352	107	428	–	559,485
Trade and other debtors	6,789	817	52	114	184	298	8,254
Financial assets measured at fair value through other comprehensive income							
Equity investments not held for trading	–	–	–	–	–	250	250
Cash							
Cash and cash equivalents	69,953	–	–	–	–	–	69,953
Total financial assets at 31 March 2022	602,565	82,933	1,404	221	612	548	688,283

Notes to the financial statements

19.5. 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, and strict trading systems controls that limit the amount of funding for trading activities. Further consideration of liquidity is undertaken with the ERC. The UK Group also manages liquidity in the trading book by conducting an ageing process on inventory and setting aside a reserve based on the age of each position. Operationally, this highlights at weekly intervals the areas of the trading portfolio that carry liquidity risk.

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

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

As at 31 March 2023	Less than 1 year £'000	1 – 2 years £'000	2 – 5 years £'000	Greater than 5 years £'000	Company Total £'000
Trade and other creditors	6,826	–	–	–	6,826
Loan ¹	1,050	1,050	3,153	15,964	21,217
Total financial liabilities at 31 March 2023	7,876	1,050	3,153	15,964	28,043

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

As at 31 March 2022	Less than 1 year £'000	1 – 2 years £'000	2 – 5 years £'000	Greater than 5 years £'000	Company Total £'000
Trade and other creditors	11,479	–	–	–	11,479
Loan ¹	1,050	1,053	3,150	17,103	22,356
Total financial liabilities at 31 March 2022	12,529	1,053	3,150	17,103	33,835

1. Restated to include the principal per the statement of financial position, plus accrued interest.

Notes to the financial statements

19.5. Liquidity risk continued

As at 31 March 2023	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	421,953	–	–	–	421,953
Amounts due to members	–	–	–	–	–
Trade and other creditors	812	–	–	–	812
Lease liabilities	2,517	2,619	8,511	6,814	20,461
Loan ¹	15,223	1,050	3,153	15,964	35,390
Total financial liabilities at 31 March 2023	440,505	3,669	11,664	22,778	478,616

As at 31 March 2022	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	505,475	–	–	–	505,475
Amounts due to members	21,837	–	–	–	21,837
Trade and other creditors	11,010	–	–	–	11,010
Lease liabilities	2,197	3,295	9,886	6,952	22,330
Loans ¹	16,263	1,059	3,168	19,757	40,247
Total financial liabilities at 31 March 2022	556,782	4,354	13,054	26,709	600,899

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

19.6. Operational risk

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

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

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

An annual Risk and Control Self-Assessments (RCSA) is used to identify and assess inherent and residual risks, which reviews the effectiveness of the internal control framework to mitigate those risks.

19.7. Regulatory risk

Regulatory risk is the risk of loss resulting from failure to adhere to applicable regulatory standards. This includes those related to financial crime and conduct risk. The UK Group monitors and mitigates regulatory risk within the business through:

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

20 Intercompany Loan

	Company 31 March 2023 £'000	Company 31 March 2022 £'000
Subordinated loan – due more than 1 year	15,000	15,000
Total intercompany loan	15,000	15,000

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

21 Borrowings

	Consolidated 31 March 2023 £'000	Consolidated 31 March 2022 £'000
Loans due within one year	15,000	15,000
Loans due within two to five years	15,000	15,000
Total loans	30,000	30,000

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

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

The UK Group has a committed Revolving Credit Facility (RCF) of up to £30m in order to further support its general corporate and working capital requirements. Interest accrues at 2.95% per year plus SONIA on drawn balances, and a flat 1% on the undrawn balance, quarterly in arrears. As at 31 March 2023 the RCF was undrawn (31 March 2022: £nil).

22 Ordinary share capital and reserves

The ordinary share capital of the Company comprises the following:

	31 March 2023 £	31 March 2022 £
Issued		
A Ordinary shares: 25,000,002 shares at 0.1p each (31 March 2022: 25,000,002 shares at 0.1p each)	25,000	25,000
B Ordinary shares: 75,715,127 shares at 0.1p each (31 March 2022: 75,715,127 shares at 0.1p each)	75,715	75,715
Total ordinary share capital	100,715	100,715

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

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

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

Reserves

Reserves comprise retained earnings and share premium.

23 Investment in joint venture

The UK Group has a 50% share in a private company, which was acquired on 27 November 2013. The investment in joint venture was previously fully impaired given low to nil prospects of future revenues. The joint-venture company was dissolved post year end.

24 Cash generated from operations

Cash generated/(used in) from operations as per the consolidated and company cash flow statements comprise of the following:

	Company 31 March 2023 £'000	Company 31 March 2022 £'000	Consolidated 31 March 2023 £'000	Consolidated 31 March 2022 £'000
(Loss)/profit before tax for the financial year	(1)	12,564	(596)	45,333
<i>Adjustments for:</i>				
Depreciation and amortisation	–	–	3,879	3,851
Expected credit loss on financial assets held at amortised cost	–	–	277	244
Fair value gain on sale of securities	–	–	–	27
Transfer of Peel Hunt Inc.	–	–	–	(814)
Increase in provisions	–	–	37	109
Net finance costs	–	–	2,141	1,317
<i>Change in working capital:</i>				
Increase in net securities held for trading	–	–	(4,446)	(4,068)
Decrease in net market and client debtors	–	–	4,458	12,373
Decrease/(increase) in trade and other debtors	4,925	(17,172)	(11,843)	(10,814)
Decrease in net amounts due to members	–	–	(21,836)	(116,564)
(Decrease)/increase in trade and other creditors	(4,924)	7,245	(12,110)	3,230
Cash generated from/(used in) operations	–	2,637	(40,039)	(65,776)
Interest received	1,050	–	653	20
Corporation tax paid	–	(2,637)	(142)	(6,178)
Net cash generated from/(used in) operations	1,050	–	(39,528)	(71,934)

25 Right-of-use assets and lease liabilities

The right-of-use assets and lease liabilities (current and non-current) represent the two property leases that the UK Group currently uses for its offices in London. Following the pre-IPO restructure in September 2021, Peel Hunt Inc. is no longer part of the UK Group for consolidation purposes.

	2023 £'000	2022 £'000
Depreciation expense in relation to premises leases	(2,090)	(2,090)
Interest expense in relation to premises leases	(870)	(868)
Net operating cost in relation to premises leases	(2,960)	(2,958)

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 those leases held by the UK Group.

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

Right-of-use assets for the year ended:	31 March 2023 £'000	31 March 2022 £'000
Opening balance sheet date	17,418	20,517
Addition	–	–
Transfer of Peel Hunt Inc. right-of-use asset out of the Group	–	(1,009)
Depreciation charge	(2,090)	(2,090)
Closing balance sheet date	15,328	17,418

Lease liabilities for the year ended:	31 March 2023 £'000	31 March 2022 £'000
Opening balance sheet date	(22,330)	(22,564)
Disposal	–	1,102
Interest expense	(870)	(868)
Lease payments	2,739	–
Closing balance sheet date	(20,461)	(22,330)

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

Land and buildings	31 March 2023 £'000	31 March 2022 £'000
Outstanding commitments		
Within one year	3,295	2,015
Within two to five years	13,181	12,092
Over five years	7,415	12,256
	23,891	26,363

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

26 Investments in subsidiaries

The Company directly holds 100% of the ordinary share capital of Peel Hunt Partnership Limited which is registered in England and Wales. The Company has one vote out of 501 total voting rights in Peel Hunt LLP, which is also registered in England and Wales. Peel Hunt Partnership Limited owns the remaining 500 voting rights in Peel Hunt LLP and is the corporate member.

Name of subsidiary	Country of incorporation	Registered office	Percentage ownership by UK Group
Peel Hunt Partnership Limited	England and Wales	100 Liverpool Street, London, United Kingdom, EC2M 2AT	100%
Peel Hunt LLP	England and Wales	100 Liverpool Street, London, United Kingdom, EC2M 2AT	100%
P.H. Nominees Limited*	England and Wales	100 Liverpool Street, London, United Kingdom, EC2M 2AT	100%
Peel Hunt Nominees Limited**	England and Wales	Frp Advisory Trading Ltd, Derby House, 12 Winckley Square, Preston, PR1 3JJ	100%

*Company is dormant.

**Company was dissolved post year end.

M22 Nominees Limited was dissolved during the year.

The investment in subsidiaries is accounted for at cost, which totals £69.1m (2022: £69.1m) for Peel Hunt Partnership Limited and £183.8m (2022: £183.8m) for the LLP. During the prior year the Company injected £10.0m capital into Peel Hunt Partnership Limited and £183.8m into Peel Hunt LLP as part of the UK Group restructure.

27 Related party transactions

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

27.1. Transactions with Group companies

Peel Hunt Partnership Group Limited is the parent of Peel Hunt Partnership Limited and Peel Hunt LLP. Intra-group transactions between Peel Hunt LLP, Peel Hunt Partnership Limited and the Company are eliminated on consolidation and are not disclosed in this note.

The intra-group balance disclosed in note 15 of the consolidated financial statements relates to transactions with the ultimate controlling party, Peel Hunt Limited and Peel Hunt Inc. The balance outstanding as at 31 March 2023 is a receivables from Peel Hunt Limited of £23.9m (31 March 2022: £13.4mm). In the prior year the UK Group was owed £0.2m by Peel Hunt Inc.

Notes 20 and 21 disclose intercompany loan balances between Group companies. Interest on the subordinated loan amounting to £1.1m (31 March 2022: £0.2m) for the year was paid to Peel Hunt Limited.

27.2. Key management remuneration

Key management includes the Board and the Executive Board. Prior to the IPO key management also included the Management Committee and Risk Committee. The total short-term employee benefits are made up of fixed and variable remuneration paid to key management, which amounted to £3.5m for the year ended 31 March 2023 (31 March 2022: £6.4m). The share-based payment expense in relation to key management for the year ended 31 March 2023 under the RSP scheme was immaterial.

27.3. Transactions with other related parties

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

28 Provisions

	2023 £'000	2022 £'000
Non-current		
At beginning of year	540	431
Amounts recognised in profit or loss during the year	37	109
Total provisions	577	540

The amount provided above is primarily in respect of dilapidations related to the UK Group's offices at 100 Liverpool Street and previous offices at Moor House, representing the estimated amount of the liability.

29 Share-based payments

Employees of the UK Group receive remuneration in the form of share-based awards, whereby employees render services as consideration for equity instruments (Equity-settled transactions) of Peel Hunt Limited.

2022 Restricted Share Plan (RSP)

Under the RSP, selected UK Group employees were awarded options which give them the right to acquire Peel Hunt Limited shares subject to the rules of the Peel Hunt LTIP.

Nature

The RSP is designed to increase the interest of participants in the Group's long-term business goals and performance. The vesting conditions require a three-year service to be fulfilled and also the achievement of performance conditions, as specified by the Group's Remuneration Committee, after which employees are able to exercise the share options. There are no market conditions attached to the plan. Under the RSP, employees are entitled to the dividends declared during the vesting period.

The movement in award shares is as follows:

	31 March 2023	31 March 2022
Number of share options		
Outstanding at 1 April	–	–
Granted during the year	1,605,000	–
Forfeited during the year	–	–
Outstanding at 31 March	1,605,000	–

The weighted average fair value of each option granted during the year was 114p (31 March 2022: n/a).

No share options were exercised during the year or are exercisable at year end. The weighted remaining contractual period for the share options is 2 years 9 months excluding the holding period. The share options have an exercise price of zero.

The share-based payment charge of the RSP in the year ended 31 March 2023 was £0.6m (31 March 2022: nil). There were no transaction services received which qualified for recognition as an asset.

The 114 pence fair value of the share options was calculated using the Black Scholes-Merton option pricing model. The 30% volatility assumption, measured at the standard deviation of expected share price returns, is based on a statistical analysis of daily share prices since IPO. The 2% risk free rate has been assumed to be the grant date implied yield on available zero-coupon government bonds in the United Kingdom with a remaining term equal to the expected return of the share options. The 8% forfeiture rate is based on the experienced historical employees' attrition rate.

The UK Group did not enter into any share-based payment transactions with parties other than employees during the current or previous period.

30 Ultimate controlling party

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