9 June 2022

Peel Hunt Limited

Full-Year Results

For the year ended 31 March 2022

Resilient performance in challenging markets through diversified business model

Peel Hunt Limited ("Peel Hunt" or the "Company") together with its subsidiaries (the "Group") today announces audited final results for the year ended 31 March 2022 ("FY22").

The full-year results for the Group consolidate Peel Hunt LLP, a limited liability partnership which, up until the IPO of the Company on 29 September 2021, had individual members. Profits derived from the partnership during FY22 are allocated between all members, including corporate members. Profits attributable to corporate members are retained within the Group and are subject to corporation tax; profits attributable to all other members (prior to the IPO) comprise the non-controlling interests, with those members bearing tax liabilities individually. Following the IPO, individual members became employees of Peel Hunt LLP with all future earnings attributable to the Group. This presentation is consistent with prior financial periods and with the requirements of the Companies Act 2006 as applied to limited liability partnerships.

For reference, an unaudited illustrative consolidated statement of comprehensive income to 31 March 2022 (together with comparatives to 31 March 2021 ("FY21")) is also presented. This statement illustrates the impact that the reorganisation of the Group's corporate structure, and the IPO, would have had on the consolidated statement of comprehensive income had it taken place on or before 31 March 2020. This statement retains the actual revenue results and considers the addition of continuing items comprising former members of Peel Hunt LLP being remunerated as employees in FY21 and H1 of FY22, additional National Insurance contributions and additional pension costs; the statement has also been adjusted to remove the impact of one-off costs relating to the IPO, and tax-related prior year items arising in the period. Partnership profits historically allocated to the former individual members, or non-controlling interests, are attributed to the Group in full and are shown as if subject to corporation tax.

Highlights

- Full year revenue of £131.0m (FY21: £196.9m), ahead of revised analyst expectations, with profit before tax of £41.2m (FY21: £120.1m) against exceptional prior year performance, as market activity and volumes have moderated from the highs of the pandemic.

- All three business divisions continued to make progress:

    - **Investment Banking** achieved record results for the second consecutive year, with revenue up 32% to £57.9m; we were the most active investment bank in UK equity capital markets ("ECM") transactions, executing 46 equity fundraises; our advisory revenue was up 166% to £8.48m as we acted on 19% of all announced UK mid- and small-cap takeover situations.

- Diversified business model supported by **Execution Services** performance above the pre-pandemic run rate through periods of high market volatility and lower capital markets activity delivering revenue of £42.9m (FY21: £116.7m).
- **Research & Distribution** performance was resilient with revenues of £30.2m (FY21: £36.3m) as we gained market share in institutional commissions, and were named the best overall broker for UK mid- and small-cap companies in Institutional Investor's 2021 Survey.

- We gained 19 new corporate clients, with another 4 added in the period since the year end, bringing our current total number of corporate clients to 164, including 35 in the FTSE 350.
- Strong balance sheet and capital position, with net assets up 107% to £100.1m.
- The Board has proposed a final dividend of 3.1p, in line with the dividend policy.
- We made good progress against our strategic priorities, including investing in our US distribution capability, progress towards establishing our platform in the EU (with the opening of our Copenhagen office planned to take place during the current financial year ("FY23")) and ongoing investment in our digital strategy and proprietary technology.
- Market conditions were challenging in the second half, particularly in the last quarter where exceptionally low levels of capital markets activity were experienced market wide. We expect ECM activity to continue in line with Q4 of FY22 through the first half of FY23. Despite this market backdrop, we have acted on some of the more significant UK mid-cap ECM transactions that have been executed since the start of FY23, and remain hopeful that market conditions in the second half of our financial year will support execution of our strong pipeline of Investment Banking transactions.

Key statistics

Illustrative financial highlights[1]	**2022**	2021	Change
Revenue	£131.0m	£196.9m	(33.5%)
Profit before tax	£33.1m	£77.0m	(57.0%)
Basic EPS	21.1p	47.8p	(26.7p)
Compensation ratio[1]	46.3%	45.7%	0.6ppts
Actual financial highlights			
Revenue	£131.0m	£196.9m	(33.5%)
Profit before tax	£41.2m	£120.1m	(65.7%)
Basic EPS	15.4p	17.7p	(2.3p)
Dividend	3.1p	N/A	N/A
Compensation ratio	47.1%	44.3%	2.8ppts
Operating highlights			
Cash	£76.7m	£103.4m	(25.8%)
Net assets	£100.1m	£48.4m	106.8%
Investment Banking clients	162	156	3.8%

Average market cap of clients	£683.7m	£732.4m	(6.6%)

Notes:

1) Illustrative financials are outlined in the Unaudited Illustrative Statement of Comprehensive Income

Commenting on the results, Steven Fine, Chief Executive Officer said:

"I'm grateful to our outstanding team for their dedication in a challenging year, which included our own IPO and navigating volatile market conditions in the period since, particularly in the last quarter of our financial year.

Against this backdrop, our performance was resilient, with all three divisions continuing to make progress, demonstrating the benefit of our diversified business model. We generated record Investment Banking revenue for the second consecutive year, continuing to grow our corporate client base while being more active than any other investment bank in UK ECM transactions. Alongside this, both Execution Services and Research & Distribution delivered solid performances, as we continued to develop our trading technologies and to win market share in institutional commissions.

We are continuing to invest in the business to drive long-term growth, having made good progress against our strategic priorities. This includes investing in our US distribution capability, progress towards establishing our expanded platform in the EU and ongoing investment in our digital strategy. Our proprietary technology clearly differentiates us from our peers and we expect it to be a continuing source of value creation for our clients and shareholders."

This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) No 596/2014 (as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018).

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Notes to editors

Peel Hunt is a leading specialist in UK Investment Banking, ranked number one broker for UK mid- and small-cap companies in Institutional Investor's 2021 Survey. Our purpose is to nurture and guide people through the evolution of business. We achieve this through a proven, joined-up approach that consistently delivers value to UK corporates, global institutions and trading counterparties alike.

We have 164 corporate clients (including 35 in the FTSE 350), with an average market capitalisation of approximately £650m. Our award-winning research is distributed to over 1,235 institutions across the UK, Europe and US. Our trading platform makes markets in over 10,000 instruments on over 45 markets and is an increasingly important provider of trade execution services to UK retail platforms and brokers.

Forward-looking statements

This announcement contains forward-looking statements. Forward-looking statements sometimes use words such as ‘may’, ‘will’, ‘could’, ‘seek’, ‘continue’, ‘aim’, ‘anticipate’, ‘target’, ‘project’, ‘expect’, ‘estimate’, ‘intend’, ‘plan’, ‘goal’, ‘believe’, ‘achieve’ or other words of similar meaning. Past performance is no guide to future performance and any forward-looking statements and forecasts are based on current expectations and assumptions but relate to events and depend upon circumstances in the future and you should not place reliance on them. These statements and forecasts are subject to various risks and uncertainties and there are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by forward-looking statements and forecasts.

The forward-looking statements contained in this document speak only as of the date of this announcement and (except as required by applicable regulations or by law) Peel Hunt does not undertake to publicly update or review any forward-looking statements, whether as a result of new information, future events or otherwise.

Nothing in this announcement constitutes or should be construed as constituting a profit forecast.

No offer of securities

The information, statements and opinions contained in this announcement do not constitute or form part of, and should not be construed as, any public offer under any applicable legislation, or an offer, or solicitation of an offer, to buy or sell any securities or financial instruments in any jurisdiction, or any advice or recommendation with respect to any securities or financial instruments.

BUSINESS REVIEW

Market review

The UK's IPO and fundraising markets began 2021 at their busiest since 2014 due to pent-up demand over the pandemic, with retail investors continuing to play a more active role in UK equity capital markets ("ECM"). However, during the second half, inflationary pressures and interest rate increases hit activity. Investor sentiment was knocked further by geopolitical concerns and macroeconomic events including most notably the war in Ukraine which shook global markets[1]. As a result, investors' appetite for risk dropped significantly, and, in Q4, we saw an exceptional reduction in ECM and IPO volumes. Investors similarly turned away from growth stocks and took a greater value bias, leading to material devaluations in growth names. Overall, the FTSE 250 declined c.13% over the course of the first 5 months of the calendar year.

Despite this, our Execution Services team and our advisory team in Investment Banking both produced creditable performances, demonstrating the resilience of our diversified business model during periods of volatility and lower capital markets activity.

Divisional review: Investment Banking

Investment Banking reported record results in terms of both revenue and number of retained corporate clients, as we broadened our offering to our retained corporate clients to support them through the evolution of their businesses. Revenue increased from £43.9m in FY21 to £57.9m. We acted on 46 ECM transactions over FY22 (H1: 30; H2: 16), the highest number for a UK investment bank, and advised on approximately 19% of all announced UK takeover situations in the mid- and small-cap segment of the market.[2]

The year started well with trading in line with expectations through to the end of Q3, and a healthy deal pipeline across a broad spread of products and sectors. We achieved record results for the first half of the year, with revenue up 43% to £32.7m and retainer income up 15%, reflecting new client wins.

As we entered the final quarter, the operating environment became much more challenging with greater market volatility, heightened economic uncertainty and escalating macroeconomic and geopolitical tensions taking hold. This affected market-wide investment banking performance particularly in our Q4.

The consistent growth in the number of our retained corporate clients and their relative average market capitalisation has generated opportunities for us to advise more frequently, on both larger and more complex transactions. In early FY22, we entered into an underwriting collaboration agreement with Banco Santander SA, which significantly extends our capability for underwriting large or multiple simultaneous equity offerings.

We have invested in a broad range of services to meet the needs of our clients, as their businesses develop and their financing needs become more sophisticated. In FY22, we continued to build our Retail Capital Markets capabilities, advising corporate clients on structuring, marketing and

[1] We do not have any exposure to Russia or any sanctioned persons/entities.
[2] 'Small and mid-cap segment' is defined as where the transaction equity value falls between £100m and £1,500m

distributing securities to UK retail investors using REX, our own proprietary electronic distribution platform.

We believe UK retail investors will have an increasingly important role to play in supporting corporate fund raises as upcoming market reforms, including anticipated reforms to the prospectus regime, will give them more opportunities to take part in UK ECM transactions. In Private Capital Markets ("PCM"), we have widened our focus to include larger and later stage fund raises, as well as smaller and earlier stage financings. We see significant opportunities to develop PCM in advisory, financing (equity and debt) and liquidity provision. In FY22, we added Debt Advisory to our franchise, and will continue to develop our capability in private placements of bonds during FY23.

Divisional review: Execution Services

Execution Services is a market-leading liquidity provider to retail and institutional investors, earning trading income as a market maker. We delivered a solid performance this year, generating revenue of £42.9m. As expected, this was lower than last year's exceptional performance during the pandemic of £116.7m, but higher than pre-pandemic levels (FY20: £26.3m). Our ongoing investment in technology helps us to retain a high market share of retail trading and continue to build our overall UK trading volumes.

Our presence and market share of trading in the retail and institutional investor markets give us deep insight into the markets and capital flow, through data insights generated from our quote and trading database. This in turn supports information flow with our Research & Distribution and Investment Banking teams.

Technology is integral to our trading ability, risk controls and ability to outperform. Our automated risk management controls protect Peel Hunt, but also give traders the confidence to win more business through their pricing strategies. Technology also allows greater speed in fast markets, leading to better pricing. Our trading team can therefore manage more stocks, improving operational gearing.

Our technology, mainly developed in-house over the last 10 years, has enabled us to secure a market-leading share in retail equity trading, working closely with intermediary investor platforms. PHAT (Peel Hunt Automated Trading) is our robust and scalable execution and trading system. PHAT allows algorithmic institutional execution, and automated on-exchange and retail flow market-making, which means we can achieve better outcomes, such as price improvements, for our trading and institutional clients.

During the year, our developers continued to enhance our trading and execution products and platforms. We are investing to generate further trading efficiencies and create more revenue opportunities, and to leverage ongoing structural changes in financial markets. In FY22, we signed a five-year agreement with the leading provider of trading and order management systems to use their European trading platform, which gives us more capacity to meet increasing trading volumes from different investors, including new retail platforms.

Divisional review: Research & Distribution

Despite the challenging macroeconomic environment, and a significant decline in UK capital market volumes, our performance in Research & Distribution has been resilient, with revenue from research payments and execution commissions of £30.2m (FY21: £36.3m). This reflects long-term growth in revenue and market share from our institutional clients, thanks to our expanding team of expert analysts and sales specialists, and their understanding of our corporate and institutional clients' needs across the UK and international markets. As expected, our commission revenues from servicing retail intermediary platforms with overseas equity execution moderated down from the exceptional volumes we saw during the pandemic in the prior year.

In a commoditised research market, our institutional and corporate clients deal with limited providers. They demand best-in-class service and highly-ranked MiFID II-relevant investment banks, which is our guiding principle. The quality of our research and distribution teams is a key driver for winning new corporate clients and IPO mandates. During the year, we both increased the number of clients that pay us for our research, and increased market share from our existing clients. We now have 1,235 relationships with clients who value our top-rated research, and this number of relationships has increased by 3.4% compared with FY21.

How research is consumed and what institutional clients want is changing. We are making our research more relevant, engaging and accessible, with ESG ratings and analysis integral to our research. We write research on companies that people care about and want to read about, and this is reflected in our market share of global commission and research payments in UK equities, which has doubled over 5 years. We are proactive about distributing our research, with annual sales interactions of 16,372 in FY22, a CAGR of 13% over 2 years. We are investing in increasing our US distribution and further pushing into European markets with the opening of our office in Copenhagen (planned to take place in FY23). This builds on our leading Institutional Investor ranking in both geographies, and will give more global investors the opportunity to invest into UK plc.

We are increasingly using technology to improve our service. Over the past year, we have invested in technology so we can better interrogate data and produce more in-depth reports. We are developing a new portal for investors, providing access to our research and enhanced screening tools. We are also continuing to invest in our digital media capabilities. In FY22, we started to use our new recording studio to deliver podcasts and videos, enhancing how we engage with corporate and institutional clients. We believe both this and our own in-house developed technologies will give us the opportunity to enhance our research, and improve our ability to inform our clients with deeper insights.

Current trading and outlook

Market conditions were challenging in the second half of FY22, particularly in the last quarter where exceptionally low levels of capital markets activity were experienced market wide. We expect ECM activity to continue in line with Q4 of FY22 through the first half of FY23. Despite this market backdrop, since the start of FY23, we have continued to benefit from our diversified business model, strengthened our corporate client base and have acted on some of the more significant UK mid-cap ECM transactions that have been executed. We remain hopeful that market conditions in the second half of our financial year will support execution of our strong pipeline of Investment Banking transactions.

FINANCIAL REVIEW

Revenue performance

We delivered a solid revenue performance in a year where market conditions, particularly in the second half, were very challenging. Whilst overall revenue performance is down relative to the prior year, this was in line with our expectations, given the prior year saw exceptional trading and heightened activity during the pandemic. Our continued investment in the business, both in technology and our people, remains important to the long-term growth of the business.

Revenue comprises the following:

	FY22 £000	FY21 £000	% change
Investment Banking revenue	57,948	43,910	32.0%
Research payments and execution commission	30,241	36,258	(16.6%)
Execution Services revenue	42,857	116,706	(63.3%)
Total revenue for the year	**131,046**	**196,874**	**(33.4%)**

Revenue for the year was £131.0m (FY21: £196.9m). Despite the difficult market environment, this constituted record revenues in Investment Banking for the second year in succession, a solid performance by Execution Services and resilient revenues for Research & Distribution.

Investment Banking performance

	FY22 £000	FY21 £000	% change
Investment Banking fees	49,643	36,701	35.3%
Investment Banking retainers	8,305	7,209	15.2%
Total Investment Banking revenue	**57,948**	**43,910**	**32.0%**

Investment Banking delivered record revenue for the year of £57.9m (FY21: £43.9m). The first half of the year saw us execute a healthy deal pipeline across a broad spread of products and sectors along with a number of new client wins.

The final quarter of the financial year saw the operating environment become much more challenging with greater market volatility, heightened economic uncertainty and geopolitical tensions taking hold. We therefore saw a corresponding reduction in performance across the market in the second half. While this affected our Investment Banking deals, we were encouraged by our advisory activity, where we acted on approximately 19% of all announced UK takeover situations in the mid- and small-cap segment of the market. This shows the resilience of our diversified offering in Investment Banking.

Execution Services performance

	FY22 £000	FY21 £000	% change
Execution Services revenue	42,857	116,706	(63.3%)

Execution Services revenue in FY22 of £42.9m was in line with our expectations, being lower than in FY21 (£116.7m), but ahead of FY20 (£26.3m). FY21 was buoyed by much higher volumes and volatility amid market-wide uncertainty at the onset of the pandemic, while FY20 was a more comparable, pre-pandemic market environment. We retained our leading trading position with a 17% share of LSE volume.

During FY22, Execution Services' performance was solid, with our ongoing investment in technology helping us to capture additional liquidity. This investment has created further efficiencies in our systematic trading products, which we have been rolling out to more product lines.

Research & Distribution performance

	FY22 £000	FY21 £000	% change
Research payments and execution commission	30,241	36,258	(16.6%)

Despite the macroeconomic environment and the significant decline in UK equity volumes in FY22, Research & Distribution returned a resilient performance of £30.2m. This reflects long-term growth in revenue and market share from our institutional clients. Revenue from servicing retail wealth management platforms with overseas equity execution was lower compared to the prior year due to market volumes falling back from the highs experienced during the pandemic.

During FY22, we increased our number of research agreements with institutional clients. We also increased market share from our existing client base to 2%, continuing the trend of the last five years, during which we have doubled our overall market share.

Operating costs

	FY22 £000	FY21 £000	% change
Illustrative staff costs [1]	60,680	89,885	(32.5%)
Illustrative non-staff costs [1]	35,665	28,256	26.2%
Total illustrative administration costs [1]	**96,345**	**118,141**	**(18.4%)**
Illustrative compensation ratio [1]	46.3%	45.7%	0.6ppts
Actual staff costs [2]	41,465	23,090	79.6%
Actual non-staff costs	36,852	31,836	15.8%
Total actual administration costs	**78,317**	**54,926**	**42.6%**
Actual compensation ratio	47.1%	44.3%	2.8ppts
Period-end headcount	309	285	8.4%
Average headcount	**299**	**271**	10.3%

Actual staff costs (not including partner profit share) in FY22 were higher than FY21, largely due to the changes in compensation structure of the Group, including all former members of Peel Hunt LLP being remunerated as employees, plus the resulting additional National Insurance contributions, variable compensation and pension costs. We also hired more staff to support our growth which is reflected in higher actual staff costs. In readiness for the new Investment Firm Prudential Regulation (IFPR) remuneration requirements (the MIFIDPRU Remuneration Code) and also in response to market pressures for talent, during the year we benchmarked the fixed and variable pay of our staff and, where necessary, increased salaries with effect from the start of FY23. IFPR requires a proportion of the variable compensation of certain staff members to be paid in shares and deferred over multiple

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1 Illustrative financials are outlined in the Unaudited Illustrative Statement of Comprehensive Income
2 Actual staff costs include variable remuneration costs for employees but not for former members

years. There is also a requirement to set an overall limit on the ratio of fixed to variable compensation. Illustrative staff costs (including variable remuneration) in FY22 were lower than FY21, in line with the reduction in revenue and the associated reduction in variable remuneration expense. This has resulted in a small increase in the illustrative compensation ratio compared with FY21.

Actual non-staff costs increased in FY22 due to costs associated with the IPO, increased audit and corporate governance requirements and our continued investment in technology. Illustrative non-staff costs increased on FY21 due to higher property costs following our move to our new offices in January 2021.

Average headcount grew by 10.3% over the corresponding period in FY21, reflecting the strategic investment in additional people to support business expansion, improved governance and to ensure that we maintain exceptional client service.

Balance sheet

The Group's net asset position as at 31 March 2022 was £100.1m (31 March 2021: £48.4m), representing an increase of 106.8% compared to the prior year. The net assets include the net proceeds of £35.9m raised in the IPO.

Capital and liquidity

Pillar 1 coverage over net assets as at 31 March 2022 was 558% (31 March 2021: no equivalent comparative) due to the increase of the net assets of the Group following our IPO. This has helped provide a stable regulatory capital position for the Group as we look to provide additional capital for our trading strategies and additional comfort for our underwriting activities.

Following the introduction of IFPR on 1 January 2022, our Pillar 1 regulatory capital requirement decreased in comparison to the previous regime[3] [4], however we will not have certainty of our total regulatory capital requirements until the Financial Conduct Authority (FCA) has reviewed our Internal Capital and Risk Assessment (ICARA).

Our cash balance has decreased to £76.7m against the prior year end (FY21: £103.4m) predominantly due to the exceptional trading performance and greater cash generation in FY21. There has also been higher cash utilisation in FY22 due to IPO-related costs and final payments for the fit-out of our new corporate headquarters.

During the year, we continued our partnership with Lloyds and refinanced our Senior Facilities Agreement (SFA) just prior to our IPO, with a total facility of £50m over a new five-year term. We drew down £30m, with the rest either being cancelled or allowed to expire, as we refined the Group's liquidity requirements. At the year end, our SFA loan balance was £27m (FY21: £24m).

We also increased the size of our revolving credit facility (RCF) with Lloyds prior to the IPO, increasing this from £10m to £30m. This facility is for working capital purposes and provides much greater flexibility for us to manage our cash flows during the year. At the year end, the facility was undrawn.

3 Capital Requirements Regulations, Regulation (EU) No 575/2013
4 Capital Requirements Directive, Directive 2013/36/EU

Dividend

The Board has proposed a final dividend for the year of 3.1p per share. The dividend is in line with the policy stated at the time of our IPO and represents the policy applied to the actual H2 FY22 results. The dividend, subject to approval at the AGM, will be paid on 15 July 2022 to shareholders on the register on 17 June 2022.

Unaudited Illustrative Statement of Comprehensive Income

The unaudited illustrative Statement of Comprehensive Income set out below has been prepared to illustrate the impact that the reorganisation of the Group's corporate structure, and the IPO, would have had on the consolidated statement of comprehensive income had it taken place on or before 31 March 2020. The statement has been adjusted to remove the impact of one-off costs relating to the IPO, the office move in the year ended 31 March 2021, and tax-related prior year items arising in the period. The illustrative consolidated income statement addresses a hypothetical situation and therefore does not represent the Group's actual financial position, results or costs and expenses.

		Year ended 31 March 22	Year ended 31 March 21
Continuing activities	*Notes*	**£'000**	**£'000**
Revenue		131,046	196,874
Illustrative administrative expenses	*(a)*	(96,345)	(118,141)
Illustrative profit from operations		34,701	**78,733**
Finance income		15	30
Finance expenses		(1,664)	(2,106)
Other income		56	360
Illustrative profit before tax		33,108	**77,017**
Illustrative corporation tax	*(b)*	(7,566)	(19,108)
Illustrative profit after tax		25,542	**57,909**
Illustrative dividend	*(c)*	(10,217)	(23,164)
Illustrative retained profit for the period	*(d)*	15,325	**34,745**

Illustrative performance metrics		
Compensation ratio	46.3%	45.7%
Non-staff cost ratio	28.4%	15.2%
Profit before tax margin	25.3%	39.1%

Notes to the Unaudited Illustrative Statement of Comprehensive Income

(a) ***Illustrative administrative expenses*** **–** the illustrative administrative expenses in all periods include the impact of changes to the compensation structure of the Group, including the former members of Peel Hunt LLP being remunerated as employees plus the resulting additional National Insurance contributions and pension costs. In addition, for the periods:

i. Illustrative administrative expenses in the year ended 31 March 2022 exclude one-off costs of £4.1m (£1.2m of staff costs relating to the reorganisation of the Group's corporate structure, and £2.9m of non-staff costs relating to the IPO).

ii. Illustrative administrative expenses in the year ended 31 March 2021 exclude one-off costs of £3.4m (relocation to 100 Liverpool Street).

(b) ***Illustrative corporation tax –*** the illustrative corporation tax includes the effect of the Group being subject to corporation tax at the standard rate (19%) on additional profits, as well as the bank surcharge levy (8% on annual profits over £25m). The illustrative corporation tax for 31 March 2022 excludes £1.6m of tax charged in respect of prior years.

(c) ***Illustrative dividend –*** the illustrative dividend includes the targeted basic dividend pay-out ratio of the Group (40%), applied to the illustrative profits after tax for the period.

(d) ***Adjustments in relation to other matters*** such as equity incentive structures that may be implemented have not been reflected in the Illustrative Consolidated Income Statement because they would not currently be factually supportable since their quantum would not have been known at that time.

Reconciliation of Illustrative to Actual Consolidated Comprehensive Income

The impact of Notes (a) to (c) on the Unaudited Illustrative Statement of Comprehensive Income on FY22 is summarised below:

		Administrative expenses (1)					
	Actual financials – FY22	Include: revised compensation structure (2)	Exclude: one-off expenses	Exclude: one-off tax charge in respect of prior years	Include: additional corporation tax (incl. bank levy)	Include: illustrative 40% dividend	Illustrative financials – FY22
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Profit before tax for the period	41,228	(12,193)	4,073				33,108
Tax	(5,280)			1,559	(3,845)		(7,566)
Profit after tax	**35,948**	(12,193)	4,073	1,559	**(3,845)**		25,542
Illustrative dividend						(10,217)	(10,217)
Illustrative retained profit for the period							**15,325**

(1) Illustrative administration expenses includes members' remuneration charged as an expense; this is presented separately from the actual administration expenses shown in the Statement of Comprehensive Income below.

(2) Includes National Insurance, pension costs and variable remuneration related to former members of Peel Hunt LLP.

Consolidated Statement of Comprehensive Income

Audited for the year ended 31 March 2022

Continuing activities	*Notes*	**Year ended 31 March 2022 £'000**	**Year ended 31 March 2021 £'000**
Revenue	*2*	131,046	**196,874**
Administrative expenses	*3*	(78,317)	(54,926)
Profit from operations		**52,729**	**141,948**
Finance income	*4*	15	30
Finance expense	*4*	(1,664)	(2,106)
Other income		56	360
Profit before remuneration to the members of Peel Hunt LLP and tax		**51,136**	**140,232**
Members' remuneration charged as an expense	*3*	(9,908)	(20,117)
Profit before tax for the year		**41,228**	**120,115**
Tax	*5*	(5,280)	(1,546)
Profit for the year		**35,948**	**118,569**
Other comprehensive income for the year		27	-
Total comprehensive income for the year		**35,975**	**118,569**
Attributable to:			
Owners of the Company		10,954	3,725
Non-controlling interests	*6*	24,994	114,844
Profit for the year		**35,948**	**118,569**
Attributable to:			
Owners of the Company		10,981	3,725
Non-controlling interests	*6*	24,994	114,844
Total comprehensive income for the year		**35,975**	**118,569**
Earnings per share – attributable to owners of the Company:			
Basic	**8**	**15.4p**	**17.7p**
Diluted	**8**	**15.4p**	**17.2p**

Consolidated Balance Sheet

Audited as at 31 March 2022

	As at 31 March 2022 £'000	As at 31 March 2021 £'000
ASSETS		
Non-current assets		
Property, plant and equipment	9,341	9,754
Intangible assets	110	138
Investments not held for trading	-	20
Right-of-use assets	18,219	20,517
Deferred tax asset	259	426
Total non-current assets	**27,929**	**30,855**
Current assets		
Securities held for trading	50,341	47,296
Market and client debtors	559,485	531,178
Trade and other debtors	13,200	9,139
Amounts due from members	-	62
Cash and cash equivalents	76,719	103,363
Total current assets	**699,745**	**691,038**
LIABILITIES		
Current liabilities		
Securities held for trading	(32,705)	(33,727)
Market and client creditors	(505,475)	(464,796)
Amounts due to members	(21,837)	(113,448)
Trade and other creditors	(16,790)	(14,557)
Long-term loan	(6,000)	(3,000)
Lease liabilities	(2,544)	(313)
Provisions	(540)	(431)
Total current liabilities	**(585,891)**	**(630,272)**
Net current assets	**113,854**	**60,766**
Non-current liabilities		
Long-term loan	(21,000)	(21,000)
Lease liabilities	(20,649)	(22,251)
Total non-current liabilities	**(41,649)**	**(43,251)**
Net assets	**100,134**	**48,370**

Consolidated Balance Sheet

Audited as at 31 March 2022

	As at 31 March 2022	As at 31 March 2021
	£'000	£'000
EQUITY		
Ordinary share capital	40,099	99
Own Shares held by the company	-	(14)
Other reserves	60,035	48,285
Total equity	**100,134**	**48,370**

Consolidated Statement of Changes in Equity

Audited for the year ended 31 March 2022

	Ordinary share capital	Own shares held by the Company	Other reserves	Total
Group	£'000	£'000	£'000	£'000
Balance at 31 March 2020	99	(12)	45,445	45,532
Profit for the period	-	-	3,725	3,725
Purchase of treasury shares	-	(2)	(885)	(887)
Balance at 31 March 2021	**99**	**(14)**	**48,285**	**48,370**
Profit for the period	-	-	10,981	10,981
New share issue	40,000	-	-	40,000
Share issuance expenses	-	-	(2,513)	(2,513)
Gain on option exercise			730	730
Sale of treasury shares	-	14	2,552	2,566
Balance at 31 March 2022	**40,099**	**-**	**60,035**	**100,134**

Signed on behalf of the Board by:

Sunil Dhall

Chief Financial & Operating Officer

Consolidated Statement of Cash Flows

Audited for the year ended 31 March 2022

	Notes	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Net cash (used in)/generated from operations	*9*	**(68,022)**	**84,580**
Cash flows from investing activities			
Purchase of tangible assets		(1,346)	(9,444)
Purchase of intangible assets		(6)	(16)
Disposal of equity investments not held for trading		47	-
Net cash used in investing activities		**(1,305)**	**(9,460)**
Cash flows from financing activities			
Interest paid		(732)	(1,459)
Repayment of borrowings		-	(7,500)
Lease liability payments		(316)	(1,247)
Revaluation of right-of-use asset and lease liability		(52)	46
Proceeds from share issuance		40,000	-
Sale/(purchase) of treasury shares		2,566	(887)
Gain on option exercise		730	-
Share issuance expenses		(2,513)	-
Long-term loan		3,000	(3,000)
Net cash generated from/(used in) financing activities		**42,683**	**(14,047)**
Net (decrease)/increase in cash and cash equivalents		(26,644)	61,073
Cash and cash equivalents at start of period		103,363	42,290
Cash and cash equivalents at end of period		**76,719**	**103,363**

NOTES TO THE FINANCIAL STATEMENTS

1. Basis of preparation

Peel Hunt Limited (until 21 September 2021, PH Capital Limited) is a non-cellular company limited by shares, registered in Guernsey. Its registered office is Ground Floor, Dorey Court, Admiral Park, St Peter Port, Guernsey, GY1 2HT. The consolidated financial information of the Company comprises the Company and its subsidiaries, together referred to as the "Group".

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

The financial information has been prepared on the historical cost basis, except for financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

The consolidated financial information contained within these financial statements has been prepared on a going concern basis as the Directors have satisfied themselves that, at the time of approving the financial information and having taken into consideration the strength of the Group balance sheet and cash balances, the Group has adequate resources to continue in operational existence for at least the next twelve months.

During the period, there were no significant new standards or amendments to IFRS that became effective and were adopted by the Company and the Group.

2. Revenue

	Year ended 31 Mar 2022 £'000	Year ended 31 Mar 2021 £'000
Research payments and execution commission	30,241	33,780
Execution Services revenue	42,857	116,154
Investment Banking fees and retainers	57,948	46,940
Total revenue for the period	**131,046**	**196,874**

3. Staff costs

	Year ended 31 Mar 2022 £'000	Year ended 31 Mar 2021 £'000
Wages and salaries	33,179	18,770
Social security costs	6,051	2,273
Pensions costs	1,473	759
Other costs	762	2,101
Total staff costs for the period	41,465	**23,903**
Members' remuneration charged as an expense	9,908	**20,117**
Total staff costs and members' remuneration charged as an expense for the period	**51,373**	**44,020**

The average number of employees and members of Group during the period has increased to 299 (31 March 2021: 271).

4. Net finance expense

	Year ended 31 Mar 2022 £'000	Year ended 31 Mar 2021 £'000
Finance income		
Bank interest received	15	30
Finance expense		
Bank interest paid	(72)	(253)
Interest on lease liabilities	(934)	(646)
Interest accrued on long-term loan	(658)	(1,207)
Finance expense for the period	(1,664)	(2,106)
Net finance expense for the period	**(1,649)**	**(2,076)**

5. Tax charge

The Group tax charge in the year ended 31 March 2022 includes £1.6m relating to tax charges in respect of prior years.

6. Non-controlling interest

The non-controlling interest relates to the former individual members of Peel Hunt LLP; these amounts are included in amounts due to members on the Consolidated Balance Sheet.

7. Balance sheet items

(a) Property, plant and equipment

Property, plant and equipment is 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.

(b) Intangible assets

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

(c) Right-of-use asset and lease liabilities

The right-of-use asset and lease liabilities (current and non-current) represent the two property leases that the Group currently uses for its offices in London and New York.

(d) Market and client debtors and creditors

The market and client debtor and creditor balances represent unsettled sold securities transactions and unsettled purchased securities transactions, which are recognised on a trade date basis. The majority of open bargains were settled in the ordinary course of business (trade date plus two days). Market and client debtor and creditor balances in these financial statements include agreed counterparty netting of £17.4m (31 March 2021: £9.7m).

(e) Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provisions of the financial instrument. The type of financial instruments held by the Group at 31 March 2022 and 31 March 2021 are consistent with those held at prior year end. The majority of financial instruments are classified as 'Level 1', with quoted prices in active markets.

(f) Stock borrowing collateral

The 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 not significantly different from the value of the securities purchased. The total value of cash collateral held on the statement of financial position is £2.8m (31 March 2021: £1.6m).

(g) Long-term loan

The Senior Facilities Agreement with Lloyds was refinanced in the period, with a total facility of £50m over a new five-year term, of which £30m has been drawn. £10m of the undrawn amount was not required and was allowed to expire, and we elected to cancel the remaining £10m.

(h) Admission to trading on AIM

As at 28 September 2021, immediately prior to the IPO, the Company's issued share capital comprised 25,000,000 A Ordinary Shares of 0.1 pence each and 73,618,125 B Ordinary Shares of 0.1 pence each (all of which were fully paid).

On 29 September 2021:

i. The A Ordinary Shares and B Ordinary Shares were consolidated into 24,654,526 Ordinary Shares of no par value.

ii. The Company, Peel Hunt Partnership Group Limited (formerly Macsco 22 Limited) and all individual members of Peel Hunt LLP executed a sale and purchase agreement pursuant to which those members transferred and assigned to Peel Hunt Partnership Group Limited their member share units and all rights and powers, and subject to all the obligations, restrictions and liabilities in respect of their member share units (other than the right to participate in the profits of Peel Hunt LLP generated prior to such transfer), in exchange for 80,608,699 Ordinary Shares of no par value.

iii. All individual members of Peel Hunt LLP retired as members and became employees of Peel Hunt LLP.

iv. 17,543,860 Ordinary Shares were issued by the Company pursuant to an offer for the issue of Ordinary Shares of no par value in exchange for cash.

v. 122,807,085 Ordinary Shares of no par value were admitted to trading on AIM.

8. Earnings per share

	Year ended 31 March 2022	Year ended 31 March 2021
Basic weighted average number of ordinary shares in issue during the year	71,231,123	21,078,123
Dilutive effect of 2015 option grant	259,971	534,688
Diluted weighted average number of ordinary shares in issue during the year	**71,491,094**	**21,612,811**

Basic earnings per share is calculated on a total comprehensive income for the year, attributable to the owners of the Company, of £11.0m (31 March 2021: £3.7m) and 71,231,123 (31 March 2021: 21,078,123) ordinary shares, being the weighted average number of ordinary shares in issue during the year. Diluted earnings per share is calculated after adjusting for the number of options expected to be exercised from the 2015 option grant. The weighted average number of ordinary share in issue in the prior year has been adjusted for the share consolidation that took place in September 2021.

The calculations exclude treasury shares held by the Employee Benefit Trust on behalf of the Group.

The Company does not have any further dilutive equity instruments outstanding as at 31 March 2022.

9. Reconciliation of profit before tax to cash from operating activities

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Profit before tax for the period	41,228	**120,115**
Adjustments for:		
Depreciation and amortisation	4,154	3,632
Impairment loss on loans and receivables	244	30
Fair value gain on sale of securities not held for trading	27	-
Increase in provisions	109	203
Foreign exchange movement on deferred tax asset	(8)	5
Net finance costs	1,649	2,076
Change in working capital:		
(Increase)/decrease in net securities held for trading	(4,068)	4,057
Decrease/(increase) in net market and client debtors	12,373	(16,045)
(Increase) in trade and other debtors	(4,017)	(2,126)
(Decrease) in net amounts due to members	(116,565)	(31,982)
Increase in trade and other creditors	3,001	6,074
Cash (used in)/generated from operations	**(61,873)**	**86,039**
Interest received	15	30
Corporation tax paid	(6,164)	(1,489)
Net cash (used in)/generated from operations	**(68,022)**	**84,580**

END