



PEEL
HUNT

ANNUAL REPORT
2023

“
We do business
transparently and
with integrity, for the
good of everyone.”

Steven Fine Chief Executive

FRANKLIN





PEEL
HUNT

PEEL HUNT

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See our annual report online summary

Throughout this annual report, you can link to additional information through these QR codes

This year has been the most challenging since our foundation. We have made good strategic progress as we navigated difficult markets, continuing to guide and nurture our clients and people through the evolution of business.




We are in turbulent times

“

“Volatile markets create uncertainty, but also open up opportunities. As M&A advisers, we help our clients grasp those opportunities so they can emerge stronger from these febrile times.”

Michael Nicholson Head of M&A



We're living through a period of exceptional market turmoil, driven by everything from rising interest rates to the return of war on European soil. In the past 12 months alone, we've witnessed unusually low market activity, renewed volatility in the banking system and a profound sense of uncertainty among investors of all types. It is thanks to the extraordinary efforts of our people that Peel Hunt has continued to help our clients navigate these turbulent times.

>> [Read more on how we're navigating challenging markets from our Chief Executive – pages 20-22](#)

18.5%

The difference between the highest and lowest value of sterling against the dollar in FY23

We believe in investing in the future while managing costs carefully

With cost discipline and a belief that it is important to invest prudently in our business throughout the market cycle, we've continued to build our business and refocus our strategic priorities during one of the most difficult years our sector has seen in decades.

>> Read more on how we're investing in our strategy – pages 23-28

“

In FinTech, we believe we are at the post-dotcom moment in the cycle. Just as it was then, this is the most capital efficient point to invest in building a franchise ahead of the super-cycle to come. ”

Gautam Pillai CFA, FinTech Research Analyst



£1.1m

Investment in intellectual property assets during FY23

We act in the best interests of our clients



We are proud of the lasting relationships that we build with our clients, and it is especially important that we step even closer towards them when times are tough. Our joined-up banking approach means that when clients come to us for advice we reply as a unified voice, blending expertise with data-led insights to create value. We have built a reputation for quality and consistency, and our leading role in the mid-cap and growth investment sector means that our stature in the wider financial ecosystem is growing. That's why more and more clients are choosing Peel Hunt as their trusted adviser.

>> Read more about how we build expertise in our client teams – page 46

“

Peel Hunt is one of the top UK mid-cap houses with excellent research analysts covering a broad spectrum of the equity market. ”

Neil Hermon Director of UK Equities and Portfolio Manager, Janus Henderson Investors

18%

Increase in FTSE 350 clients

We focus on the long term

“
Peel Hunt conferences provide a great opportunity to meet new and existing investors, as well as network with the Peel Hunt team. ”

Robin Alfonso Chief Financial Officer, CVS Group plc





We attract and nurture good people who help us develop deep, long-lasting relationships with investors and clients. We invest in digital tools and platforms to keep transforming the way we work, identifying and acting on emerging market trends. We do all of this with transparency and integrity, building our brand and reputation as a business that clients can trust. By staying focused on the long-term view and committed to our purpose and principles, we will keep building our reputation and growing our business.

>> [Read more about our long-term approach to nurturing and developing our people – pages 56-59](#)

86%

of our staff recommended
Peel Hunt as a place to work
(FY23 engagement survey)

Our business at a glance

Built around people.
Driven by technology.
Trusted by clients.

Peel Hunt is a specialist UK investment bank with over 300 people in the UK and other jurisdictions. 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.

155

Retained corporate clients
(as at 31 March 2023)

No.1

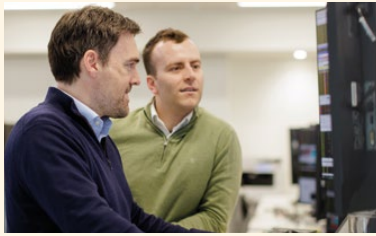
Ranking for mid- and
small-cap research for
institutional investors

Our purpose

Guiding and nurturing
people through the
evolution of business.

Our values

Encourage greatness.
Empower each other.
Only accept excellence.
Do the right thing.



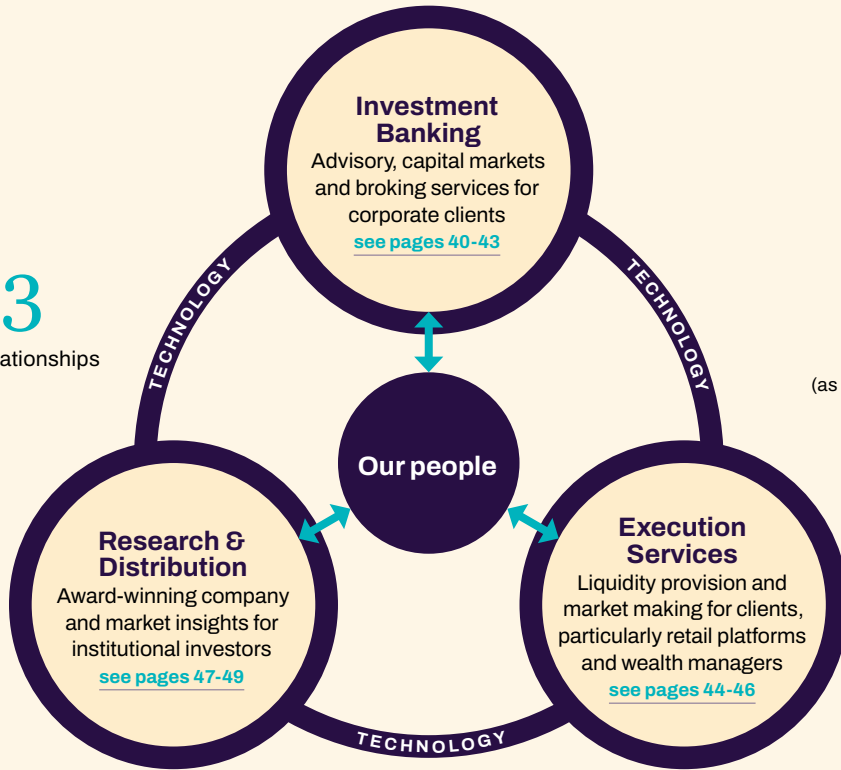
Our business model

1,243

Institutional relationships

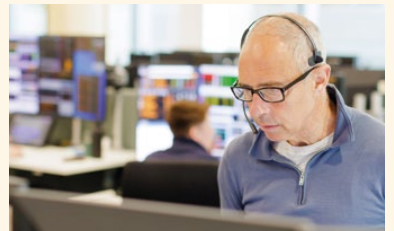
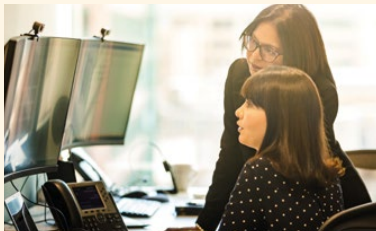
433

Stocks covered
(as at 31 March 2023)



13.3%

Traded LSE volumes



The year in numbers

The business remains well capitalised and has been resilient in the face of extremely difficult markets. We are confident that we have the financial strength to respond to challenges and opportunities in the market as they arise.



Scan to see
our full year
results

Revenue

£82.3m

2022: £131.0m

(Loss)/Earnings per share

(1.1)p

2022: 15.4p

Net assets

£93.1m

2022: £100.1m

(Loss)/Profit before tax

£(1.49)m

2022: £41.2m

Dividend per share

0p

2022: 3.1p

Total liquid assets
(cash and settled securities)

£101.7m

2022: £150.4m

Our people

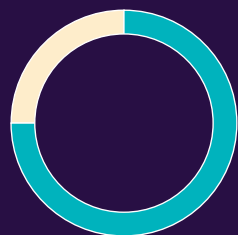
310

employees
2022: 309

>60% are shareholders

2022: 66%

Gender breakdown



■ Male 232 (75%) 2022: 234 (76%)
■ Female 78 (25%) 2022: 75 (24%)

Our communities

£50,345

donated
2022: £111,605 (Cash donation and in kind)

61%

of our people spent 805 hours volunteering (2022: 430.5 hours)
2022: 35%

Our clients

£892.4m

Total funds raised for corporate clients
2022: £3.7bn

33,900

Average number of trades executed per day for retail investors
2022: 48,900

No.1*

Ranking for mid- and small-cap research for institutional investors
2022: No.1

*As communicated in April 2023, we will not actively participate in the Institutional Investor Survey in future, and will therefore not report it from FY24.

Interview with our Chair, Lucinda Riches

Lucinda reflects on her first year as Chair of Peel Hunt, sharing her thoughts on the year and on how Peel Hunt's refined strategic priorities are setting the business on the right path for success.

Q How would you describe Peel Hunt's year?

A It has been a difficult year for the business, given the market backdrop of low levels of capital markets activity. Although I was disappointed with our revenue and profitability in FY23, I've been encouraged by how the team has worked to stay close to our clients and support them in navigating challenging markets. The Board and our people have been working hard, particularly on key strategic projects – for example, our successful regulatory application to open a European platform in Copenhagen and establishing REX technology as an industry-wide utility that will operate independently of Peel Hunt as RetailBook.

We have also reflected on where we want to take the business over the next five years. As a result, we have refined our strategic priorities to provide a clearer view of the steps needed to take the business to the next level.

Q How has the business reacted to the difficult economic and market climate?

A We've maintained a considered approach to expenditure, in particular to discretionary items, during this uncertain time. Nonetheless we've experienced cost increases as a result of the necessary restructuring of the business during the IPO and recent inflationary pressures.

Our business is set up to be resilient in turbulent times. Our careful liquidity management, combined with our strong balance sheet, have proved essential as markets continue to be difficult.

Q You mentioned strategic progress – could you highlight some examples?

A We're in the early stages of implementing the refined strategic priorities, and they have already started to show results that position the business well, especially for when market activity normalises. For example, during the year, targeted investment in our Investment Banking sector teams and our focus on mid-cap companies have resulted in a number of FTSE 350 client wins. The investment we made in our M&A and Advisory business has resulted in an increase in the number of retained financial advisor mandates, and following the build out of our Private Capital Markets capability, we have received instructions from a number of growing and ambitious private companies. We have also continued to invest in our distribution capability to ensure that we are the compelling choice for growth and mid-cap companies. The regulatory approval we received for Peel Hunt Europe will further strengthen our market-leading mid-cap distribution into Europe. The short approval timeframe is testament to the outstanding efforts of our people in submitting an application of the highest standard.

Q Will the refined strategic priorities change how Peel Hunt operates?

A On a day-to-day basis little will change. Peel Hunt has many strengths to build on – excellent advice and execution, deep sector expertise, award-winning research, strong investor relationships and significant market share, to name a few. However, the business needs to change any lingering perceptions that we are simply a broker and market maker, to reflect that we are, in fact, a UK specialist investment bank and key liquidity provider.



“
The Board has worked very closely with the executive team to maintain operating discipline and minimise costs while enabling targeted investment.”

Q How about the strategic focus on boosting performance through Peel Hunt's unique culture?

A Peel Hunt's collegiate culture is fundamental to who we are. Highlighting performance within our strategy is not about changing that culture; it's about putting in place processes and milestones to track progress, such as clear individual objectives aligned with the business's strategic priorities. We want to clearly measure the performance and progress we're making against those strategic priorities by promoting a performance culture. And, as the business grows, it's also important to be clearer about career paths and development of our people.

Q Aside from the strategy, what else has been on the Board's agenda?

A The Board has worked very closely with the executive team to maintain operating discipline and minimise costs while enabling targeted investment. At the same time, lower revenues and the impact on the group-wide bonus pool have made us think hard about how to retain and motivate people who are key to the business.

Environmental, social and governance issues (ESG) have also been on the agenda and, in the spirit of creating measurable steps for delivery, we have set important targets to reduce our carbon footprint and increase gender diversity. These include a target of

women comprising at least 40% of employees by 2035, as well as setting targets to become carbon neutral by 2025, and reach net zero by 2040. (See pages 52 and 62 for more on these environmental targets.)

The Board has, of course, also reviewed the dividend. Given our FY23 results, and in line with our policy, we are not proposing to declare a dividend this year.

Q What are the Board's priorities for the coming year?

A Our first priority is to continue to ensure the strength and resilience of the business, should economic and market conditions remain difficult. In this context, liquidity and cash flow will remain important, as will returning to profitability and the ability to pay a dividend in line with our stated policy. Our second priority is to keep a close watch on strategic progress, supporting the executive team in setting and achieving objectives and ensuring wise and targeted investment in the business. With this in mind, I am confident that we will see Peel Hunt capitalising on the strong foundations laid by the management team this year.

Lucinda Riches Chair

A rocky year for global markets

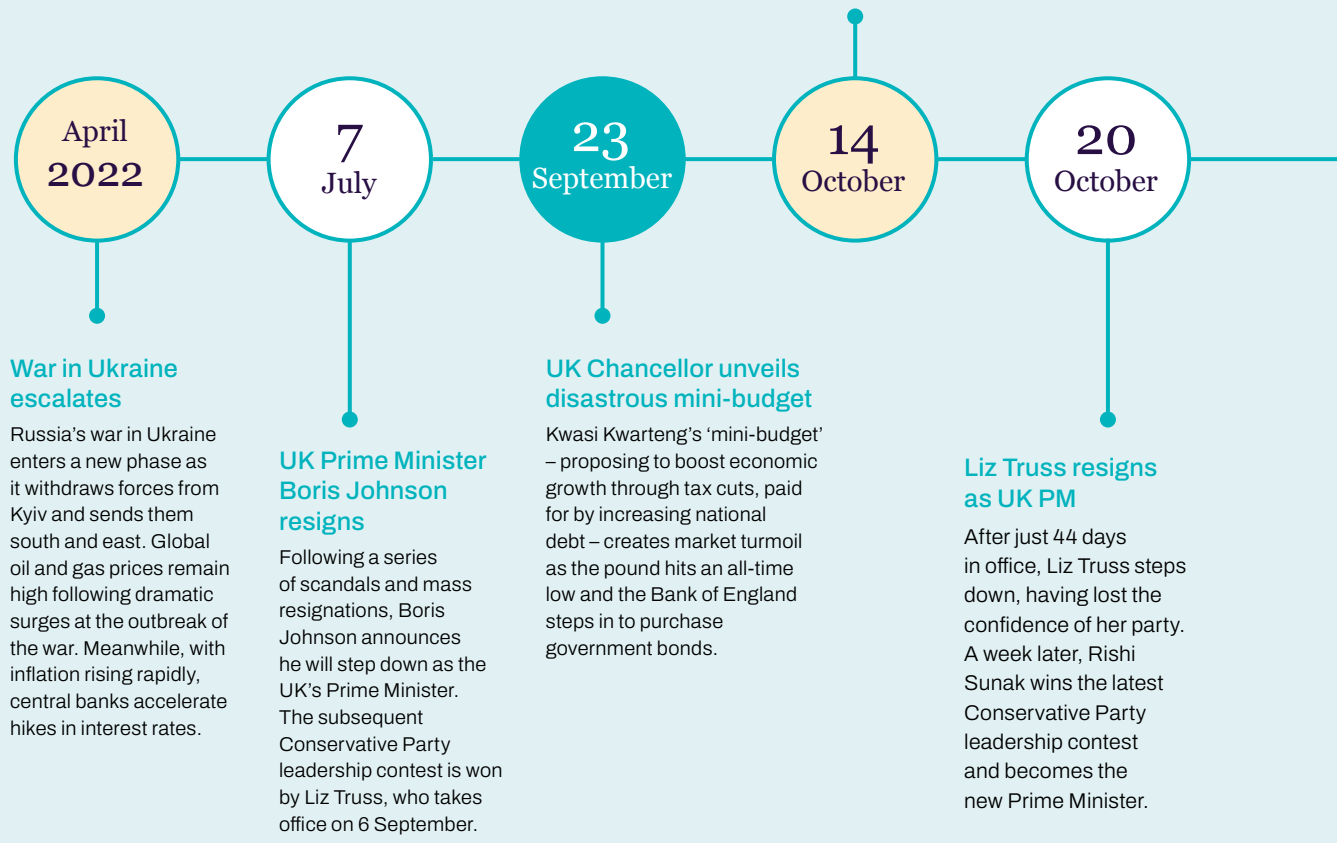
In the last year, we've seen market turmoil, driven by different economic and geopolitical events, from war on European soil, to political upheaval in the UK, to the biggest US bank failure since 2008. We look back at some of the most significant events that have affected our sector and Steven and Sunil discuss some of the planned and proposed changes in regulation that could help reverse recent downward trends in equity market activity.

8.9%

Inflation according to the Consumer Price Index in the 12 months to March 2023

Kwasi Kwarteng dismissed as Chancellor

Prime Minister Liz Truss dismisses Kwasi Kwarteng and appoints Jeremy Hunt. Three days later, Hunt delivers an emergency statement announcing that the government plans to reverse the majority of tax measures laid out in the mini-budget.



Silicon Valley Bank fails

The largest bank failure since the 2008 financial crisis, a run on the US-based, tech-focused bank sends shockwaves through global markets. Nine days later UBS agrees to buy Credit Suisse for more than \$3 billion, averting further panic.

10
March
2023

22
March

Interest rates hit 14-year high

In March 2023, the Bank of England increases interest rates to 4.25%.

350bp

Basis point increase in interest rates from 31 March 2022 to 31 March 2023

A changing regulatory landscape – a brighter future for UK plc

Recent market turmoil aside, the longer-term prospects for UK plc are potentially enhanced by regulatory reforms that are underway. Steven Fine, our CEO and a member of the FCA's Markets Practitioner Panel (MPP) and Sunil Dhall, our CFOO and Chair of the UK Equity Markets Association (UKEMA) during the last year, consider how the reforms are intended to reinforce the UK's position on the global stage.

Steven: We're encouraged by the cooperation and collaboration of all key stakeholders including the Bank of England, HM Treasury, the FCA, the Pre-Emption Group and market practitioners in focusing on enhancing the competitiveness and attractiveness of UK equity markets.

Sunil: It feels like this is coming together in a way that will soon deliver real, tangible benefits. There's been a huge body of work over the last two years with key initiatives including the FCA's Primary Markets Effectiveness Review, the Lord Hill Review, the Edinburgh Reforms and the Pre-Emption Group's review of its Statement of Principles. It was pleasing to see the FCA's consultation paper on Primary Markets Effectiveness, published in May, which proposes a number of significant changes to encourage ambitious, growing companies to list in London.

Steven: Vibrant equity markets are key to the overall health of the UK economy and clearly benefit Peel Hunt. The proposed changes to the listing regime increase flexibility to accommodate a range of businesses whilst balancing and maintaining key investor safeguards.

Sunil: Yes, for example, the proposed single equity category for commercial companies removes eligibility requirements that can deter early-stage companies, is more permissive on dual class share structures, and removes mandatory shareholder votes on significant transactions such as acquisitions – this reduces friction for companies pursuing their business strategies. It's also good to see changes that support retail participation in UK equity markets. Under the Public Offers and Admissions to Trading (POAT) regime, the €8 million cap on follow-on offerings to retail investors by listed companies without the need for a prospectus should be removed (leaving the FCA to decide what the prospectus triggers are as part of its reform work). Through the UKEMA and as a business, we have championed retail participation in UK equity markets, and this is a significant area of potential growth for RetailBook (See pages 42-43 for more on RetailBook). In tandem with the listing regime changes, there's an increasing focus on pension fund reforms too. Freeing up pension funds to invest in longer-term assets could release billions of pounds of investment into UK equities and private growth markets.

Steven: Agreed. All of these changes will set the scene for the UK's financial services sector for years to come and, as a champion of both UK plc and retail investors, we are highly supportive. I'm grateful that I will be involved, through the MPP, in the debate to encourage optimal outcomes for UK plc, which will benefit our clients, the markets and Peel Hunt.

Steven Fine discusses a challenging, yet productive, year

The past 12 months have been difficult for everyone in the financial services sector. It's certainly one of the toughest years I've witnessed in my career. We've all read the headlines about the ongoing war in Ukraine, rising energy prices, inflation and interest rates, job losses, the aftermath of the UK Government's mini-budget and, more recently, bank bailouts on both sides of the Atlantic. Across the industry we've felt the impact all this has had on market activity and investor sentiment, and this can be seen in our results this year.

Despite this backdrop, I'm still disappointed that we have made a loss this year. While the diversification in the business has helped moderate that loss somewhat, the real credit goes to our people, who have shown incredible tenacity, working together to stay focused on what matters most: looking after our clients. We mean it when we say that our people are our greatest asset, and I'd like to thank them for their hard work and continued enthusiasm for our future.

Of course, navigating this turbulence has come during our first full year as a public company, and I'm grateful to our shareholders for their continuing support as we focus on the long-term future of the business. Our IPO opened up our business to new pools of investment that, combined with our business model and cost discipline, have helped us maintain a strong balance sheet. It has also allowed us to selectively invest in the business to further diversify our business model and be ready for when market activity normalises. We will continue to be prudent in our management of the business, actively reviewing costs and ensuring that we maintain a tight rein on any unnecessary expenditure.

Building on our strengths as we evolve

Despite the external challenges, this has been a productive year at Peel Hunt. We've worked closely with the Board to refine our strategic priorities and our wider Management Committee has been heavily involved in that work. It's been great to hear the team's views and enthusiasm for our business.

The strategy we've developed is a natural evolution from the three pillars I outlined in last year's Annual Report. In line with our purpose of guiding and nurturing people through the evolution of business, it sets our direction for the next five years, with five clear strategic priorities designed to help us build on our strengths, including our collegiate culture:

- Extend our leading liquidity provision
- Expand our investment banking capabilities
- Advance our position as a distribution powerhouse
- Embed technology in everything we do
- Leverage our unique culture to boost performance

Overall, these priorities will help us take a more systematic approach to growth, sharpening our focus and commercial edge. You'll find more details on the strategy and how we are approaching each of these priorities on the pages following my review.

Investment Banking

£23.4m

Revenue

Execution Services

£33.8m

Revenue

Research & Distribution

£25.1m

Revenue



“ Our strategic priorities will help us take a more systematic approach to growth, sharpening our focus and commercial edge. ”

We've already started the work to turn these priorities into action. For example, we're investing in our Investment Banking business through building our capabilities in areas like M&A, Private Capital Markets and Debt Advisory. This year, we made certain strategic hires in Investment Banking, and launched our first graduate recruitment programme to support those growth areas.

Meanwhile, I'm delighted to say that we've received regulatory approval for our European office in Copenhagen, which will be operational shortly and will enable us to open new accounts, expanding the footprint of our business. This move will give our business unrestricted access to the region, strengthening our market-leading mid-cap distribution in Europe. We've also invested in our US distribution platform and have been building relationships with new distribution partners, such as sovereign wealth funds, around the world.

Investing in technology to underpin our growth

Technology has been a major part of our profile and will remain key to delivering our strategy. Here, too, we have continued to invest, developing more intelligent pricing models and building new technology that will enable us to live stream our prices to alternative venues. We're also working with some of the larger pan-European liquidity providers with the aim of integrating with their platforms so that our Execution Services business can participate in greater flow and liquidity.

Our technology team has built new infrastructure that is helping us lay the foundations for more informed digital analysis of large quantities of information. Even more exciting is the work the team is doing to explore the use of machine learning and artificial intelligence (AI) to turn data into intelligence for our clients.

One of the best examples of our approach to technology is a new standalone business, RetailBook, built from our proprietary REX platform. RetailBook is a good example of how we can commercialise our technology. I am particularly proud of the fact that we have brought together some of our peers for the benefit of the wider retail investor market. You can read more about RetailBook on page 42.

A more focused approach to performance

As I mentioned at the start, our people are at the heart of Peel Hunt. We've always taken pride in our open, collaborative culture, and I see this as the foundation that will support everything we want to achieve with our strategy. A key part of my job is to make sure that we protect it as we grow.

Delivering our strategy will mean blending our collaborative approach with an increased focus on performance – it's about becoming more ambitious, more focused, better able to act with urgency and creativity to ensure that everything we do continues to be in the best interests of our clients. It's about setting clear objectives to make sure that everyone understands the role they play in our strategy, as well as developing pragmatic incentive plans that aim to reward outstanding future performance and encourage more people to build their career with us.

As we do all of this we want to stay focused on our broader ambition to become a more diverse business. So I am delighted that we've set our first diversity target this year, with the aim of having women represent at least 40% of all employees by 2035.

It's going to be a challenge to hit that target and, of course, gender is only one aspect of diversity that we want to address. But this target – alongside our two new carbon reduction targets – are important signs that our wider sustainability agenda is maturing. You can read more about our new sustainability targets on pages 52-55.

A stronger voice in the UK financial markets

As difficult as conditions have been this year, I believe that there are good reasons to be optimistic about the UK market, and I can see opportunities for our business. For example, higher interest rates have reset the price of debt. So while we expect private capital to continue to be a valuable source of funding for UK companies,

“

It's exciting to see so many of our people being a part of delivering our strategy and asking themselves 'What can I do to make a difference?' ”

Steven Fine CEO

that repricing of debt should drive a resurgence in public equity finance. We're well placed to support both. We already have a leading position in UK mid-cap and growth public markets, and we're using that expertise to expand our private markets business, particularly in sectors that we already know very well. Many of the services we provide – fundraising, M&A and high quality, sector-based research – are as relevant for private companies as they are for public.

As the world adjusts to both higher interest rates and an increase in the cost of capital, price discovery is going to be incredibly important. Here, too, our broad knowledge of private equity, hedge funds, sovereign wealth, and other differentiated pools of capital can make a material difference.

All of this is coming at a time when Peel Hunt's position as an experienced voice in the UK's financial landscape is being increasingly recognised by government and regulators in discussions around the future of the UK's financial markets. I see plenty of reasons to be optimistic about the potential the UK Government's Financial Services and Markets Bill has to rejuvenate the City's international standing.

No one knows when, or how fast, regulatory reform will start to take effect, nor quite when markets will recover. But the combination of our clear strategy, our long-term focus driven by our purpose and, most importantly, our outstanding people, means that when the capital market cycle does turn, we will be well positioned to take advantage of a resurgence in activity.



Steven Fine
CEO

Refining our strategy

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.

Key to success is for everyone to be clear about our ambitions and priorities, and to understand their role and the contribution they can make. And so our people have been at the heart of developing these strategic priorities. 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. The process involved creating a clear roadmap, shared across the business to get consensus, and culminated in a dedicated strategy day in October 2022, involving the executive team and the Board. From this collaborative process, we now have a set of five strategic priorities that will help us become more focused, ambitious and systematic in our approach to growth.

These priorities are a development of the strategic pillars we set out at our IPO – focusing on culture and people, investing in technology and expanding our offering. They will help us build on our existing strengths, namely our collegiate culture, significant market share, award-winning research and deep relationships with our clients, which together make up our joined-up banking approach. Importantly, these priorities will enable us to deliver long-term value, fulfilling our purpose of guiding and nurturing people through the evolution of business.

As we now implement the strategy, the wider business is getting involved, via a growing number of short-term, cross-functional projects – or ‘sprints’ – which are helping us identify ways we can be more targeted in delivering our five priorities.

Our five strategic priorities

We aim to:

Extend our leading liquidity provision

>> See page 24

Expand our investment banking capabilities

>> See page 25

Advance our position as a distribution powerhouse

>> See page 25

Embed technology in everything we do

>> See page 26

Leverage our unique culture to boost performance

>> See page 28

Putting our strategy into action

Extend our leading liquidity provision

Over the past decade, Peel Hunt has evolved from a market maker into a key liquidity provider. We trade in more than 5,000 UK securities with average trading volumes of 56,700 trades executed every day. In recent years we've expanded our international focus, and today we trade in more than 9,800 overseas securities. This has helped us build market share and win business across the Group. We want to continue that process by adding incremental liquidity.

We are expanding and diversifying our trading counterparties, moving into new areas of liquidity by making our prices available to a range of different venues and counterparties. This year, for example, we added 11 new counterparties, with another five in the pipeline.

We're also developing new digital infrastructure that will enable us to live stream our prices to alternative venues. This will add greater depth to our liquidity offering, helping us diversify beyond the retail market and create a more compelling offer for our clients. Meanwhile, we're building more intelligent pricing models to help us trade more efficiently and open up other new sources of liquidity.

And so that we can scale our flows, we're establishing new strategic partnerships, and are already working with some of the larger pan-European liquidity providers.

“This is an exciting time in the evolution of our business. 2023 will see us link our unique pools of liquidity beyond retail to our wider client base.”

James Webb
Head of Systematic Trading



113m

Number of quote requests processed in the year

56.7k

Average trades executed per day



Expand our investment banking capabilities

We have evolved from a leading corporate broking business into a specialist UK investment bank.

We're proud of the deep, long-standing relationships we've developed with our corporate clients during that time. We want to continue building on that track record, focusing on mid-cap and growth companies where our services can add the most value.

And we're diversifying our client base, continuing to draw on our deep expertise to support public companies, while growing our Private Capital Markets business, since the services we offer are equally valuable to both sectors.

We want to do all of this in ways that ensure we continue to act as a trusted adviser, helping clients shape new deals and ideas. So we're also expanding and strengthening our services and capabilities in areas like M&A and Debt Advisory. We've made a number of strategic hires across the business to support that expansion. This includes launching a new graduate programme, enabling our most senior bankers to spend more time sharing their expertise with our clients.

To extend our influence and reach, our Investment Banking teams are working even more closely with colleagues in Research & Distribution to build deeper relationships with institutional investors who want to invest in our clients. The more diversity we have in our products and client base, the greater our potential for growth.

7

We added seven new FTSE 350 clients this year, bringing our total to 39

Advance our position as a distribution powerhouse

Thanks to our award-winning research and experienced distribution teams, we are valued as an essential connection between investment institutions and companies. We want to keep strengthening that connection by helping high quality public and private companies talk directly to the key decision makers in the global investment ecosystem.

As we do this, we will build even deeper relationships with institutional investors in our corporate clients, expanding our market share and providing access to wider pools of capital and liquidity. Our teams work collaboratively to agree our coverage and ensure we focus our in-depth research on the companies where we can add the most value.

We also want to grow our international influence and access, continuing to differentiate our distribution. This year we've again invested in our North American and European distribution platforms. For example, we have refocused our team in New York to deliver first-class corporate access and market insights from our research, which is delivering results for both our corporate and institutional clients. Our US sales team was ranked number one in the Institutional Investor's UK Small & Midcap Survey for the second year running. In March 2023, we received regulatory approval to establish our new European office in Copenhagen. Once open, this will reinstate our unrestricted, pre-Brexit access to EU institutions. Finally, we're talking to prospective clients in other parts of the world to explore opportunities that could unlock differentiated pools of capital.

“Regulatory approval for the European office was received in record time.”

David Moalem

Partner at Bech-Bruun Copenhagen, who supported our regulatory application

1,243

Institutional relationships

Embed technology in everything we do

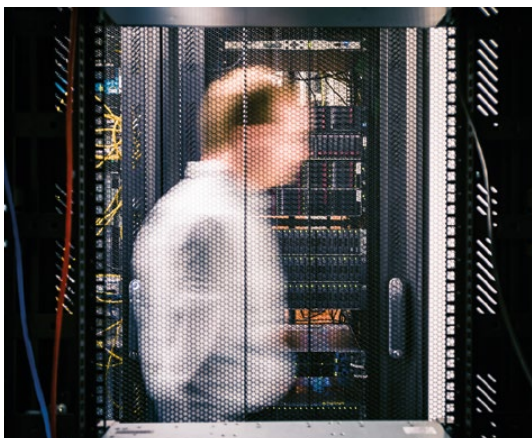
Technology is a differentiator for our business and an essential part of our trading capabilities and risk controls. We want to keep that competitive edge as we grow, so we’re continuing to invest in and innovate new digital tools and infrastructure to keep offering our trading counterparties the most competitive prices and fast, secure access to liquidity. Meanwhile, we’re spinning out our proprietary REX platform into a new standalone business, RetailBook, which will help expand retail participation in capital markets (see page 42).

Good progress on our tech priorities

Tech priority	FY23 progress
Build value-driven data and analytics capabilities	<ul style="list-style-type: none"> New cloud-based data lake launched to create the infrastructure to underpin our data-driven projects New research database and authoring platform launched to create better insights for clients
Develop a scalable operating platform	<ul style="list-style-type: none"> New HR platform launched to improve the quality and timeliness of employee-related data Moved financial reporting to the cloud, adopting good practices and robust tools that provide flexible budgeting and planning capabilities and save significant time
Create product leadership for our digital business	<ul style="list-style-type: none"> Using machine learning and AI in research workflows to help extract greater insights from our data Rebuilding the REX platform on an independent technology stack in order to move the technology into a standalone company, RetailBook. (For more on RetailBook, see pages 42-43)
Develop our people’s digital skills	<ul style="list-style-type: none"> Encouraging our people to use collaborative tools to improve their daily workflows Targeted digital training for people in key roles

Tech and business working hand in hand

Embedding technology is about developing what the business really needs. So we’ve brought together some of our digital experts with our business teams so they can work together on new AI driven tools, and find the best solutions that will free up our business people to do what they do best – advise and guide our clients.



“At Peel Hunt, you are given the freedom to cultivate your passion and curiosity to rapidly innovate and unearth AI solutions with end users.”

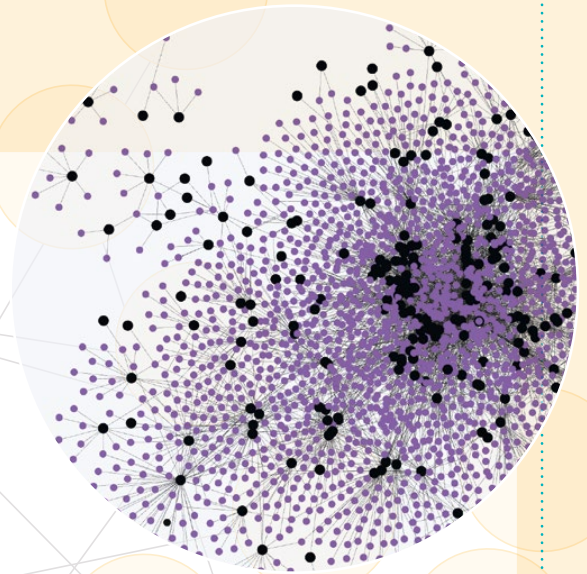
Micu Dulnoan
Machine Learning Analyst

27

Tech-focused people

Turning data into intelligence

Our technology team has developed powerful new digital infrastructure which will help our people generate deeper market insights and turn data into intelligence for our clients. Here's just one of the ways we are doing this – bringing together our deep and wide range of datasets and creating graph data structures which allow us to explore and visualise our data from different perspectives, using a range of interactive tools.



Advanced exploration tools turn data into insights for clients

184m

Average market data ticks processed per day

>1m

Combined quotes and trades in a day

Simulating multiple scenarios in real time against large datasets

Seeing the big picture and drilling down into detail to find patterns harder to glean from traditional datasets

“Data is helping us explore new areas – interactive AI tools, machine learning and different ways of conveying information rapidly. It’s an exciting time to be in tech at Peel Hunt.”

Mircea Zavera Head of Data Technology

Leverage our unique culture to boost performance

Our collaborative culture, which ensures everyone has a voice, has always been central to our success.

In fact, our greatest strength is the way that the whole organisation comes together with ideas and initiatives to help our clients and further our strategic goals.

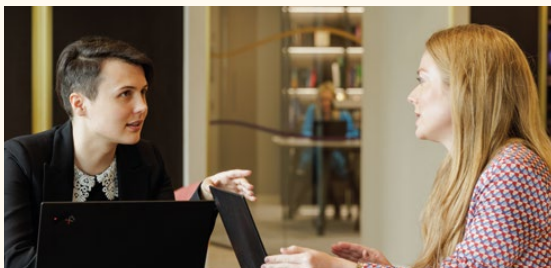
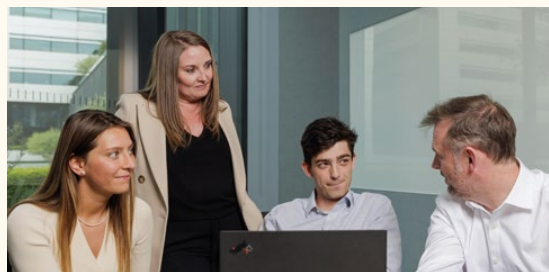
To continue to grow, we will need more of that joined-up approach, with teams collaborating more closely than ever. And we'll need to combine that collaboration with an increased focus on performance, becoming more ambitious and acting with a greater sense of urgency and confidence. In short, we want everyone to keep asking themselves, 'What can I do to make a difference?'

This year, people across the business have come together in more than 50 short-term, cross-functional projects – or 'sprints' – to help answer that question. Together, they are identifying ways we can be more targeted in delivering our other strategic priorities. Our newly launched Investment Banking graduate programme is a great example of the work our people have been doing within these 'sprints'.

100+

people have been involved in over 50 sprints across the business

As we increase our focus on performance we'll keep investing in our people. We're proud of how many have chosen to build their career with us. We want to encourage more to do so, attracting people with different backgrounds and experiences, since it's been shown that more diverse teams drive better performance. It's essential that everyone understands their role in the business and how they can contribute to the success of our strategy, so we're setting clearer personal objectives aligned to the business's goals.



"I'm really impressed at how quickly everyone adopted sprints to accelerate our strategic initiatives. It's thanks to our unique culture, since our people truly enjoy collaborating across business areas."

Hester White Director of Corporate Strategy

REVIEW OF THE YEAR

- 
- 
- 30 Chief Financial and Operating Officer's review
 - 32 Key performance indicators
 - 36 Financial review
 - 40 Business area reviews:
 - Investment Banking
 - Execution Services
 - Research & Distribution

Sunil Dhall discusses Peel Hunt's year: retaining resilience in uncertain markets

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.

Overview of results

Although our final results have been disappointing, I'm proud that the Peel Hunt team has shown resilience and determination this year to deliver for our clients in the face of such challenging conditions. 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 £1.3m for the year. Subdued equity capital markets activity in FY23 affected our Investment Banking division, with revenues down at £23.4m. However, it was pleasing that we continued to diversify our activities, whether through working on high profile M&A transactions or establishing our Private Capital Markets capabilities. In Execution Services, our team navigated exceptionally volatile markets and tight spreads to deliver revenues of £33.8m, despite the FTSE 250 and AIM indices being down marginally during the year. Although there were lower volumes across the market, it was good to see we were able to maintain a leading share of LSE volume at 13%. Our Research & Distribution business remained resilient in light of reduced volumes and tightening commission rates to deliver revenues of £25.1m. That result, plus our stable research commissions and No.1 research ranking in Institutional Investor's UK Small & Midcap Survey, show that institutional clients continue to value our capabilities.

Keeping a tight rein on costs

Like all companies, rising inflation hit our cost base. To mitigate this we have dedicated a lot of time to managing our costs tightly. However, inflationary pressures are inevitably increasing our costs, particularly service providers and technology costs. Also fixed staff costs rose this year, partly as a result of changes post-IPO, and partly because of increasing competition for talent. However, in a more challenging year such as this, variable staff costs are naturally lower, minimising cost increases overall.

Strong and resilient despite challenging markets

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. During the year, we've focused on strong liquidity and cash management within the business to ensure that both the regulatory requirements and short-term funding needs of the business are considered. Scenario and stress testing have always been part of our regular liquidity and capital analysis, providing clear actions that can be implemented in severe scenarios.

Our cash position at year end was £27.4m. We also have additional banking facilities of £30m that we can use for specific business purposes, although we have rarely drawn on them in the past year and do not rely on them to operate. We remain confident that we have the financial strength and resilience to respond to challenges, and opportunities, in the market as they arise.

Laying the groundwork to deliver our strategy

We've always believed that, in more difficult environments, we can move the business forwards to gain market share and build our relevance to our clients, so that we can be ready to capitalise when markets recover. This year, much



“
Despite the financial results, the business remains well capitalised and has been resilient in the face of extremely difficult markets.”

of that investment has been about laying the foundations to support our refined strategic priorities (see pages 23-28). For example, expanding our capabilities in Private Capital Markets; receiving regulated status from the Danish authorities in advance of opening our European office; and developing new and exciting technologies, such as our progress with REX, which will become RetailBook and operate as a standalone entity.

And, while we've been focusing on the growth agenda, we've also continued to develop and enhance our control environment. We're already reaping the benefits of having David Curran and Suzanne Clark, both of whom were appointed last year, leading our Risk and Internal Audit functions respectively.

New targets for our sustainability agenda

As a member of our Environmental, Social and Governance (ESG) Committee, I am particularly pleased with the progress we've made with our wider sustainability agenda this year, including setting new gender and carbon targets. Here, too, I have been impressed with the level of engagement from our people; what we've heard from them has directly informed our priorities.

I was also privileged to be part of the City of London's taskforce, commissioned by the UK Government, to improve socio-economic diversity at senior levels in UK financial and professional services. The programme

included an employee survey, and I'm really proud that the vast majority of our people took part. Although encouraging, it also showed we still have areas for improvement, so we've adopted the taskforce's five-point plan, as outlined on page 59.

Seeing opportunity in UK capital markets

Turning to the wider context, the last few years have seen heightened speculation around the challenges of declining public markets in the UK. But I see plenty of opportunity ahead in the potential for real, long-lasting improvements via the UK capital market reforms known as the 'Edinburgh Reforms'.

We believe that, if implemented well and in a timely manner, the Edinburgh Reforms would go a long way towards supporting deep, liquid equity markets, bringing more companies back to market, and engendering more retail participation in capital markets.

So, while it may be some time before we see the full impact, I am optimistic about the long-term prospects for UK plc and, with our renewed strategic focus, for Peel Hunt's role in that future.

Sunil Dhall CFOO

Financial performance: reflecting lower market activity

Our strategy is designed to ensure we make the most of the opportunities we see in our marketplace – maintaining flexibility and agility that have always been our key strengths. It is aligned with long-term value creation and our purpose of guiding and nurturing people through the evolution of business. We measure our overall progress in delivering our strategy against a set of financial and non-financial metrics.

Group financial

Revenue

£82.3m

2022: £131.0m

Revenue from all the business divisions of the Group

Our revenue performance was down on the previous year as a result of particularly low capital markets activity.

Revenue per head

£260.6k

2022: £438.3k

Total revenue divided by the average number of employees in the year

Revenue per head reflects our reduced revenue in challenging markets and our increase in average headcount.

(Loss)/Profit before tax

£(1.49)m

2022: £41.2m

Actual profit before tax for the Group showing revenue less administration costs (including staff bonuses) and net financing costs

This reflects a weaker revenue performance, combined with increasing costs relating to inflationary pressures and post-IPO cost increases.

Own Funds coverage (previously 'Pillar 1 coverage')

555%

2022: 558%

Size of our net assets compared with our minimum regulatory capital requirement

This coverage demonstrates our continued robust capital position in FY23.

Changes to KPIs

We have removed number of stocks covered: As a result of the work to refine our strategy, we are no longer focusing on the absolute number of stocks covered but rather on ensuring that our overall coverage is as relevant as possible to our mid-cap and growth universe of institutional clients who invest in mid-cap and growth stocks.

Following this year we will no longer be using the Institutional Investor Survey ranking as a KPI: As communicated in April 2023, we will not actively participate in the Institutional Investor Survey in future and will therefore not report it as a KPI from FY24.

We have added revenue per head: Going forwards, revenue per head will be a key KPI for the Group. This is to ensure that we are focused on operating as efficiently and as profitably as possible.

We have added median market cap: Average market cap can be skewed by the largest components of our client base. Median market cap is therefore another measure that enables us to track progress as we focus on winning a greater share of mid-cap and growth companies.

(Loss)/Earnings per share

(1.1)p

2022: 15.4p

Total (loss)/profit attributable to owners of the Group over the weighted average number of shares outstanding during the year

EPS reflects the loss made by the Group.

Net assets

£93.1m

2022: £100.1m

Total Group assets less total liabilities as recorded on the balance sheet

Net assets remained strong notwithstanding the FY22 dividend and FY23 financial results.

Cash balances

£27.4m

2022: £76.7m

All cash balances of the Group

Our cash position remained adequate, after settlement of pre-IPO commitments, investment in the trading book and payment of the FY22 dividend.

Group non-financial

Employee engagement

78%

2022: 82%

Result of our Engagement Survey

We scored 7.8 out of 10, which is 0.1 below the financial services sector average of 7.9, and 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.

Gender balance (all employees)

75% men

25% women

2022: 76% men, 24% women

Ratio of male to female employees

We continue to focus on increasing the number of women, but recognise this is a long-term goal.

Carbon intensity ratio

2,503kg CO₂e

2022: 2,498 kg CO₂e per employee

Carbon intensity ratio (total operations) – a metric representing the CO₂ emissions in relation to our business

Our carbon intensity per employee reflects our focus on our carbon footprint.

Key performance indicators

Divisional

Investment Banking

Revenue

£23.4m

2022: £57.9m

Revenue from fees and client retainers

The drop in revenue reflects the difficult market environment.

Retained corporate clients

155

2022: 162

Total number of retained clients (including 39 in the FTSE 350)

We are focused on evolving the quality, profitability and relevance of our corporate client base, ahead of absolute client numbers.

Average market cap of retained corporate clients

£690.5m

2022: £683.7

Mean market cap of our retained corporate clients at the end of the year

We have continued to grow the average market cap of our retained clients, up from prior year.

Median market cap of retained corporate clients

£305.3m

2022: £370.5m

Median market cap of our retained corporate clients at the end of the year

Average market cap can be skewed by the largest components of our client base. Median market cap is therefore another measure that enables us to track progress as we focus on winning a greater share of mid-cap and growth mandates.

Total funds raised for corporates during the year

£892.4m

2022: £3.7bn

Amount of funds raised for clients for whom we acted

We had a significant drop in funds raised, reflecting the stagnant market conditions.

Market share of UK ECM deals

3.8%

2022: 7%

The number of deals on which we acted during the year versus the total number of deals in UK Equity Capital Markets

This reflects the reduced number of deals in mid-cap and growth companies compared to the prior year.

Execution Services

Revenue

£33.8m

2022: £46.1m

Revenue for our market-making, systematic and electronic trading businesses

Lower trading volumes have led to reduced revenues.

LSE market share

13.3%

2022: 17%

Our share of the volume of trading on the LSE

Whilst we maintained a strong position again this year, the reduction reflects the highly competitive trading environment.

Number of quote requests processed in the year

113m

2022: 156m

Number of quotes requested and processed by us in retail trades

Reduction is in line with reduced retail trading activity.

Average trades executed per day

56,700

2022: 76,400

Average number of trades executed each day over the last year

Reduced daily volumes remain higher than average pre-pandemic daily volumes.

Total traded value during the year of UK stocks for our clients

£97bn

2022: £121bn

Value of trades executed by us during the year

This again reflects lower trading volumes, but still remains higher than pre-pandemic traded value.

Research & Distribution

Revenue

£25.1m

2022: £27m

Revenue from execution commission and research payments

Despite falling institutional volumes, revenues remained resilient.

Institutional Investor survey ranking 2022¹

No.1

2022: No.1

Rank for overall mid- and small-cap research house in the II survey

We have maintained our number one position, as voted for by our corporate and institutional clients.

Institutions receiving our research

1,243

2022: 1,235

Number of institutional clients receiving our research

We provide one of the widest coverages of UK stocks for our clients.

1 As communicated in April 2023, we will not actively participate in the Institutional Investor Survey in future, and will therefore not report it as a KPI from FY24.

Resilient performance in difficult markets

Revenue performance

Our revenue performance was in line with revised market expectations, albeit down relative to the previous year, as a result of uncertainty in the global markets, high inflation and rising interest rates. Nevertheless, our strategy of combining advice, research, distribution and market share in trading volumes, along with our sector specialist approach, remains in demand and will put us in a good position when markets recover.

Continued targeted investment in our operating divisions, in both technology and our people, remains important to the long-term growth of the business.

Revenue comprises the following:

	FY23 £'000	FY22 £'000	% Change
Investment Banking revenue	23,411	57,948	(59.6)%
Execution Services revenue	33,810	46,112	(26.7)%
Research & Distribution revenue	25,116	26,986	(6.9)%
Total revenue for the year	82,337	131,046	(37.2)%

Revenue for the year was £82.3m (FY22: £131.0m).

Investment Banking revenue was affected by the uncertain global economic environment throughout the year and FY23's unusually low capital markets activity. Execution Services revenue remained higher than pre-pandemic levels, although down year-on-year due to lower market volumes. Research & Distribution revenue remained resilient, with research payments and institutional commissions largely consistent with the previous year, notwithstanding the drop in market activity.

Investment Banking performance

	FY23 £'000	FY22 £'000	% Change
Investment Banking fees	14,622	49,643	(70.5)%
Investment Banking retainers	8,789	8,305	5.8%
Investment Banking revenue	23,411	57,948	(59.6)%

This year has been a challenging period for UK equity capital markets, with transaction activity at an all-time low, particularly in terms of equity issuance. 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.

During the year we added 19 new retained corporate clients (including seven in the FTSE 350) more than offsetting client losses (including those resulting from M&A). At the end of FY23 we had 155 corporate clients (FY22: 162), with an average market capitalisation of approximately £690.5m, including 39 in the FTSE 350.

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, where we act as a retained financial adviser on M&A transactions.

We continue to receive new mandate enquiries and have a number of pipeline deals that we expect to execute when market conditions permit.

Execution Services performance

	FY23 £'000	FY22 £'000	% Change
Execution Services revenue	33,810	46,112	(26.7)%

Execution Services revenue was down 26.7% to £33.8m. Compared with pre-pandemic years, however, revenue remained higher, as did our volumes and LSE market share.

Our Execution Services revenue is diversified across a growing number of trading strategies as we obtain access to incremental, differentiated pools of liquidity, extending our ability to provide liquidity to our clients and counterparties. We continued to demonstrate our ability to deliver positive returns from low-risk market making across the cycle, and our traders have maintained good risk management discipline, operating well within their risk limits.

During the year, the FTSE 250 and AIM All-Share declined 10.6% and 22.3% respectively, and trading volumes remained much lower across the market as a whole. Despite this backdrop, a number of our trading books have performed well versus market drawdowns.

Research & Distribution performance

	FY23 £'000	FY22 £'000	% Change
Research payments and execution commission	25,116	26,986	(6.9)%

Research & Distribution returned a resilient revenue performance of £25.1m, representing a 6.9% reduction, compared to FY22. The effect of reduced market volumes was somewhat offset by momentum in new account openings, across both formal research agreements and trading accounts. We expanded our offering to a wider universe of hedge funds, sovereign wealth funds, overseas funds and family offices, which have opened up new commission opportunities.

Our differentiated, low-touch institutional electronic execution product continues to build momentum, with the technical build-out now complete and client on-boarding ongoing.

During the year, we received regulatory approval for Peel Hunt Europe to open our Copenhagen office, which we expect to be fully functional in H1 FY24. This will give us greater access to EU institutions and further enhance our international distribution capabilities.

Operating costs

	FY23 £'000	FY22 £'000	% Change
Illustrative staff costs ¹	48,252	60,680	(20.5)%
Illustrative non-staff costs ¹	34,125	35,665	(4.3)%
Total illustrative admin costs ¹	82,377	96,345	(14.5)%
Illustrative compensation ratio ¹	58.6%	46.3%	12.3ppts
Actual staff costs ²	48,252	41,465	16.4%
Actual non-staff costs	34,125	36,852	(7.4)%
Total actual admin costs	82,377	78,317	5.2%
Period-end headcount	310	309	0.0%
Average headcount	316	299	5.7%

Notes:

- FY23 are actual financial results; FY22 are illustrative financial results as outlined in the unaudited illustrative statement of comprehensive income below.
- Actual staff costs in FY22 include variable remuneration costs for employees but not for members.

Despite the challenging markets, we are confident in our strategy, and have continued with our programme of targeted investment in our strategic priorities.

Actual staff costs in FY23 were higher than FY22, partly due to the increase in headcount, and partly due to the change in compensation structure between the periods. In H2 FY22, all former members of Peel Hunt LLP were remunerated as employees, with additional National Insurance contributions and pension costs. Also, at the start of FY23, the business rebalanced the compensation of staff between fixed and variable pay. This brought fixed compensation in line with peer firms in what is an extremely competitive market for talent, and also prepared us to meet the Investment Firm Prudential Regulation (IFPR) remuneration requirements. IFPR requires that a proportion of variable compensation for certain employees must now be paid in shares and deferred over multiple years.

Financial review

Illustrative staff costs (including variable remuneration) in FY23 were lower than FY22, reflecting the reduction in revenue and the associated reduction in variable remuneration expense. This has resulted in an increased illustrative compensation ratio compared with FY22.

Actual non-staff costs decreased in FY23, largely due to the fact that the corresponding period in FY22 included costs associated with the IPO. However, we incurred additional FY23 costs due to increased audit and corporate governance requirements, alongside increased interest rates and rising inflation, particularly in our large technology contracts and ongoing investment in technology capabilities. Illustrative non-staff costs are largely consistent with FY22.

Since the end of FY23, we have taken action to rationalise costs and will continue to carefully monitor expenditure in the context of prevailing market conditions, while remaining focused on our strategic priorities.

Profit and loss

The combination of revenue recognised, and the operational gearing in our business, has resulted in the Group making a loss in FY23. The weaker revenue performance was partially offset by a decrease in variable compensation; despite rationalising costs where possible, the majority of the cost base is fixed. Loss before tax for the year was £(1.5)m (FY22: profit before tax £41.2m).

Diluted EPS decreased by 107.1% to (1.1)p per share (FY22: 15.4p).

Strategic investments

During the year, we invested capital and our people's time to establish our Copenhagen office, with further staff resources committed in the next financial year to bring the entity into full operation.

Similarly, we have made progress in relaunching our proprietary REX platform as a new standalone company called RetailBook, and have committed to providing an additional £1m of financial investment in FY24.

The financial impact of these has been fully consolidated into the Group financial results for FY23.

Balance sheet

The Group's net asset position as at 31 March 2023 was £93.1m (31 March 2022: £100.1m), representing a decrease of 7.0% compared with last year, due to the previous year's dividend payment, the employee benefit trust acquisition of ordinary shares in the Group to meet future employee share plan obligations and the loss in the current financial year.

We have a strong balance sheet following the IPO, and as at 31 March 2023 we maintained £101.7m of liquid assets, comprising cash and settled securities (mainly equities and some government bonds), which can provide funding to the business at short notice.

Capital and liquidity

The business maintained a good cash balance at the year end of £27.4m, having decreased from £76.7m as at 31 March 2022. This is largely due to the settlement of amounts attributable to the period before the IPO, in addition to investment in the trading book and payment of the dividend in July 2022. We have now completed all non-recurring payments due in relation to the period before the IPO.

Strong liquidity management and controls have remained a focus during the year, to ensure the resilience of our business.

Scenario and stress testing have always been part of our regular liquidity and capital analysis, providing clear actions that can be implemented in severe scenarios.

We continued to operate well in excess of our minimum regulatory capital requirements with an Own Funds coverage over net assets of 555% at the end of FY23, compared to 558% at the end of FY22. The slight decrease has been due to the reduction in net assets since FY22 offset by a reduction in risk exposures during FY23.

We repaid long-term debt of £6.0m during the year, leaving £21.0m of principal outstanding as at 31 March 2023, and we continue to have access to an undrawn £30.0m revolving credit facility (RCF), which we renewed during the year. Since the year end we have accelerated repayments of £6m further reducing the principal outstanding to £15m as shown in Note 31 to the consolidated financial statements.

Dividend

The Board is not proposing a dividend for the year.

Unaudited illustrative statement of comprehensive income

The unaudited illustrative statement of comprehensive income, set out below, has been prepared for the comparative period 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 2021. FY23 shows actual results while FY22 is prepared on an illustrative basis.

Continuing activities	Note	Year ended 31 Mar 23 £'000	Year ended 31 Mar 22 £'000
Revenue		82,337	131,046
Administrative expenses	1	(82,377)	(96,345)
(Loss)/Profit from operations		(40)	34,701
Finance income		692	15
Finance expenses		(2,320)	(1,664)
Other income		180	56
(Loss)/Profit before tax		(1,488)	33,108
Tax	2	166	(7,566)
(Loss)/Profit after tax		(1,322)	25,542
Dividend	3	-	(10,217)
Retained (loss)/profit for the period		(1,322)	15,325
<i>Performance metrics</i>			
Compensation ratio		58.6%	46.3%
Non-staff costs ratio		43.2%	28.4%
Profit before tax margin		(1.8)%	25.3%

Notes to the unaudited illustrative consolidated statement of comprehensive income

- Administrative expenses** – in FY22 these 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, FY22 excludes 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).
- Tax** – the corporation tax in FY22 includes the effect of the Group being subject to corporation tax at the standard rate (19%) on additional profits.
- Dividend** – the dividend in FY22 includes the targeted basic dividend pay-out ratio of the Group (40%), applied to the profits after tax for the period.

Reconciliation of illustrative to actual consolidated statement of comprehensive income for FY22¹

The impact of Notes (1) to (3) in the unaudited illustrative statement of comprehensive income is summarised below:

	Actual financials FY22 £'000	Administrative expenses ²		Exclude: one-off tax charge in respect of prior years £'000	Include: additional corporation tax £'000	Include: illustrative 40% dividend £'000	Illustrative financials FY22 £'000
		Include: revised compensation model ³ £'000	Exclude: one-off expenses £'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
Dividend						(10,217)	(10,217)
Retained profit for the period							15,325

1 There is no reconciliation for FY23 as the results remain the same as the actual financial results.

2 Administration expenses includes Members' remuneration charged as an expense; this is presented separately from actual administration expenses shown in the consolidated statement of comprehensive income for FY22 within the financial statements.

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

Investment Banking: Investing for the long term during a challenging year

Key facts

- Integrated Investment Banking model providing 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
- Eight specialist sector teams
- 155 retained corporate clients, with an average market capitalisation of £690.5m

“

In the past year we've worked to expand our Investment Banking business in line with our strategic priorities. Building up strength in existing services and creating a solid foundation in new areas, such as Private Capital Markets, will put us in good stead for when the markets begin to turn. ”

Andrew Chapman Head of Investment Banking

Our year in review

This has been a difficult year for the UK's equity markets, with very low volumes of activity, particularly around primary issuance.

As a result, Investment Banking revenues in FY23 were down at £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. We also continued to develop our Retail Capital Markets profile on our own transactions as well as on third-party transactions, through the use of REX.

We have always stayed close to our clients and invested selectively in our business during economic downturns. This year has been no different. The quality and

consistency of our team and the services they provide, alongside our absolute commitment to being a trusted adviser to our clients, have helped us continue to build our client base, adding 19 new retained corporate clients. As a result, our retained income increased by 5.8% due to an increase in both the number of clients and average retainer amounts.

We also continued to build the quality of our corporate clients, adding seven FTSE 350 clients. Overall, we ended the year with 155 corporate clients (FY22: 162), including 39 in the FTSE 350. The average market capitalisation of our retained clients was £690.5m (FY22: £684m). What sits behind these numbers is the quality and relevance of the relationships we're developing, and our long-term approach of supporting our clients through the evolution of business.

Towards the end of Q4, we saw some pick-up in market activity, with a number of new mandates and pipeline deals with a higher M&A weighting.

Investing in our people and products

A period of sustained subdued capital market activity has given us the opportunity to spend time focusing internally on building the business in line with our strategic priorities. Expanding Investment Banking as part of the joined-up service we offer clients includes strengthening our capabilities in M&A, Private Capital Markets and Debt Advisory, as discussed on page 25. We're really pleased to have made some key strategic hires in these areas. A particularly important development is our increasing focus on Private Capital Markets. We've long been known for our expertise in ECM, but our services are equally relevant to private companies.



We're also investing in people at the very start of their finance career, launching our first graduate scheme, which has given us the opportunity to target a more diverse pool of candidates. The scheme has already proved popular, with more than 1,000 applications for four places. Our graduates will join us later in 2023 and will spend their first 12 months rotating through a series of roles to help them experience our joined-up approach.

Leveraging the benefits of technology

Technology is one of our business-wide strategic priorities, and it's particularly relevant in Investment Banking, where our ability to digitalise makes life easier, simpler and more efficient for our clients and ourselves. Our proprietary retail platform, REX, is an excellent example of this. This year, REX was mandated on 12 completed transactions, of which eight were non-Peel Hunt deals. We're now

taking steps to spin off REX into a standalone business, RetailBook, which will help expand retail participation in capital markets. For more on RetailBook, see page 42.

Meanwhile, our ability to use technology to interrogate data in a more meaningful way is evolving. The bespoke digital tools and dashboards developed by our in-house team are adding value to our Investment Banking service, helping us share emerging trends and themes with clients more quickly, and speeding up decision-making. Importantly we're also embedding digital thinking within our team. Not everyone needs to be able to create technology, but we all need to understand what it can help us achieve and how it can add value to our clients.

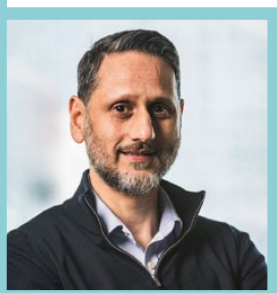
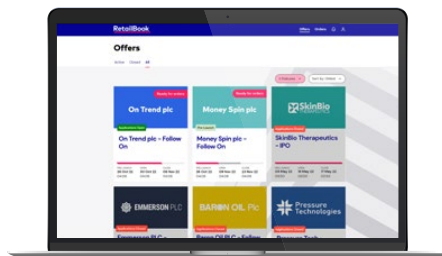
Our priorities for FY24

Our key priority remains to support our clients as they continue to navigate difficult markets. Alongside this, we are committed to rolling out our refined strategic priorities, as discussed on page 20.

Although the outlook for the year remains uncertain, we are confident that the investments we're making, and our strategic focus in the coming year, will benefit us when markets pick up.

RetailBook. A new company to support wider share ownership

In February 2023, we announced plans to move our proprietary REX platform into a new standalone company called RetailBook. Aaqib Mirza, CTO of Peel Hunt, discusses the company's aims and some of the work involved in setting it up.



Aaqib Mirza
CTO, Peel Hunt

RetailBook

Since its launch eight years ago, our REX platform has helped thousands of retail investors participate in initial public offerings (IPOs) and other listed company fundraisings. In the last year alone, it has been mandated on 12 completed capital market transactions, demonstrating the growing interest among public companies to tap into an increasingly important stakeholder group.

"In the UK, the retail capital available is thought to represent more than £1 trillion in investments," says Aaqib. "That's an enormous opportunity for companies. Especially at a time when the UK Government and regulators are looking to change market listing and shareholding rules to widen access to share ownership."

"We are delighted to be working with REX to allow our clients fair access to capital markets and secondary fundraisings to avoid dilution on transactions. It is hugely important that retail investors are recognised in this growing market and that their voice is heard."

Chris Hill CEO, Hargreaves Lansdown

An independent platform connecting companies and retail investors

"To fully tap into that opportunity, though, we needed to create a new business that provides an independent utility to the market. That's where RetailBook comes in.

"RetailBook can help more companies access more liquidity in a way that allows retail investors to participate in the market on the same terms as institutional investors," he continues. "What differentiates RetailBook from other products is the established reliability it offers companies while broadening that access. That's because it's been built by people who intimately understand the retail investment ecosystem."

Aaqib adds: "It's also a great example of how Peel Hunt is commercialising technology for the benefit of the wider markets. The fact that it's backed by multiple industry-leading capital markets partners demonstrates its potential to be a leading retail platform."

50+

Deals already completed

40,000+

Individual orders



£450m

Demand generated¹

£1.3tn

in UK wealth management industry assets²

Cloud-based technology helps create a secure trading environment

To create RetailBook, Aaqib and his team rebuilt the REX platform on a new, independent technology stack, using the latest cloud-based technology. “Our multi-tenant solution means banks and retail intermediaries using the service can carry out transactions safe in the knowledge that no one else can see their data,” he explains.

A lot of work has gone into establishing an independent regulated entity and, while there’s still work to do before RetailBook is officially launched, our CEO, Steven Fine, is excited about the Company’s future.

“We’re really proud of REX,” he says. “We’ve been using it very successfully for a long time. Now we have this opportunity to take it out into the wider financial universe. And we’ve got some big names backing it, which gives us enormous confidence that this is the right route for the product.”

“We are delighted to be part of the REX innovation. It aligns with Rothschild & Co’s ethos of capital markets participation for all, and will provide our clients with access to incremental capital.”

Richard Wyatt Chair of Equity Advisory, Rothschild & Co

1 Figures derived from Peel Hunt/REX transactions.
2 Compeer Wealth Management industry Yearly Review 2022.

Execution Services: Good performance underlining the strength of our model

Key facts

- Execution Services 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), Instanet, Aquis 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
- Leading provider of retail liquidity executing 56,700 trades per day on average

“

There's no doubt this has been a challenging year; nonetheless, our performance versus pre-pandemic levels has been resilient, which has enabled us to contribute to the strength of the business overall. Crucially, we have retained a strong market share, helped by the work we've done – and continue to do – to develop our own proprietary technology. ”

Iain Morgan Head of Execution Services

Our year in review

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. This is thanks, in large part, to the experience that we have built up in our team over several years, and our proactive approach to diversifying our revenue across a growing number of trading approaches. From this, we can access incremental, differentiated pools of liquidity for our clients and counterparties.

As a result, we've been able to keep demonstrating our ability to deliver positive returns from low-risk market making across the cycle. Despite market volatility during the period, our traders have maintained good risk management discipline, operating well within their risk limits.

Building the future through technology

Technology is an essential part of our trading capabilities and risk controls. Thanks to the investments we've made over more than a decade, our proprietary tools and platforms have helped us retain a high market share of retail trading and continue building our overall UK trading volumes. Today, technology is genuinely a differentiator for our business.

But ours is also an increasingly competitive space, so we have continued to invest in our proprietary trading intelligence tool, Peel Hunt Automated Trading (PHAT), to make it more efficient and ensure we continue to provide fast access to liquidity for our customers and clients. We're always innovating and giving our traders better tools to manage risk and trade efficiently.

Our priorities for FY24

Liquidity provision will remain our top priority in the coming year as we continue expanding into different approaches to trading to support the business in delivering our strategy. We'll also continue to invest in existing and new technologies to generate further trading efficiencies and revenue opportunities. But like the rest of Peel Hunt, people are our biggest asset: over the years, we've built a successful trading team by bringing people in and training them ourselves, and that'll remain essential for us as we continue to support the long-term success of the business.

Growing our reputation in FinTech

The UK is home to more than 2,500 FinTech companies, representing a multi-trillion pound industry. But this exciting, disruptive sector remains underserved by the investment banking community, with a £2bn growth capital funding gap.¹ As a business specialising in growth and mid-cap companies, that's a huge opportunity for us.

Since 2017, our technology investment banking team has supported a roster of mid-cap FinTech clients. Now, we've taken our next important step, creating a dedicated FinTech franchise – the only one in the UK mid-cap market – including hiring several key sector specialists in both research and investment banking.

The team has quickly earned a reputation for incisive, differentiated perspectives, including a deep dive report that has been downloaded more than 800 times since publication in January 2023. In a matter of months it has also won several new FinTech corporate clients and private company fundraising deals.

¹ UK Government's 2021 Kalifa Review of UK FinTech.

Great reception for our first FinTech conference

Our inaugural FinTech conference, which we hosted in April 2023, has helped cement our growing stature. We were delighted to welcome more than 100 participants from 12 companies, from seed stage to multi-billion pound valuations, to the only event of its kind in the mid-cap sector. Speakers from some of the best-known listed and private FinTechs discussed a range of topics, including the disruptive technologies transforming the regulatory sector and digital banking.

FinTech Awards
SHORTLISTED
London, Jun '23

“There’s a massive opportunity to support the hypergrowth of a thriving sector, and we want to be the centre of excellence for public and private UK FinTechs.”

Gautam Pillai
Head of FinTech Research

800

Downloads of
FinTech report
since Jan '23

April '23

Our inaugural
FinTech
conference

“As an investor I hugely value facetime with CEOs and CFOs of listed companies in both a formal and informal setting.”

Alexandra Jackson
Fund Manager, Rathbones



Research & Distribution: A resilient year underpinned by strategic progress

Research – key facts

- Ranked No.1 for six years in the Institutional Investor survey 2016-2022 for UK Small & Midcap Research
- 41-strong analyst research team covers 19 sectors – one of the widest coverages by a mid- and small-cap research team
- Produces in-depth research on 433 UK companies and investment trusts

Distribution – key facts

- Ranked No.1 in the 2022 Institutional Investor survey for UK Small & Midcap Sales and Execution
- 46-strong sales, sales trading and core trading team distributing globally to UK, European, North American, Middle Eastern and Asian clients
- Cover all major categories of equity investor including long-only institutions, hedge funds, sovereign wealth funds, private equity, private wealth managers and family offices
- 1,243 institutional relationships
- Work closely with Research and Investment Banking to distribute our No.1-ranked research product, execute equity trading and raise capital for our fast-growing and dynamic retained corporate client list



“

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. ”

Charles Hall Head of Research

Our year in review

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. We also continued to expand our offering to a wider universe of hedge funds, sovereign wealth funds, overseas funds and family offices and private capital market investors. As well as opening up new commission opportunities, this has further strengthened our ECM distribution platform.

Today, we have 1,243 relationships with clients who value our top-rated research. Annual sales interactions this year reached 17,340 (FY22: 16,372).



“

Looking forward, our strategic priorities will help us expand the access we offer to investment institutions and corporates. We want to get to a point where, as a result of our deep and broad knowledge, there's no reason for clients to go anywhere else. ”

Alex Carter Head of Equities

17

Analysts ranked in the top 3 in their sector

Reassuring clients with quality and consistency

The experience and consistency of our research, distribution and core trading teams has always helped us win new corporate clients and IPO mandates. These qualities became even more important this year as we stepped forward to help our clients navigate challenging markets. Research is often the catalyst for the business to invest in new areas, and it's pleasing that we have been able to do that with the FinTech sector.

In a world where many of our peers are letting go of research analysts and experienced sales personnel, further contributing to diminishing market coverage, the stability, quality and retention of our team continued to stand out. As well as retaining our No.1 research ranking in the Institutional Investor's UK Small & Midcap Survey for the sixth consecutive year, a record five of our analysts ranked individually in the top 10 across all sectors. Meanwhile, our US and European sales teams were also ranked number one for the second year running.

Expanding our reach

One of our strategic priorities is to expand our distribution footprint in the UK and internationally. This will ensure our corporate clients have in-depth access to all relevant pools of capital as we become an increasingly key partner for new institutional clients. We have now received regulatory approval for our new Copenhagen office, which will allow us to reinstate our unrestricted, pre-Brexit access to EU institutions.

Meanwhile, our differentiated, low-touch institutional electronic execution product, developed in conjunction with our technology team, continues to build momentum. Having completed the build out, we are now onboarding clients. Our low-touch product is an increasingly important part of delivering the best execution for our clients.

15,727

Research interactions
this year



Placing technology at the heart of research


Technology has also been a big theme for our research team, as we completed work to roll out our new centralised research database. It's already helping us be more efficient, giving our research analysts new tools to interrogate data and produce more in-depth reports. We're very much at the start of this process, exploring the tremendous potential the database has to generate deeper insights, more quickly, to share with our clients. We also continued to develop our new portal for investors to access our research.

However, perhaps the most exciting development for our digital approach this year was having a specialist developer embed themselves in the research team. As a result, we have already introduced some bespoke, data-led products and are quickly harnessing the power of artificial intelligence to help our research and sales teams produce superior content

for our clients. This connection between frontline work across the business will help ensure that our accelerating technology investments keep our clients' needs front and centre, bolstering our role as a trusted adviser.

Our priorities for FY24

Our refined strategic priorities are giving us the framework to focus on what will most benefit our clients and enhance our reputation, from high quality, relevant research, to offering better, tech-enabled services, to widening access to broader and deeper investment pools, both in the UK and internationally. In Distribution we want to build on the early success of our low-touch institutional electronic execution product, while the opening of our Copenhagen office will allow us to consolidate and grow our reach in Europe. In Research, we will continue exploring the opportunities that technology can bring, underpinning our reputation for quality and relevance.

A photograph of a modern building with a glass facade and a balcony with a tree. The building has a dark, metallic-looking frame and large glass windows. A balcony with a glass railing and a small tree is visible in the foreground. The background shows more of the building and some greenery.

Section 172(1) statement and stakeholder engagement

As discussed throughout this report, our purpose is to guide and nurture people through the evolution of business. This purpose applies to dealings with all our key stakeholders, the way we run the Company and how we make decisions at every level, starting at the top with the Board. We have included a 'section 172 statement' which describes how our Directors have had regard to the matters set out in section 172(1) (a) to (f) of the Companies Act 2006 on pages 92-95 of the governance report. This explains who our stakeholders are, how we engage with them, and how the Directors have taken their interests into account in making key decisions during the year.

SUSTAINABILITY

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Our approach to sustainability

We're a responsible business, with a duty to all those who work with and around us. That's why our value to 'do the right thing' is woven into our purpose of guiding and nurturing people through the evolution of business.

We can only live up to our purpose if we take care of the wider impact that our sustainability, or ESG (environmental, social and governance) issues, have on those with whom we engage. This means taking care of each other, and doing business honestly and with integrity, for the good of all of our stakeholders.

We can have an influence as a trusted adviser to our corporate and institutional clients, including supporting corporate clients to develop and manage their own approach to sustainability. To be a credible voice, we need to lead by example, promoting good practice by acting on our own principles and addressing the direct impact of our own business. That means looking after our people's wellbeing, promoting diversity

and inclusion in our industry, controlling our carbon footprint and playing a positive role in our local communities.

Setting our sustainability priorities

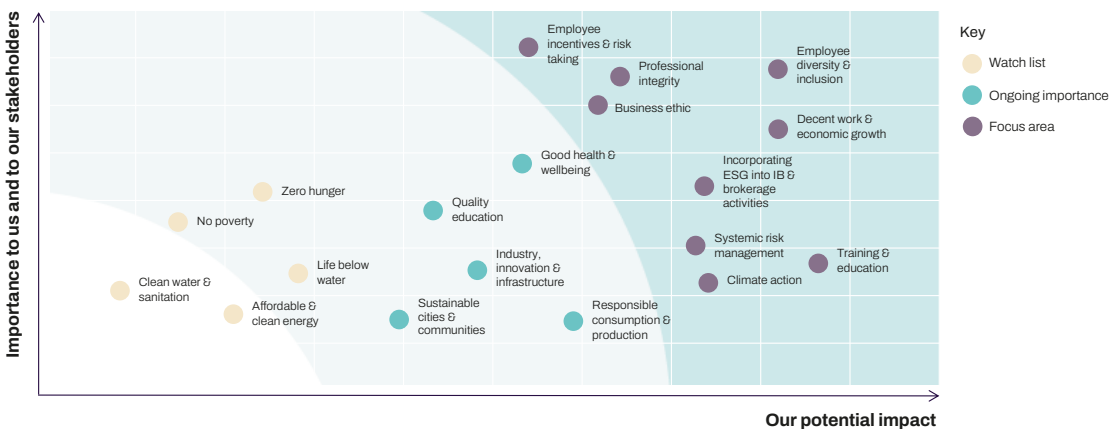
Sustainability at Peel Hunt consists of the things we care about as a business, from our purpose and values, to the way we conduct our business and make a profit. It also includes our mandatory and voluntary disclosures, such as our new carbon reduction plan.

As our approach to sustainability matures, so does our understanding of what we and our stakeholders care about. This helps us make better, more informed decisions about how we treat one another, the way we advise clients, and how we measure and report our impact on the environment.

This year, we conducted our first materiality assessment to identify our existing and potential sustainability impacts and their significance, considering their importance to our stakeholders and our scope for making a difference. Based on the sustainability issues set out by the UN SDGs and the Standard for Investment Banking & Brokerage from the Sustainability Accounting Standards Board (SASB), we gathered feedback from key internal and external stakeholder groups, including senior managers and directors; people from across the business; and several shareholders, clients and suppliers.

The diagram below shows the results of that assessment.

Sustainability materiality matrix – based on UN SDGs and SASB Standard for Investment Banking & Brokerage





40%

Target of female employees by 2035

Having completed this assessment, we also considered the broader sustainability landscape within our sector and the UK. And we have taken into account the UK and EU net zero strategies and reporting guidelines from the FCA and ESMA, as well as GRI and SASB standards.

As a result of this work, we agreed on four key priorities, which cover many of the focus areas in the materiality assessment.

Working with responsible clients

We want to work with clients who, like us, aim to do the right thing as a responsible business. Our onboarding process for corporate clients includes screening against sustainability criteria – any concerns raised by this process are reviewed by our Social, Environmental, Ethical and Reputational (SEER) Committee, which decides whether or not they conflict with our principles. These are not decisions we take lightly – after all, declining work comes with a financial toll; but principles matter, and in the last three years, we have declined mandates from two companies on ethical grounds, including environmental issues.

1 Diversity, equity and inclusion

We have set a target this year to have women represent at least 40% of all employees by 2035.

3 Governance and integrity

We are working to ensure that sustainability is formally embedded within our risk appetite and decision-making processes.

2 Carbon reduction

We have set two targets – become carbon neutral by 2025 and reach net zero by 2040 – and are publishing our carbon reduction plan.

4 Building our sustainability capabilities and products

We want to help our investment bankers and research analysts enhance their sustainability knowledge so that they can better serve our clients.

That does not mean we walk away from some sectors. For example, we do work with oil & gas and mining companies, where they have or are willing to put in place an active sustainability agenda. While this might seem counterintuitive, these companies have a key role to play in supporting the global transition to a low-carbon economy. Pulling finance out of the natural resources industries could significantly affect the world's ability to meet its net zero targets and many of the world's emerging markets. We see financing transition as an increasingly important part of the sustainability and net zero discussion.

Whilst there were broader concerns about the economic landscape during the year, sustainability remained an area of growing importance among our corporate and institutional clients. To help them learn more about good sustainability practices, we host an ESG conference every year. In March 2023, c.70 clients attended virtually, to discuss a range of issues, including why sustainability will continue to grow in importance and value, the latest regulatory developments, and tips on how to embed sustainability within their companies.

In addition, our research analysts continue to embed sustainability topics into their investment reports. And in our Investment Banking business, we have a key point of contact for corporate clients looking to discuss sustainability matters.

Being a force for good in the community

Doing the right thing as a business goes beyond how we treat each other and our clients. It also means having a positive impact on the wider world and communities around us. While we have not explicitly included community in our four new focus areas (see 'Setting our sustainability priorities'), we are conscious that our London head office is located next to an area of great social inequality. So we work with local charities and organisations that help increase inclusion and break down barriers to entry to the City from its surrounding communities. We also encourage all our people to volunteer with charities that carry out work that directly supports any of the UN SDGs.

2040
Target year to become net zero

Aligning with the UN SDGs

We align our approach to sustainability with targets relating to the four United Nations Sustainable Development Goals (SDGs) where we can have the most impact.



5.c Adopt and strengthen sound policies and enforceable legislation for the promotion of gender equality and the empowerment of all women and girls at all levels.



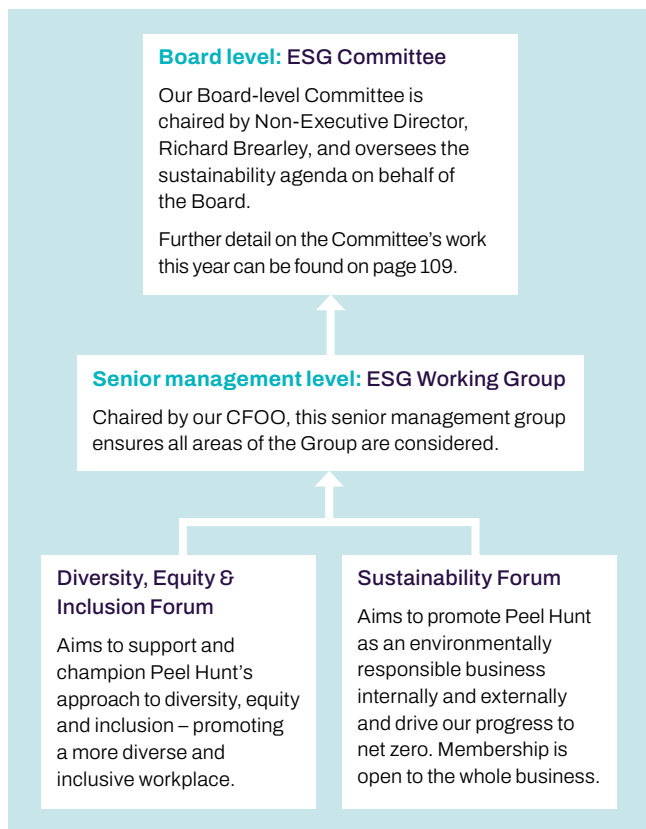
10.3 Ensure equal opportunity and reduce inequalities of outcome, including by eliminating discriminatory laws, policies and practices and promoting appropriate legislation, policies and action in this regard.



8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalisation and growth of micro-, small- and medium-sized enterprises, including through access to financial services.



13.3 Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.



“It has been gratifying seeing our hard work over the last few years develop into the firm commitments announced this year and I am pleased to have handed the role of Chair of the Sustainability Forum over to Oliver Jackson who is driving our environmental commitments further.”

James Schofield Director of Operations

The right governance for a growing agenda

We have designed our governance structure to ensure we discuss and manage sustainability issues throughout the business. The ESG Committee, led by our Non-Executive Directors, oversees sustainability on behalf of the Board, and this year we set up an ESG Working Group to make sure we are addressing sustainability issues in every aspect of our business. This group is chaired by our CFOO, Sunil Dhall. It includes senior managers from relevant departments and the chairs of our Diversity, Equity & Inclusion Forum and Sustainability Forum (formerly the Communities & Sustainability Forum), which report into it. We changed the name of the latter Forum to better reflect its focus on the environment, and because the issues that both Forums consider apply equally in our community work.

Our key standards and policies

Our people can access all our key standards and policies via our employee handbook and intranet. Our standards and policies cover areas that include:

- Conduct, ethics and whistleblowing
- Equal opportunities and diversity
- Professional development and training
- Shared parental leave
- Holidays (including 30 days for all our people regardless of position)
- Flexible working
- Volunteering days
- Remuneration
- Compliance, including anti-bribery, corruption and financial crime
- Tax
- Procurement and supplier management

Our Modern Slavery Statement is also available on our [website](#).

The value of our culture in current markets

Our people are our greatest asset. They are the heart of our business and what makes our collaborative culture so successful. We are proud of the way we act together, as one Peel Hunt; that sense of unity has been more important than ever during a challenging year. It has also been a productive year, with a maturing diversity, equity and inclusion agenda that now includes our first diversity target.

Culture at the heart of our strategic ambitions

A company's culture sets the tone every day, acting as a compass point to guide each of us at every level of the business. Our nurturing, collaborative culture has been central to our success over the years. It ensures that everyone has a voice, and that we act together to support our clients and each other. Ours is a deliberately people-centric, joined-up approach that infuses everything we do – down to the fact that we all share the same floor in our offices.



“Our collaborative culture has been central to our success over the years.”

Fatima Badini HR Director

The principle that we are ‘one firm’, working towards the same goal, will not change as we grow. After all, it is what has encouraged so many people to build their careers at Peel Hunt. Rather, our culture is the foundation we want to build on as we deliver our strategy. We’re going to need more joined-up working, more creative thinking and more ingenuity to realise our ambitions, and we’ve encapsulated this through our focus on collaboration and performance as one of our five strategic priorities. (See pages 23-28 for more on our refined strategy.)

To do this, we need to make sure that everyone understands their role in the business and how they can contribute to the success of our strategy. In short, we want every member of our team to keep asking themselves ‘What can I do to make a difference?’

As we explain below, this year we have laid important groundwork to support our strategy. For example, we’re developing clearer career paths, including training programmes, which we plan to implement in the forthcoming year. We have also introduced a new graduate programme and a scholarship scheme with Queen Mary University of London.

The real test of a culture comes in challenging times, and we saw the true value of our culture during this difficult year. In our annual employee engagement survey, once again, our culture, alongside our wellbeing programme, team ethos and integrity, scored highly, albeit against a backdrop of a slight fall in overall engagement at 78%, compared with 82% in FY22. Our survey provider noted that people are generally less willing to share

6.2

Average number of years employees work at Peel Hunt



“
Setting our first diversity target
really shows our commitment
for change.”

Rachelle Cornel
Chair of the DE&I Forum

their thoughts in difficult times and, given this context, the drop in the number of respondents (56% compared with 75% in FY22) and the slight fall in engagement is understandable. Nevertheless, we received more than 4,000 useful comments on issues like transformation and change, and health and wellbeing, which we're taking on board.

The survey also told us that our people are keen to hear more about our strategy, so our CEO, Steven, delivered a business-wide presentation on our strategic priorities over the next five years in January 2023. We have also continued to keep employees updated with progress on our strategy 'sprints' – key short-term, cross-functional projects that are helping us deliver on those priorities.

Protecting our culture means we must ensure our people feel able to keep speaking up. We know that not everyone feels comfortable to do so publicly, so we also have an anonymous suggestion box for submitting ideas, and these are reviewed regularly by our CEO and HR Director.



Making connections across the business

Employee-led networks are an important way our people gain a sense of belonging.

Since its launch in April 2022, our first network, Connect Women, has hosted a series of sessions looking at topics like the power of networking, how to develop a personal 'elevator pitch' and career development. Our Chair, Lucinda Riches, along with Non-Executive Directors Liz Blythe and Maria Bentley, joined a session in December 2022 to share their career experiences, including the challenges they've faced and what they've learned as a woman working in finance.

We've since established Connect Parents and Carers in February 2023 to help anyone caring for a child or other family member. The network will provide opportunities for people to share their experiences, tips and support in an informal environment. The network has also shared useful resources on children's numeracy and practical tips on children's mental health.

There are also a number of ways for our people to connect outside of the official networks. We organise a variety of activities and events throughout the year to enable our people to meet more colleagues outside of their departments and to learn more about the business. This year many of the events have focused on connecting our junior employees with each other as well as ensuring our newest team members integrate into the culture at Peel Hunt.

Finding the right ways to support our people

Acting together as one Peel Hunt means we not only share equally in the good times, but we share in more difficult times too. The sharp rise in the cost of living we've seen this year has had a far greater effect on those of our colleagues in the lower pay brackets. During our annual year-end compensation review we focused on awarding larger salary increases to the majority of people in these pay brackets, which will come into effect in FY24.

Another way we offer support – particularly important when times are more challenging – is through our award-winning wellbeing programme for our people and their families. We're proud that the programme aims to provide 'something for everyone', and we continued to expand it this year, giving people access to benefits, workshops and resources focusing particularly on mental, physical and financial wellbeing.

Disability confident employer

Since 2021, we have been accredited by Department for Work and Pensions as a disability confident employer recognising the work we've done to provide reasonable adjustments to the workplace or work patterns for people with disabilities.



A winning wellbeing programme

In October 2022, our wellbeing programme won the 'Best Approach to Wellbeing' award at the PIMFA D&I Awards.

The judges told us that they were particularly impressed with the breadth of our offer.

The programme includes private healthcare insurance, online wellbeing resources, a 24/7 confidential support line, company-funded GP service, and partnerships with City Psychology Group and Nuffield Health. And we run wellbeing events throughout the year, including our popular puppy therapy days and consultant-led HCA Healthcare UK webinars. We encourage people to share their ideas so we can keep tailoring the programme to their needs.

Keeping learning and development front of mind

While much of our focus has been on helping our people through a difficult year, we have looked for ways to help our managers strengthen their 'softer' skills. For example, in FY23 we launched mental health awareness training for line managers to help them feel equipped if any of their direct reports are struggling with their mental health and how they should best approach this. During FY24, we will reintroduce more informal learning opportunities like lunch and learn events, which, in the past, have been good opportunities for people to meet other colleagues from across the business.

Over the next few years we plan to focus on more bespoke leadership programmes for key individuals, as well as helping our people across the business strengthen their existing skills.

Using our influence to create a more diverse City

We know that our sector suffers from a lack of diversity – be it gender, ethnicity, disability, sexual orientation or socio-economic background and we have a duty to use our position to support meaningful change.

At an industry level, our CFO, Sunil Dhall, has been part of a UK Government-commissioned taskforce to boost socio-economic diversity at senior levels across UK financial and professional services. The taskforce published its report, ‘Breaking the Class Barrier’, in November 2022. We have committed to adopt its five-point diversity pathway and have already completed the first two.

Adopting the Socio-Economic Diversity Taskforce’s five-point pathway

The employer’s role:

- 1 **Leadership:** clear accountability and responsibility for senior leaders
- 2 **Assess:** by the end of 2024, collect data on the socio-economic background of employees at all levels
- 3 **Take action** to increase diversity at senior levels and monitor what works
- 4 **Set goals** considering specific company context
- 5 **Publish** data and what activities have worked

Setting our first diversity target

To create momentum in our diversity, equity and inclusion agenda, we have chosen gender as our first diversity target:

Women to represent at least 40% of all employees by 2035

Attracting people from wider backgrounds

Encouraging richer diversity of thought and experience isn’t just the right thing to do, it is essential for the success of our business. So while we always recruit and promote people on merit, it’s possible to do it in a way that attracts more people from different backgrounds and experiences. For example, we use a ‘gender de-coder’ to ensure we use balanced language in our job descriptions to help attract a broader pool of candidates.

A good example of how we’re putting our principles into practice is through the launch of our first graduate recruitment scheme in Investment Banking, which complements our six-week Investment Banking summer intern programme for university students. Through this, we’re aiming to start building a more diverse team from the ground up. In FY23, we welcomed two students from diverse backgrounds studying at Queen Mary University into our new scholarship programme – see more in ‘Our communities’ on page 60.

Setting a new gender diversity target

We already have good gender representation at Board level – 42% of our Board members are women – but we have some way to go across the rest of Peel Hunt, with women currently representing 25% of the team. We want to change that, which is why we have set ourselves an ambitious gender diversity target to have women represent at least 40% of all employees by 2035. This will be our starting point for addressing diversity more widely across the business.

We’ve continued our membership of Women on Boards, and often host networking sessions on their behalf at our offices. All employees, regardless of gender, are welcome to take part.

There are many types of diversity beyond gender – and not all of them are immediately obvious. To make a real difference we need data, which is why we’ve launched a new HR system that will allow us to collect data – we are encouraging people to give us the information we need to help broaden our approach to diversity, equity and inclusion.

Our thriving community programme

Our head office is in the City of London – one of the leading financial centres of the world. However, it is also next to an area of great social inequality. So we channel our community programme and charitable support into the local community, with particular focus on young people. As we do so, we want to ensure our work supports our key focus areas (see ‘Setting our sustainability priorities’ on page 52), including diversity, equity and inclusion and the environment.

“Volunteering at Spitalfields City Farm with my family was enjoyable and educational, and we hope that, in a very small way, we helped this brilliant organisation serve its local community.”

Matt Saperia Research Analyst

Making a positive difference

We support community projects and social enterprises, working together with our local communities. We help young people with education, work experience, internships and careers advice, as well as through working in local city farms and soup kitchens. We also encourage our people to get involved by offering them one paid charity day a year to volunteer in Peel Hunt-organised events.

A rising number of volunteers

This year, 60% of our people got involved in at least one activity, up from one-third in FY22. This reflects the fact that many of us – especially post-pandemic – recognise the value of giving back to our communities while doing something positive for our own wellbeing.

An annual favourite in our charity day programme is Spitalfields City Farm – the nearest to London’s Square Mile. This year we organised the session during the school Easter holidays so that employees’ children could take part. Employees and their children helped look after the animals by cleaning out their enclosures, and grooming and feeding them. There were also opportunities to help with gardening and harvesting crops.



Our 2023 community support in numbers

192

Volunteers

62%

of total team who volunteered

805

Hours spent volunteering

27

Activities supported

Supporting initiatives that help young people

As a business, we continued our partnership with The Brokerage, which provides work experience opportunities for young people from lower socio-economic backgrounds in our local communities around the City of London. This year, we ran sessions on women in banking, how to succeed in work experience and helped run other 'bootcamps' for young people. In June 2022, we also hosted an annual careers conference at our London office, with 10 members of the Peel Hunt team who helped students from lower socio-economic backgrounds with CV tips, interview preparation and general careers advice.

FY23 marked our second year supporting Stem4 – our company-wide charity voted for by our people. This year, colleagues helped raise in excess of £45k for the organisation, which supports positive mental health in teenagers. In June 2022, 12 people took part in a London-to-Paris bike ride, raising £26,000 for the charity. And in December 2022, we held our annual carol concert – for the first time in two years because of the pandemic – raising another £4,000 for Stem4.

In partnership with Queen Mary University, we launched a new scholarship programme this year, sponsoring two students from lower socio-economic backgrounds. Throughout their three years, we will support and mentor them, and potentially offer them opportunities to come and work with us for set periods.



“The Felix Project is both humbling and eye-opening, with so many dedicated people working tirelessly to make a difference – no one should have to miss a meal.”

Anthony Leatham
Research Analyst –
Investment Companies

“Working with WrapUp London was hugely rewarding, offering an insight into the incredible work the organisation does. It was also a chance to grow relationships with colleagues.”

Alice Lucas
Head of Institutional
Electronic Execution



“Shockingly, two in five families in New York City must choose between buying groceries and paying for rent, transport or utilities. It was such a privilege to work with the Urban Outreach Center and give back in a small way.”

George Crawford
Equity Sales, NY Office

Setting our targets

As a responsible business, we have a duty to minimise our environmental footprint. In FY23 we finalised our targets, marking an important step forward in our environmental agenda.

Taking the next steps to reduce carbon

Over the past four years we've worked hard to understand, and lower, our environmental footprint. We began measuring our Scope 1 and 2 emissions in FY19 and, over the last two years, have developed our analysis and mapping of Scope 3 emissions.

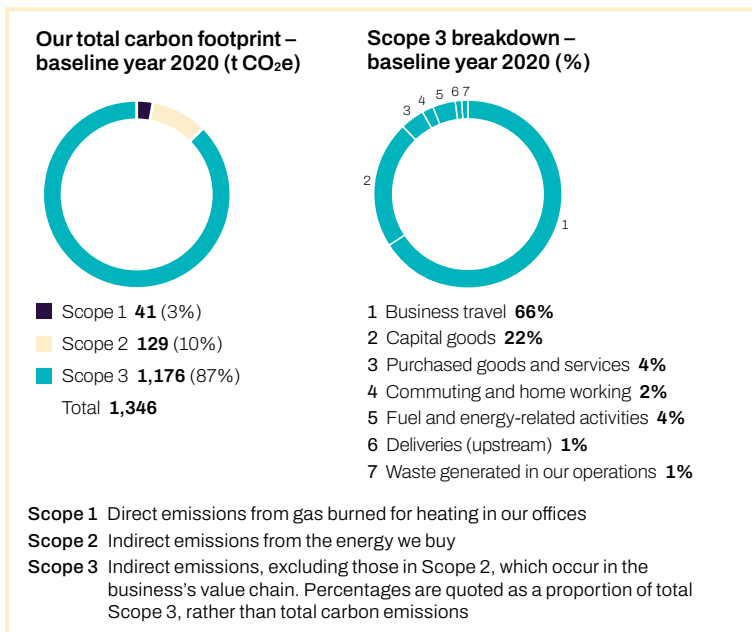
While we completed the majority of our Scope 3 work in FY22, we noted in last year's report that we needed to conduct further analysis of the Scope 3 'investments' category.

This included understanding how it applies to a business such as ours, which holds positions in many companies for market-making purposes. We have now completed that analysis and established that our market-making positions, which change on a daily basis, are not defined by the Science Based Targets initiative (SBTi) as Scope 3 'investments'. Therefore, it is neither practical nor meaningful to include them in our reporting. We will continue to monitor this, however, and may adjust our approach should we make other material long-term investments.

Now that we can track, measure and report our data, we're turning our attention to the next step in our environmental journey, setting two targets to help reduce our carbon footprint:

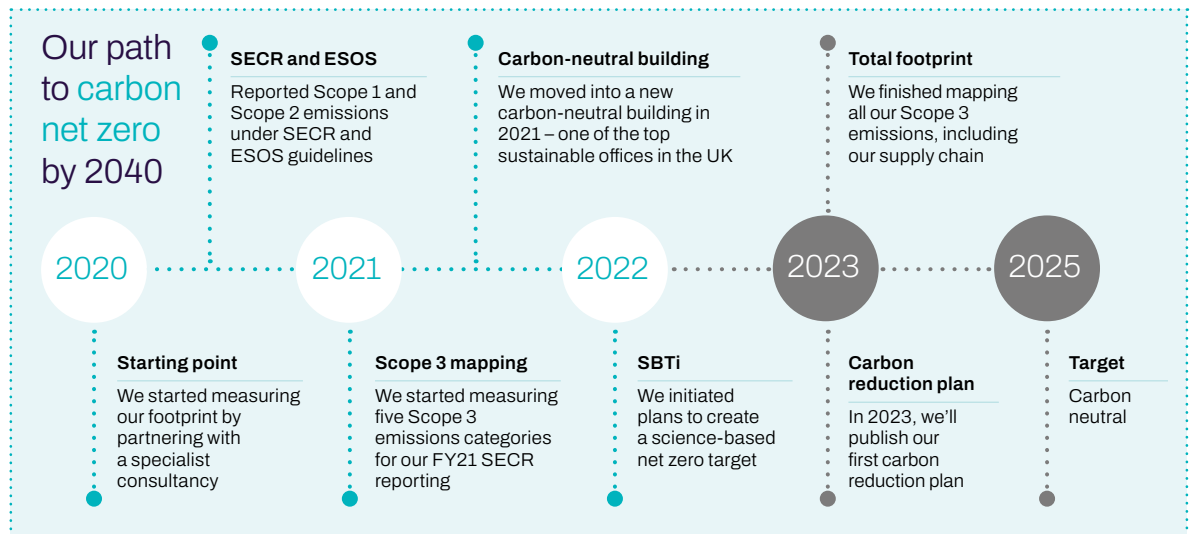
Become **carbon neutral** by 2025
Reach **net zero** by 2040

To support the targets, in 2023 we will publish our first carbon reduction plan, developed with help from our external environmental partner, using the SBTi methodology. The plan, which will be available on our website, explains how we have assessed our net zero requirements and carbon footprint, along with how we're currently working to reduce our footprint.



“
I'm excited to have taken on the role of Chair of our Sustainability Forum at the start of a year when we have really put our principles into practice and set ourselves ambitious new carbon reduction targets.”

Oliver Jackson Investment Banking, Chair of Sustainability Forum



This year, we took a closer look at the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). While we continue to support its aims, we do not currently need to report against it and have therefore chosen not to do so, since much of the work we are doing, particularly on mapping our Scope 3 emissions and developing our carbon reduction plan, already supports its aims.

Over the coming year, we will continue to add detail to our carbon reduction plan, and may submit it to the SBTi for accreditation. We will also look at setting more detailed objectives and milestones to help us track and report our progress. We will always look to reduce our emissions first, but as we do so we will also work with our external partner to identify the right carbon offsetting schemes to help us towards our first target, to become carbon neutral by 2025.

Our performance in FY23

Our key measure of performance is our employee intensity ratio, which helps us manage our footprint as we grow. This year, our overall carbon intensity ratio was 2,503kg CO₂e per employee compared with 2,498 in FY22. This was principally due to our return to normal operations after the pandemic and further leasehold improvements. Both of these fall within Scope 3 emissions; considering our carbon intensity per employee excluding Scope 3, it was slightly lower than FY22, at 616kg CO₂e per employee, compared with 682. Overall, driven by Scope 3, our carbon footprint increased by 176t CO₂e compared with FY22.

This incorporates the impact of the electricity used by our head office, 100 Liverpool Street, being derived from certified green energy and is classifiable as an offset under the Renewable Energy Guarantees of Origin (REGO) scheme. Last year, we did not account for REGO, since we had not yet done the analysis necessary to ensure that our

reporting would stand up to scrutiny; this has now been done, so we now recognise REGO in our calculations. If we look at the intensity ratio of our head office, this increased somewhat from 5.1kg CO₂e¹ per square foot in FY22 to 5.9kg CO₂e, largely driven by an increase in our Scope 2 emissions resulting from many more employees working back in the office.

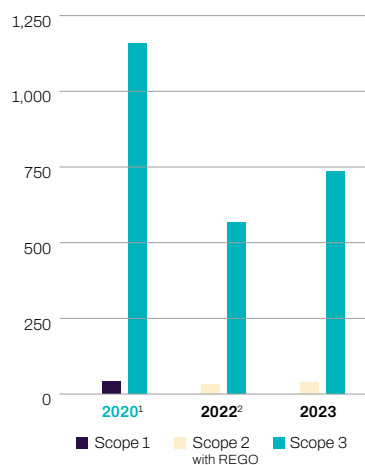
Looking ahead, our main focus will be on reducing our Scope 3 emissions. Business travel, generally our largest emissions category, is the biggest challenge, since face-to-face meetings are an essential part of our collegiate culture. Although we saw a steep rise this year compared with the pandemic, business travel emissions remain half those of our baseline year, thanks to our efforts to limit travel through video conferencing and electric-only taxi services. Employee commuting is also a big factor and, alongside our cycle-to-work scheme, we are introducing an electric and hybrid car salary sacrifice scheme, which should help us reduce emissions still further.

1. Restated to encompass an adjustment to electricity usage (5t CO₂e) and our recognition of REGO in Scope 3 (1.1kg CO₂e).

Environment

Part of managing Scope 3 emissions is measuring them accurately, and this itself can be challenging. The methodology for assessing Scope 3 emissions is constantly evolving, and most of our data is based on supplier information, which is difficult to collect and analyse. Where we cannot get accurate supplier information at the moment, we use industry averages and proxies; we are currently looking at how we can develop our supplier management policy and encourage suppliers to improve their own data collection and reporting so that we can report a more accurate footprint ourselves.

Carbon emissions (t CO₂e) From FY20 to FY23



1 Our baseline year.

2 Restated Scope 2 to encompass an adjustment to 100 Liverpool Street electricity usage (5t CO₂e) and recognition of 100 Liverpool Street REGO (172t CO₂e).

GHG emissions disclosure, Scopes 1-3^{1,2,3}

Section	GHG emissions/t CO ₂ e			
	FY20 (baseline)	FY22 ⁴	FY23	% change baseline/ FY23
Gross operational GHG emissions				
Scope 1 emissions				
Natural gas	41	0	0	-100
Scope 2 emissions				
Electricity	129	192	173	34
Electricity with REGO	n/a	20	21	n/a
Steam	0	12	18	100
Total Scope 2 emissions	129	204	191	48
Total Scope 2 emissions with REGO	n/a	32	39	n/a
Scope 3 emissions⁵				
Purchased goods and services	45	1	111	147
Capital goods	263	184	124	-53
Fuel and energy-related activities	54	74	66	22
Deliveries (upstream)	12	6	1	-92
Waste generated in operations	6	0	0	-100
Business travel	768	57	361	-53
Commuting and home working	28	246	74	164
Total Scope 3 emissions	1,176	568	737	-37
Total emissions	1,346	772	928	-31
Total emissions with REGO	n/a	600	776	n/a

1 Covering energy use and associated greenhouse gas emissions relating to gas, electricity and transport, intensity ratios and information relating to energy efficiency actions of Peel Hunt Limited and its subsidiaries. Scope 3 emissions not included in SECR calculation.

2 The following items are excluded from the above table as they have zero emissions for our business: upstream leased assets, downstream transportation and distribution, processing of sold products, use of sold products, end-of-life treatment of sold products, downstream leased assets, franchises, investments.

3 Figures presented contain estimates and proxies.

4 Scope 2 is reported on a market based approach. Restated Scope 2 to encompass an adjustment to 100 Liverpool Street electricity usage (5t CO₂e) and recognition of 100 Liverpool Street REGO (172t CO₂e).

5 Excludes investment category as explained on page 62.

Energy use by type¹ (kWh)

	Baseline	FY22	FY23
Electricity (UK)	503,739	755,759	787,593
Electricity (US)	104,037	149,982	149,988
Steam (UK)	n/a	67,784	112,380
Gas (UK)	231,710	n/a	n/a
Transport (UK)	4,111	n/a	n/a
Total	843,597	973,525	1,049,961

1 Electricity is the only energy used by our US operations.

RISK

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Our approach to risk

David Curran, our Chief Risk Officer, discusses the role of risk management in promoting resilience.

The business environment has been the most pressing concern this year, with economic and political uncertainty playing a crucial role. Three prime ministers, a calamitous mini-budget, subsequent market disruption, the impact of Brexit, high inflation and increasing interest rates have contributed to an overall decline in capital markets activity, investor confidence and trading flow. More recently we have witnessed a number of banking failures outside the UK, which, combined with global macroeconomic uncertainty, have had a clear adverse impact on our results and those of the industry as a whole.

In such an environment, risk management plays a critical role in building resilience. It gives us confidence that we understand the wider risk environment and how it applies to us in practice. This in turn enables us to prioritise activities and move forward in pursuit of our strategy, ready to take advantage of appropriate opportunities, while avoiding unnecessary or undesirable risks. This year, the experience of our people has been really important in helping us maintain the right approach: they understand the cyclical nature of the markets and the appropriate adjustment of approach to risk at different points in the cycle. Coupled with our diversified trading portfolio and the maturity of our risk management, this has put us in a good position to weather the difficult external conditions.

We have taken steps to diversify our business model further in the medium to long term. In Investment Banking, we have added a Debt Advisory function and are building our M&A and Private Capital Markets businesses. In our trading activities, we are exploring opportunities to move into new liquidity pools, further enhancing our position as a key liquidity provider to UK market participants. Finally, we are expanding our European reach through our Copenhagen office and, with RetailBook, we are demonstrating how innovation continues to drive opportunity.

“
In risk management, context is key. Done well, risk management gives you the confidence to move forwards in challenging environments because you know who you are, where you're going and how the external environment may affect you.”

The Investment Firms Prudential Regime (IFPR) has allowed us to take a much more consolidated approach to assessing capital and liquidity requirements, and identified a number of areas where we can further develop our use of quantitative approaches to manage risk.

Looking forward, we will continue to be disciplined in how we manage risk. We have embarked on a project to mature our risk framework further, by improving our processes and embedding technology to enhance the understanding of risk, risk ownership, and alignment of risk with our business objectives.

In this report, we provide a forward-looking view on risk and how we manage risk across Peel Hunt. We also provide an update for the year on our principal risks.

Forward-looking risks

The market environment continues to bring uncertainty. Work continues on enhancing our cyber resilience and, as we look ahead, risks associated with people, regulation, UK capital markets and financial market resilience will warrant further attention.



People

Retention of people is challenging during periods of market volatility or significant change. We continue to keep a close eye on people-related risks, given the difficult business environment, ongoing evolution of hybrid working practices, and competitive hiring environment. In response, we have maintained our comprehensive wellbeing programme, and a balanced approach to working practices and are in the process of enhancing incentives for certain people. We believe these steps will continue to ensure we remain the great place to work we have always been.

Regulatory change

During the year we have continued embedding the IFPR, requiring updates to our risk framework and the completion of our Internal Capital and Risk Assessment (ICARA). This has demonstrated that we have adequate capital and liquid assets to withstand risks that may arise in normal and stressed market conditions. Following on from our work on operational resilience, we are working to implement the FCA's Consumer Duty in the UK, although we do not expect it to have a material impact on the business.

UK capital markets

The attractiveness of the UK as a location for companies to raise and deploy capital has become an increasingly critical issue for policymakers and financial services firms. Over the past two decades, we have seen a decline in the UK in initial public offerings and a significant decline in the weight of UK assets in institutional portfolios. The proposed Edinburgh Reforms are expected to begin to make the UK more attractive as a destination for capital, including proposals from the FCA to simplify listing requirements. While we have been actively liaising with policymakers on these matters, this is likely to remain a risk for the business and our peers for the foreseeable future.

Financial market resilience

The last year has shown us the importance of being prepared for unexpected events. The fallout from the UK mini-budget and unforeseen impact on pension funds' liability-driven investment schemes resulted in significant threats to UK financial stability. Furthermore, the swift failure of SVB and forced purchase of Credit Suisse by UBS both illustrate how confidence remains a critical factor in maintaining resilience. Our work on IFPR tests our capital and liquid assets in periods of stress, providing assurance on overall financial resilience. However, it is clear that as an industry, there is further work required on this front and we will closely monitor industry-wide developments relating to financial stability and any risk of contagion.

Risk management

Good risk management is about two things – having the right governance structure in place, supported by a strong risk framework and processes, and having the right culture, embedded throughout Peel Hunt, which means everyone is alive to managing risk proactively.

How we manage risk

This year our work on implementing IFPR, for instance finalising our first ICARA, has been an important development. This ensures that our approach to risk considers potential harms not only to the business, but to clients and the market. We have also embarked on updates to our risk framework and processes to ensure these remain efficient and effective. This includes updates to our risk appetite, risk and control self-assessments, risk reporting and ownership of risk. These will remain areas of work in the coming year to ensure our approach to risk develops in line with the growth of our business.

Risk governance

Good governance is central to ensuring we consider and manage the objectives of our different stakeholders. For governance and regulatory reasons, we operate committees at both the publicly quoted company level and on behalf of the regulated entities within the Group. This report details the key activities of the risk committees across the Group as a whole ('Risk Committees'). The Risk Committees are primarily responsible for implementing and overseeing the Board-approved risk appetite, reviewing and recommending the risk management framework, reviewing and challenging risk management information, and overseeing and advising on embedding and maintaining a positive risk management culture.

Risk appetite

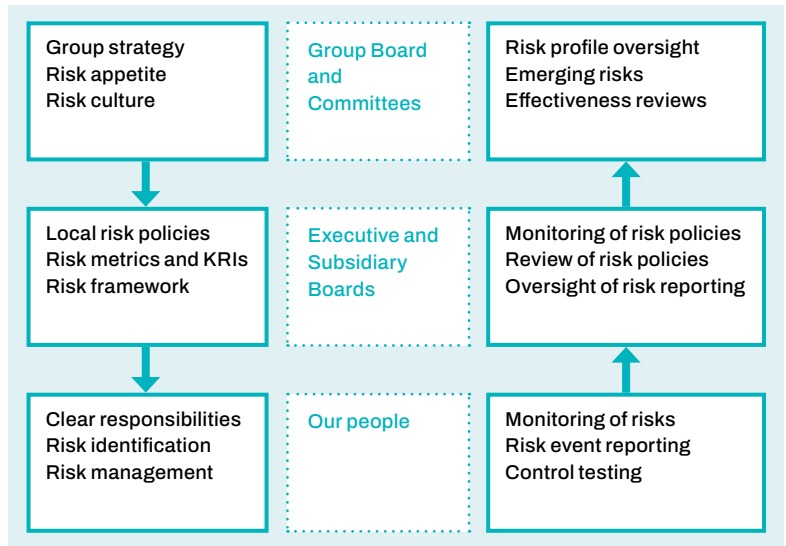
Our risk appetite is the level of risk we're willing to accept in our day-to-day operations, and we define it in a set of risk appetite statements for each risk type, supported by quantitative metrics. Where risks exceed or are expected to exceed pre-defined levels, we escalate and take appropriate action to reduce risk to an acceptable level. Our risk

appetite statements are reviewed at least once a year by the Risk Committees, the Board and any relevant local subsidiary boards. During the year we surveyed senior stakeholders to better understand our appetite for risk and ensure our risk appetite statement provides the clarity we need when making day-to-day decisions about which risks we will accept, and which risks we will not.

Risk identification and management

We identify our risks through top-down and bottom-up processes, and assess the likelihood and impact of each risk, considering financial, regulatory, reputational and other external factors. We manage risks with controls to reduce the likelihood of a risk occurring, and its potential impact, and monitor risks to ensure our controls are operating effectively and the risks remain within acceptable levels. During the year we simplified and enhanced the way in which we assess our risks and controls through our risk and control self-assessment (RCSA) process, allowing us to gain better insights into the most important risks we need to manage.

Our risk management framework



The three lines model

Our risk management processes, policies and procedures are embedded in our culture and working practices. These form a model based on three lines:

- The ‘first line’ is our different business areas. Their management teams identify, assess, manage and report on any risks in their areas
- The ‘second line’ is our Risk Management and Compliance teams, which review and challenge the risks and risk assessments, monitor and test applicable controls, and provide assurance of the first line’s management of risk
- The ‘third line’ is our independent Internal Audit team, which provides assurance on our risk management framework and internal control environment

During the year we delivered training on the three lines model across the Group to ensure that roles and responsibilities are clear throughout the organisation.

Our risk management framework

Our enterprise risk management framework (ERMF) is our foundation and structure for clear and effective risk management throughout the business. It enables us to speak a common risk language and assess the likelihood and impact of risk events. In doing so, it helps us focus on our strategic priorities. We apply the ERMF and related policies in all our daily activities. The Chief Risk Officer oversees the ERMF and reports to the CEO and the Risk Committee Chair, and is a member of the Peel Hunt LLP Board (Executive Board).

During the year we embarked on a project to review and enhance our risk framework and related processes.

Risk and compliance culture

Our proactive approach to our risk and compliance culture benefits our business, our stakeholders and the markets. We foster this in different ways:

- Clear roles and responsibilities, through role descriptions, senior manager statements of responsibility and first-line risk ownership
- Clear tone from the top, leading by example, so we have an environment that ensures risks are identified and considered in the right way
- Encouraging people to speak up and challenge the status quo, to ensure we balance risk and reward in all business decisions.
- Aligning individual objectives and remuneration with sound conduct and effective risk management
- Group-wide training to ensure we’re all aware of our part in managing risks

Principal risks

Our principal risks are those that might prevent us from achieving our goal of long-term, sustainable growth or could negatively affect our future performance, prospects or reputation. This year, while many principal risks have remained unchanged, we continue to see heightened risk in the areas of people, regulation and financial risks affected by overall market uncertainty.

	Risk	Description	Mitigation	Update for the year
Financial risks	Capital	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 local regulatory requirements. We regularly test our capital positions in stressed scenarios.	We have retained a healthy capital surplus with adequate capital for ongoing business operations and stressed scenarios.
	Liquidity	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 local regulatory requirements. We also regularly test to ensure we have sufficient liquidity in stressed 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	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	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 test our exposures against stressed 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.

	Risk	Description	Mitigation	Update for the year
Regulatory and conduct risks	Conduct	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 FCA's Consumer Duty.
	Regulatory	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 ongoing training. We regularly scan the horizon to identify regulatory changes and we maintain an open dialogue with our regulators.	We continued to liaise with our regulators, seeking guidance on matters that arose during the year, and providing assurance on our regulatory compliance.
	Financial crime	There is a risk that we do not protect ourselves and our clients from money laundering, terrorist financing, bribery, corruption and tax evasion.	We have robust policies and procedures and all our people complete mandatory financial crime training to help detect, prevent and report financial crime. 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.

Principal risks continued

	Risk	Description	Mitigation	Update for the year
Operational risks	General operational	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	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.
	People	There is a risk that we fail to attract, motivate and retain our people.	We have a strong focus on conduct, ethics and values, and foster a collaborative working environment and culture. We offer continuous professional development and provide support, advice and training to our people, so they can meet their full potential.	We have 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.

	Risk	Description	Mitigation	Update for the year
Strategic and business risks	Strategic and business model	There is a risk that we are not able to deliver our strategy or achieve our objectives, or that external factors prevent us from doing so.	We have a clear strategy, which has been communicated 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	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. Our work with industry peers on RetailBook has reinforced our position as an innovative and dynamic business.



“
Governance is the
foundation of good
business practice,
enabling us to enact
our principle of doing
the right thing.”

Lucinda Riches Chair

GOVERNANCE

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Letter from our Chair, Lucinda Riches

It's been a challenging year for Peel Hunt and our industry, with capital markets activity unusually low. However, challenges also bring opportunities, and my first full year as Chair has been rewarding, working alongside the Board and the executive team to support the business in the next stage of its journey as a public company.



Statement of compliance

The Board of Directors (the Board) of Peel Hunt Limited (the Company) believes that good corporate governance is central to achieving the objectives of the Company and its subsidiaries (together, the Group or Peel Hunt), and to creating and delivering sustainable shareholder value. The Board is committed to high standards of corporate governance and the Chair is ultimately responsible for the quality of, and approach to, corporate governance at Peel Hunt. Peel Hunt has adopted the Quoted Companies Alliance (QCA) Corporate Governance Code 2018 (QCA Code). Our governance framework is aligned to the expectations of the QCA Code and is the mechanism by which we direct and steer the organisation, providing direction and managing risk to deliver sustainable value for our stakeholders (see pages 84-87). Disclosures required by the QCA Code are included in this Annual Report and on our [website](#).

Streamlining our approach to governance

As my predecessor, Simon Hayes, discussed in last year's report, Peel Hunt's strong governance framework and internal controls meant the business was well prepared for the IPO. And like Simon, I firmly believe in the importance of sound governance, which for us can be summed up in our principle of doing the right thing.

To be effective, however, our framework must be simple to follow. This year we continued to evolve our approach, looking at ways to streamline and improve our structure and processes, while keeping regulatory obligations firmly in mind. For example, we have better aligned our Listed Company Board and Peel Hunt LLP Board (Executive Board) cycles to ensure continued momentum and better communication. We have also continued to strengthen our 'three lines' model of risk management.

Maintaining financial discipline

One of the most important jobs for any board is to ensure the prosperity of the business, which among other things, means maintaining financial discipline. This is particularly important in the context of current low levels of capital markets activity, cost inflation and rising interest rates.

The Board is instrumental in using its perspective to navigate the external environment, and also look beyond the short term, as we oversee the allocation of our financial resources with prudence.

Focusing on strategy

Ensuring the prosperity of the business also means working with the management team, providing the appropriate level of challenge and guidance to ensure a business is set up for success. Key to that is overseeing the strategy and ensuring it is fit for purpose. This year, that oversight has led to some very rich discussions about our strategy, which I talk about in more detail in my strategic report introduction (see page 16). It was good to see those discussions involving the next layer of management, who will be key to strategic progress in the coming years.

Strategy aside, the Board has been involved in a range of other key decisions this year, including reviewing plans to spin off our REX platform into the standalone business, RetailBook. This involved considerable work to establish a new legal entity with proposed external shareholders and its own business plan. As a Board, we collectively reviewed and approved the investment case and proposed ownership structure. This represents an important milestone in the delivery of our digital strategy, with Peel Hunt's proprietary technology facilitating an industry-wide solution that will increase retail participation in capital markets transactions and unlock pools of retail capital for UK plc.

Approving new sustainability targets

Peel Hunt's sustainability agenda has been an important focus for the Board this year. As discussed in this report on pages 52-55, the ESG Committee has worked with the executive team to review and approve new targets to lower our carbon footprint and improve gender diversity across the business. On our gender target, we clearly have work to do over the next decade, but we are making important steps to reach our target of women making up at least 40% of the Company by 2035 through looking at the pools of talent we are accessing.

As a Board, it's important we lead by example on this agenda, and the Peel Hunt Board is ahead of many of its peers for both gender and ethnic diversity. Of course, diversity goes beyond gender and ethnicity; the true value of a diverse board is that it brings together different perspectives. Between them, my colleagues on the Peel Hunt Board have an impressive array of relevant experience,

and it's genuinely a privilege to chair such an expert group of people, who are so open to listening and debating each other's views.

Hearing from our stakeholders

Like Simon, I am committed to ensuring that the Board hears directly from our stakeholders so we can properly take their views into account in the boardroom; it is part of the collegiate and open culture that Peel Hunt has worked so hard on over the years.

As our business is primarily driven by the dedication and talent of our people, our employee engagement survey undertaken this year, is a key opportunity for the Board to learn more about the views of our people and to monitor and assess corporate culture. We were encouraged to see areas like our culture, wellbeing programme, team ethos and integrity continuing to score highly, despite an overall drop in engagement, which was perhaps inevitable in such a challenging year. In that context, we were pleased to see that the strategy presentation Steven hosted in January, and follow up strategy events, were attended by the vast majority of our people. Such attendance speaks volumes; it tells me that we have a team of people who are really invested in the business and care about its future.

I've also had the chance to see that enthusiasm first-hand. In December, I joined a discussion with my fellow Non-Executive Directors Maria Bentley and Liz Blythe, hosted by our new employee-led network, 'Connect Women'. During the session, we shared our experiences of being a woman working in finance. There was a good turnout from across the business, which was encouraging to see.

Shareholders – and clients – are critical stakeholders for Peel Hunt. Shareholder feedback is a standing agenda item at every Board meeting, and I hope to talk to many of our shareholders in the period following our AGM as Simon and I did last year when he stepped down. I'm pleased to say that in this tough year, the message we've heard from shareholders has been very clear: stay the course; continue to make strategic progress and position the business for when market activity normalises. In terms of client feedback, as a Board we are looking at ways of being far more systematic and structured in how we receive qualitative feedback and in how this feedback is actioned to ensure continuing excellence in client service.

Letter from our Chair, Lucinda Riches

Learning from our external advisers

As an adviser to many clients, Peel Hunt knows just how important it is for a business to bring external views from specialists into the boardroom. As Chair, I believe it is important we create space in our timetable to hear regularly from our own advisers. We have had a number of opportunities to do that this year, including a presentation from our corporate broker at our strategy day in October 2022. During the session they shared their honest appraisal of where Peel Hunt sits in the market. What we heard helped crystallise our strategic priority to continue our evolution from stockbroker to investment bank.

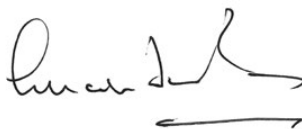
We also received presentations from our external advisers on key issues, such as the Market Abuse Regulation, the FCA's Investment Firms Prudential Regime, and cyber risks, which become more pertinent to us as we embed ever more digital technology into our way of doing business.

While that external view is essential, the Board also recognises the value of hearing from our own in-house experts, of which Peel Hunt has many. This year, we participated in several internal thematic training sessions on issues such as algorithmic trading, our approach to cyber security and the FCA's Consumer Duty.

The Board's priorities for FY24

As I outlined in the strategic report on page 23, it remains a priority for the Board to work with the business to ensure financial discipline and support the executive team with the implementation of the refined strategy. With our refined strategic priorities now in place, the next 12 months are all about putting it into action. From the Board's perspective that means having the correct oversight in place to help the executive team turn strategic objectives into tangible performance. We'll also continue to review the process of setting up our new European office, and work with Steven and his team to continue recruiting selectively to grow key areas of the business. Additionally, there will be a marked focus on the continued monitoring of the external market environment and ensuring we take necessary steps to support the business.

There is no doubt this has been a tough year for the industry. And we must be prepared for new challenges that we cannot yet see. But challenges also lead to opportunities, and I am looking forward to working with my colleagues over the coming year as we look to move the business forward.



Lucinda Riches Chair

Board of Directors

Lucinda Riches Chair

Steven Fine CEO

Sunil Dhall CFOO

Maria Bentley NED

Liz Blythe NED

Richard Brearley NED

Darren Carter NED

Committees*

Nomination Committee	Audit Committee	Risk Committee	Remuneration Committee	ESG Committee
Lucinda Riches (Chair)	Liz Blythe (Chair)	Richard Brearley (Chair)	Maria Bentley (Chair)	Richard Brearley (Chair)
Maria Bentley	Maria Bentley	Maria Bentley	Liz Blythe	Maria Bentley
Liz Blythe	Richard Brearley	Liz Blythe	Richard Brearley	Sunil Dhall
Richard Brearley				Steven Fine
Darren Carter				

*Membership as at 31 March 2023.

Shining a light on UK boardrooms

We founded the annual Non-Executive Director Awards in 2006 to celebrate the contribution that non-executive directors make to UK boardrooms as guardians of corporate governance.

Seventeen award ceremonies and more than 100 winners later, we're still running the event. Our CEO, Steven Fine, is a member of the judging panel, which today is chaired by Ruth Cairnie, chair of Babcock International Group.

This year's ceremony took place on 23 March 2023. Our judges created a shortlist of 30 finalists, with a 50:50 gender split, from more than 290 nominations.

More information on the final seven winners can be found at nedawards.co.uk.



“ We were delighted to host the awards for the 17th year running. It was inspiring to see so many of my fellow non-executive directors together in one room. Good governance relies on good people sharing their expertise to guide and nurture businesses towards success. It is a principle that aligns with everything we do at Peel Hunt. ”

Lucinda Riches Chair

Our Directors



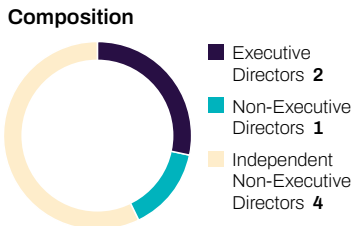
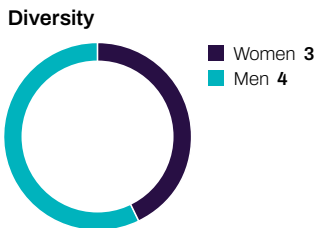
Lucinda Riches CBE
Chair

We have a strong Board with the breadth, depth and diversity of skills and experience needed to guide Peel Hunt as a listed company.

Lucinda joined the Board as Deputy Chair and SID in September 2021 and assumed the role of Chair following our AGM in 2022. She has extensive experience on listed company boards and within investment banking. Lucinda spent the majority of her career in investment banking, with 21 years' experience at UBS Investment Bank (and its predecessor firms) in senior management positions in the UK and the US, including global head and chair of UBS's Equity Capital Markets Group, vice chair of the Investment Banking Division and as a member of UBS Investment Bank's board. She was awarded a CBE in 2017 for her contribution to financial services, British industry and to charity. Her previous non-executive roles include CRH plc, ICG Enterprise Trust plc, the British Standards Institution, Diverse Income Trust plc and UK Financial Investments Ltd. Lucinda's deep understanding of our industry means that she is able to provide invaluable advice on our strategic objectives.

Lucinda became chair of Greencoat UK Wind plc in April 2023, having been senior independent director from April 2022. She is non-executive director and remuneration committee chair at Ashtead Group plc.

Committees
Nomination (Chair)





Steven Fine

Chief Executive Officer (CEO)

Steven has been Peel Hunt's CEO since 2016 and is responsible for our strategic development and the executive management of the Group. He has significant industry experience, gained over the course of a 30+ year career in investment banking. Steven joined KBC Peel Hunt in 2006, leading its sales, trading and research teams. He was a member of the executive committee in 2010 that led the buy-out of the Group from KBC. Previously, Steven was the founder member of D. E. Shaw Securities International, which became the core of KBC Financial Products. Steven's commitment to our partnership ethos, demonstrated by his collaborative management style and his transparent approach to communication, has contributed to Peel Hunt building successful long-term relationships with our clients and our people.

Steven is a member of the FCA Markets Practitioner Panel and sits on the board of the QCA. He is also a judge for the Non-Executive Director Awards, which are hosted by Peel Hunt.

Committees

ESG (Member)



Sunil Dhall

Chief Financial and Operating Officer (CFOO)

Sunil has been Peel Hunt's CFOO since 2010 and oversees our support and infrastructure functions, including Technology, Finance, Operations, Human Resources and Legal & Company Secretariat. He is responsible for the preparation and integrity of the Group's financial information and for building our infrastructure to allow the business not only to remain efficient and well-controlled, but also to enable expansion and growth for the future. Sunil was a member of the executive committee in 2010 that led the buy-out of the Group from KBC. Before Peel Hunt, Sunil held senior positions at KBC Financial Products, including Global Head of Operation Risk, Projects and New Products. Sunil also has specialist skills in internal audit and was a senior internal auditor at Credit Suisse before joining KBC.

Sunil was the founder and over the last year has been Chair of the UK Equity Markets Association and a member of the City of London socio-economic diversity taskforce.

Committees

ESG (Member)



Maria Bentley

Non-Executive

Maria joined Peel Hunt as an Independent Non-Executive Director in April 2022. She has more than 30 years' experience across financial services and investment banking. She has held senior human resources roles, including managing director, global head of HR for equities and fixed income at Goldman Sachs, group managing director, global head of HR for UBS Investment Bank and senior managing director, global head of HR for wholesale at Nomura International. She also has extensive experience in fixed income sales roles at Credit Suisse and Goldman Sachs. Maria's strong sector experience, commercial approach and understanding of remuneration practices in financial services complements the range of skills of our other Directors.

Maria is also a non-executive director and remuneration committee chair at Daiwa Capital Markets Europe Limited, RBC Global Asset Management (UK) Limited and Picton Property Income Limited.

Committees

Remuneration (Chair)
Audit, ESG, Nomination and Risk (Member)



Liz Blythe

Non-Executive

Liz joined Peel Hunt as an Independent Non-Executive Director in 2020. She has over 25 years' experience holding board and regulatory approved positions in financial services. Liz was previously chief internal auditor at Skipton Building Society for over 11 years and has significant experience as an executive director, having previously been finance director at Homeloan Management Limited (now part of Computershare) for 13 years. From 2018 to 2020, Liz was also a trustee at Lhasa Limited, a global software development company. A qualified accountant, with specialist skills in finance, internal audit, risk and governance, Liz has an understanding of complex regulatory and business issues, and developing pragmatic solutions. Her vast experience of internal and external audit matters is extremely helpful to ensure a sound control environment.

Liz is a non-executive director at specialist lender Together Personal Finance Limited and was audit committee chair until June 2023. Liz also chairs the board and audit committee of Car Care Plan Holdings Limited.

Committees

Audit (Chair)
Nomination, Remuneration and Risk (Member)



Richard Brearley

Non-Executive

Richard joined Peel Hunt as an Independent Non-Executive Director in 2020. He has had a long-standing career in legal and compliance within the financial services industry and was previously EMEA head of compliance at Macquarie. Prior to that role, he was head of compliance and legal at Investec plc and Investec Bank from 2006 to 2015. He held senior positions in the Markets Division of the Financial Services Authority and was a corporate partner at Nabarro Nathanson, where he specialised in public and private transactions and fundraisings.

Richard's comprehensive understanding of our legal and regulatory environment means he is able to provide valuable guidance to the Board. He also has a wealth of experience with regulators and a deep understanding of our investment banking business.

Richard is head of compliance at Ninety One plc, a FTSE 250 listed asset manager.

Committees

ESG and Risk (Chair)

Audit, Nomination and Remuneration (Member)



Darren Carter

Non-Executive

Darren has been a Non-Executive Director on Peel Hunt's boards since 2004. He was Chair of Peel Hunt LLP from its buyout from KBC in 2010 until 2016, and Chair of the Company from December 2018 until September 2021. Darren has over 30 years' equity markets experience working for financial services firms. He held a number of senior management positions, including managing director at D. E. Shaw Securities International, where he was responsible for the firm's financial products businesses in London, New York, Tokyo and Hong Kong. He was also chief executive of KBC Financial Products, following KBC's acquisition of D. E. Shaw Securities International in 1999. With 19 years on Peel Hunt's boards, Darren brings unparalleled knowledge of, and interest in, our business.

Darren is a non-executive director at FCA-regulated Praetura Ventures Limited.

Committees

Nomination (Member)

Applying the QCA code

Under the direction of the Chair, the Board is committed to maintaining high standards of corporate governance. We recognise the value and importance of a governance framework that is appropriate for our size, scale and complexity, and is in the interests of all our stakeholders, and have therefore adopted the QCA Code. Here we set out in broad terms how we apply its ten principles.

Deliver growth

Principle 1

Establish a strategy and business model which promote long-term value for shareholders

Our strategy and business model emphasise collaborative working across our operating divisions, described as 'joined-up banking'. Our operating divisions are: Investment Banking, Execution Services and Research & Distribution. This joined-up approach, alongside investing in client relationships, focusing on high potential clients, business development, expansion of divisional capabilities, proprietary technology, our people and supplier relationships, help us grow our business and its reach, and create value for our clients' businesses for the long term.

Read more about our purpose, business model and strategy on pages 12, 13 and 23, and our principal risks and uncertainties on pages 70-73.

Principle 2

Seek to understand and meet shareholder needs and expectations

We continue to look for ways of increasing our engagement with shareholders, as we recognise that engaging with them is fundamental to creating long-term sustainable investor relations. We keep our shareholders updated on Company performance and news through regulatory information services, annual and half-yearly financial results and periodic trading and market updates. Developing our relationships with shareholders as we mature as a quoted company is essential, and we will continue to engage with them regularly to ensure we are factoring their views into our decision-making.

Our CEO, CFO, Chair and SID meet regularly with shareholders to hear their views on various matters, and provide feedback to the Board, which enables the Board to consider shareholders' interests in their decision-making. The Non-Executive Directors are also provided with any reports and feedback issued by analysts to support their understanding of how the investment community views Peel Hunt.

Principle 3

Take into account wider stakeholder and social responsibilities and their implications for long-term success

As a Board, we factor stakeholders' views into the way we make key decisions, as discussed on pages 92-93. While the Company is Guernsey registered, our purpose very much aligns with section 172 of the UK Companies Act 2006, which requires directors to promote the long-term success of the Company for the benefit of all stakeholders. We explain how our Board has done this on page 94. Here we explain in broad terms how the Company engages with our various stakeholders and the actions generated as a result of that engagement.

Just as we meet with and update our shareholders (Principle 2), we communicate with our stakeholders through digital media, including podcasts and video updates, and social media, and keep our website, [peelhunt.com](https://www.peelhunt.com), regularly updated.

Through our culture and engagement surveys, our people give feedback to the Board, which we use to make sure our long-term strategy is aligned with their interests, and that behaviours across our business are aligned with our purpose and values. Read about how we have acted on the outcomes of our most recent culture and engagement survey on page 57.

Our business teams have regular relationship meetings with our clients to better understand what they need from Peel Hunt, and what we can do to improve the services we provide them. The CEO includes material client feedback in his regular CEO reports to keep the Board updated, enabling the Board to factor client views into the decisions it makes.

We have open, transparent and cooperative relationships with the FCA, the Danish Financial Supervisory Authority (Danish FSA), the London Stock Exchange (LSE) (including AIM regulations), the Takeover Panel, Aquis Stock Exchange (AQSE), and the Financial Industry Regulatory Authority (FINRA), to stay on top of regulatory requirements and developments.

Using our evaluation, selection and management process for key third parties, we vet suppliers when they are appointed and review their ongoing performance. Our responsible procurement procedures aim to minimise the risk of modern slavery in our supply chains, and the Board reviews and approves the Modern Slavery Statement annually.

We continue to develop our approach to sustainability issues and environmental, social and governance (ESG) issues more broadly.

For further details, see page 93 (client and regulatory stakeholder engagement), and pages 50-64, and 109 (sustainability and ESG stakeholder engagement).

Principle 4

Embed effective risk management, considering both opportunities and threats, throughout the organisation

We seek to deliver our strategy in accordance with the Group's risk appetite and review our risk appetite statement regularly to confirm that the business model is consistent with our low tolerance for risk.

We work to embed our risk management processes, policies and procedures in our culture and working practices. This year our Chief of Internal Audit, appointed last year, has undertaken a number of business-wide reviews, with many productive outcomes.

Our risk management processes, policies and procedures are operated through a 'three lines' model: from our business functions in the first line; to oversight by our risk and compliance functions, which provide challenge in the second line; and our internal auditors, who provide independent assurance in the third line. The Audit Committee reviewed the effectiveness of our systems of risk management and internal control in June 2022.

Read more about our risk management processes, policies and procedures on page 69. Please also refer to the Audit Committee report from page 101 and the Risk Committee report from page 105.

Maintain a dynamic management framework

Principle 5

Maintain the Board as a well-functioning, balanced team led by the Chair

At the date of this Report, the Board comprises two Executive Directors, four Independent Non-Executive Directors and one Non-Executive Director who is not independent, reflecting a range of experiences and backgrounds. Of these, one is from an ethnic minority and three are women (representing 43% women on the Board).

The Chair is responsible for the leadership of the Board, setting its agenda and ensuring that the Board discharges its role effectively and in line with good corporate governance. The Board operates formally through Board and committee meetings, as well as informally through regular contact among Directors.

Directors are expected to attend all meetings of the Board and the committees on which they serve. The table on page 91 provides details of attendance of the Company's Board and committee attendance is set out in each committee report from page 98. Each year the Nomination Committee reviews the Board's composition and performance, including the independence of the Non-Executive Directors and the time they've committed to their duties. The Nomination Committee also puts succession plans in place and keeps them under review.

Read more about the performance evaluation of our Board and our individual Directors on page 99, and the time commitment of our Non-Executive Directors on page 97. We describe how the Board remains independent on page 91. Read more about our Board on page 88.

Principle 6

Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

The Board has a solid balance of sector, financial and public markets skills and experience. The Chair, CEO and CFO offer significant combined investment banking experience, while our Non-Executive Directors bring extensive audit, legal, risk, regulatory and remuneration expertise and public company experience. Read more about the experience, skills and capabilities of our Board in the Board biographies on page 80.

As mentioned in Principle 5, the Nomination Committee regularly reviews the Board's structure, size and composition to make sure it has the necessary skills to support our ongoing strategy.

New Directors undergo a tailored induction training programme. All Directors receive regular training from our divisional heads, external professional advisers and training providers about market trends and business opportunities, and regulatory, governance and legal matters.

The Directors also have access to the General Counsel, the Company Secretariat, our nominated adviser and our professional advisers for advice and counsel. They may also take independent advice at the Group's expense in carrying out their duties. Read more about the development and support provided to our Board on page 97.

Each Director is responsible for maintaining their skills and managing any other external roles and training.

Read more about our Board skills on page 99.

<p>Principle 7</p> <p>Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement</p>	<p>The Nomination Committee is responsible for overseeing the evaluation of Board performance. Each year it evaluates the performance of the Board, its committees, individual Directors and the Chair. Every third year, the evaluation will be facilitated externally. This financial year, the evaluation included a Board skills review and a Board effectiveness review.</p> <p><i>Read more about how we evaluate our Board and the results of this year's evaluation on page 99.</i></p>
<p>Principle 8</p> <p>Promote a corporate culture that is based on ethical values and behaviours</p>	<p>We continue to strive for the highest ethical and professional standards. This is supported by our internal culture which is driven by our purpose – ‘guiding and nurturing people through the evolution of business’ – and our four values: encourage greatness, empower each other, only accept excellence and do the right thing.</p> <p>The Board aims to lead by example in this area and do what is in the best interests of the Group. The processes in place by which it makes decisions – in the terms of reference for its committees, the requirement for regular disclosure of outside business interests and the Company’s share dealing code – all require high standards of behaviour.</p> <p>The Company’s employment and compliance policies – such as its Whistleblowing Policy; Financial Crime Policy (which includes anti-money laundering, fraud and sanctions provisions); Anti-Slavery and Human Trafficking statement and procedures; Personal Account Dealing Policy; and its Conflicts of Interest Policy – all assist in embedding a culture of ethical and appropriate behaviour.</p> <p>Our Board oversees our culture and values, while our senior management team is responsible for actively promoting them and ensuring our people live by them.</p> <p><i>Read more about how we promote and monitor a positive corporate culture on page 56.</i></p>
<p>Principle 9</p> <p>Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board</p>	<p>The Directors consider that we maintain a governance structure that is appropriate to our size, scale and complexity – as well as our capacity, appetite and tolerance for risk. The Board is supported by five principal committees: Audit, Risk, Nomination, Remuneration and ESG. These committees report directly to the Board. The Board is also supported by a specialist committee, the Disclosure Committee, which meets when required.</p> <p><i>Read more about our governance structures and processes and how they have evolved on pages 88.</i></p>
<p>Build trust</p>	
<p>Principle 10</p> <p>Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders</p>	<p>Our website, peelhunt.com, is regularly updated with information about our activities and performance, including financial reports, information about our AGM, our financial calendar and dividend details, policies, governance structure and terms of reference – available to all stakeholders. We also disclose how we comply with the QCA Code, and review this information annually in accordance with Rule 26 of the AIM Rules for Company Disclosures. We communicate regularly and directly with our people, shareholders, clients, regulators and suppliers, as we’ve outlined in Principles 2 and 3, and are looking forward to welcoming shareholders to our AGM in July 2023, the results of which we will fully disclose afterwards.</p> <p><i>Read more about how we communicate with our stakeholders on page 92.</i></p>

How we are governed

In this part of the report, we explain how our Board and its committees oversee the Group's activities.

The ultimate decision-making body of the Group is our listed company Board. To fulfil its role in setting strategy, providing oversight and ensure delivery of long-term sustainable value, its relationship with the Executive Board is critical. These boards meet frequently, both formally and informally, and the listed company Board provides robust support and challenge to the Executive Board to enable it to fulfil its role of implementing business strategy, managing the day-to-day activities of Peel Hunt and providing effective reporting to the Board.

This year we further developed our governance framework, identifying opportunities to streamline and improve our structure and processes. We better aligned our listed company Board and Executive Board cycles to ensure continued momentum and better communication. We have also continued to strengthen our 'three lines' model for risk management across the Group.

In line with the current size and scope of the Group, we also carefully monitor any additional requirements which may become relevant, whether to reflect Peel Hunt's expanding footprint or to meet local requirements for any subsidiary outside the UK.

For regulatory reasons we operate committees at both the Company level and on behalf of the FCA-regulated entities within the Group. The committee reports found later in this governance report detail the key activities of each of the committees across the Group as a whole.

Our governance framework

Board

Sets the Group's strategy and aims to ensure Peel Hunt delivers sustainable, long-term shareholder value.

Committees

The Nomination, Audit, Risk, ESG and Remuneration Committees are explained further from pages 98-116.

Subsidiary Boards

These include the Executive Board and the International Boards. The Subsidiary Boards implement business strategy and manage the day-to-day activities of the trading entities of the Group.

Executive Risk Committee

Focuses on managing and mitigating risks and implementing controls within the business.

Management Committee

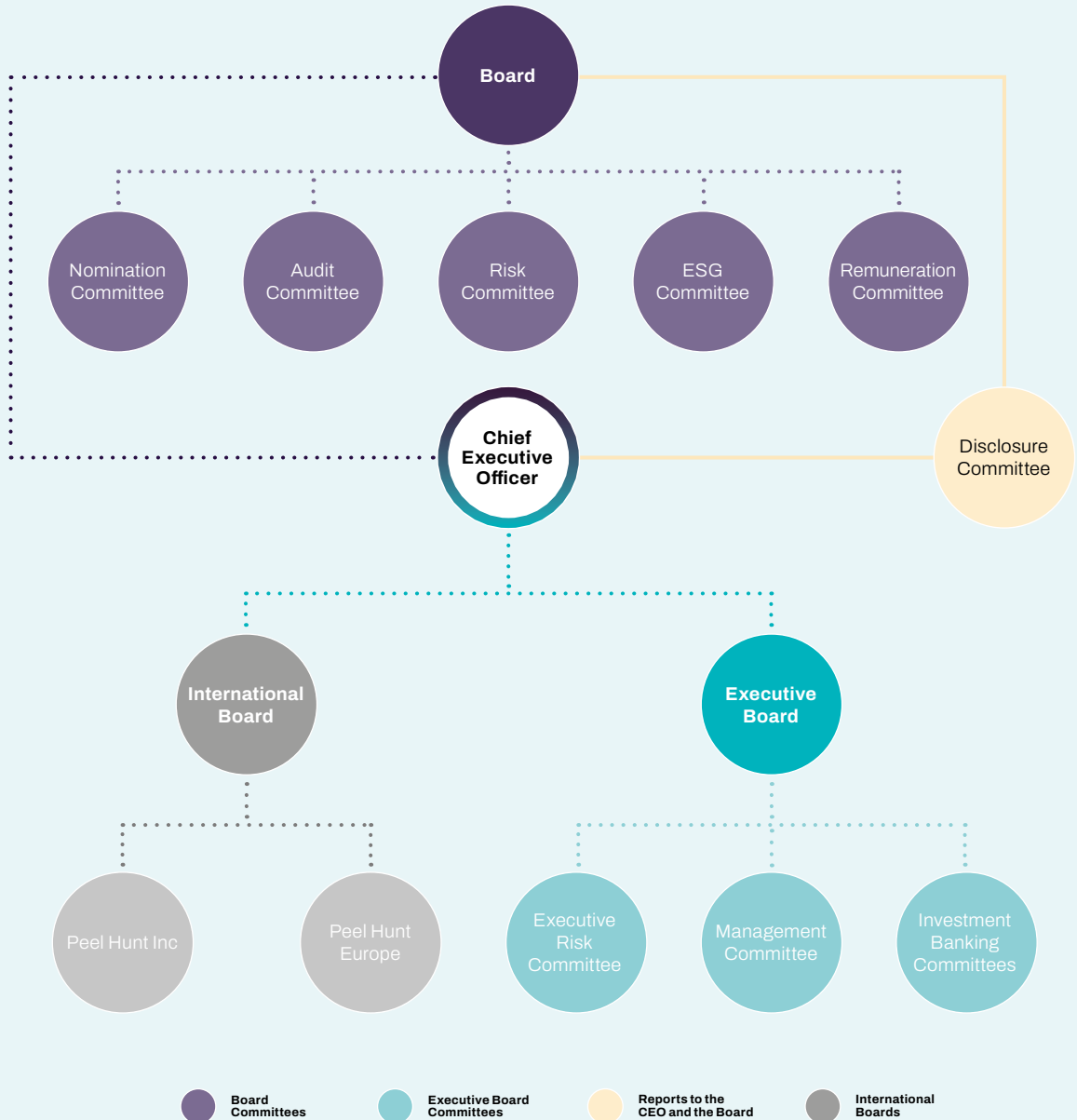
Assists the Subsidiary Boards with the day-to-day operations of the relevant Peel Hunt entity and helps implement business strategy.

Investment Banking Committees

Oversee the approval of potential new clients, new transactions or the approval of underwriting transactions.

Our governance framework – our Board and core subsidiary boards

This diagram provides an overview of the governance structure, highlighting the relationship between the Board and the core subsidiary boards.



Governance report

Our division of responsibilities

The role specifications below set out the clear division of responsibility between the Executive and Non-Executive members of the Board which supports the integrity of our operations.

Non-Executive

Chair

- Leading the Board and promoting a culture of openness and constructive challenge and debate
- Setting the Board's agendas and ensuring there is adequate time available for discussion of all agenda items, particularly strategic issues
- Ensuring effective communication with the Group's stakeholders
- Ensuring the Board's effectiveness
- Ensuring the Group's corporate governance is maintained in line with good practice and internal policies

Non-Executive Directors

- Scrutinising, measuring and reviewing the performance of Executive Directors and management
 - Constructively challenging and assisting in the development of strategy
 - Providing independent insight and support based on relevant experience
 - Serving on or chairing various Board committees
-

Executive

Chief Executive Officer

- Providing clear and visible leadership
- Proposing and directing the execution of strategy as agreed by the Board through leadership of the Executive Board
- Responsible for the overall operational business and functions
- Keeping the Chair and the Board apprised of key strategic issues facing the Company
- Ensuring that the Company's business is conducted with the highest standards of integrity, in keeping with our purpose, values and culture
- Managing the Company's risk profile and ensuring actions are compliant with the Board's risk appetite
- Managing investor relations activities, including effective and ongoing communication with shareholders and other stakeholders

Chief Financial and Operating Officer

- Supporting the CEO in developing and implementing strategy
 - Leading the Company's support and infrastructure functions including Finance, Technology, HR and Facilities, Operations, Business Management and Legal & Company Secretariat
 - Providing financial leadership to the Company and aligning the Company's business and financial strategy
 - Responsible for financial planning and analysis, treasury and tax functions
 - Managing the capital structure of the Company
 - Managing investor relations activities, including communications with investors and other stakeholders, alongside the CEO
-

Support

Company Secretariat

- Supporting the Chair in relation to compliance with Board procedures, ensuring that all Board and Board committee meetings are properly conducted
 - Ensuring that the Directors receive appropriate information prior to meetings to enable them to make an effective contribution, and that governance requirements are considered and implemented
 - Facilitating the Directors' induction programmes, assisting with professional development and considering Board and committee effectiveness with the Board and committee chairs
-

How the Board stays independent

The Nomination Committee reviews the independence of the Non-Executive Directors each year as part of their individual performance reviews.

We consider four of our Non-Executive Directors – Lucinda Riches, Maria Bentley, Liz Blythe and Richard Brearley – to be independent, both when they were appointed and as at the date of this Annual Report.

Darren Carter is not considered independent, as he is a significant shareholder and has been a Non-Executive Director on Peel Hunt's boards since 2004. However, we feel that Darren makes a significant and valuable contribution to the Board given his depth of industry knowledge and business experience.

You can find a list of individual Directors, their biographies and details of their Board committee memberships on pages 80-83.

How the Board is appointed

The Nomination Committee periodically reviews the Board's composition and evaluates how the Directors have performed, their independence and how long they've served on the Board. The Nomination Committee makes recommendations to the Board with regard to any changes and is responsible for identifying and nominating, for the approval of the Board, candidates to fill Board vacancies as and when they arise.

Each Director appointed by the Board must stand for election by the shareholders at the AGM and for re-election at each subsequent AGM.

Each Non-Executive Director is appointed for three years and, subject to annual re-election by our shareholders and performance evaluation, is expected to serve at least two terms. The Board may invite a Non-Executive Director to serve for longer, mindful that the need to evaluate a Director's independence becomes even more important the longer they remain on the Board.

How the Board and committees meet

The Board operates formally, through Board and committee meetings, and informally, through regular contact among Directors.

Directors are expected to attend all meetings of the Board and the committees on which they serve. The table below provides details of attendance at meetings of the Board during the year.

Director	Board
Simon Hayes ¹	6/6
Lucinda Riches	11/11
Steven Fine	11/11
Sunil Dhall	11/11
Maria Bentley ²	10/10
Liz Blythe	11/11
Richard Brearley	11/11
Darren Carter	11/11

¹ Stepped down on 7 July 2022.

² Appointed as an additional NED with effect from 4 April 2022.

The Board agenda

The Board and its committees each have an annual agenda of matters to discuss. We review and adapt this agenda regularly to make sure all the matters reserved for the Board, as well as other key issues, are discussed at the right time. The Chair and the Company Secretariat ensure that the Board receives timely and appropriate information in relation to these matters.

As part of the business of each Board meeting, the Board discusses reports from the CEO and CFOO, which give details of strategic, business and financial performance, and progress against the objectives the Board has set. The Board also receives reports from the Company Secretariat on governance developments, reports and management accounts from Finance, reports on regulatory issues and the control environment and reports on investor relations.

The Board's annual agenda deals with specific matters at appropriate intervals, including:

- Approving the business plan
- Decisions on overall strategy
- Extending activities into new business or geographic areas
- Approving changes relating to the capital structure
- Approving major investments
- Proposing dividends

The full list of matters reserved for the Board can be found at [peelhunt.com](https://www.peelhunt.com).

Our stakeholders

This stakeholders section, pages 92-95, covers the disclosures that would be required under section 172(1) of the Companies Act 2006. Our key stakeholders are listed below, and we explain why we consider them to be an important stakeholder, and how we engage with each of them.

Our people

Why our people are a key stakeholder

Our business depends on the great people who work at Peel Hunt. 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.

How we engage with our people

- 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 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 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.

Read about how the Board considered the interests of our people in relation to the above matters in its decision-making this year, from page 94-95.

Our shareholders

Why our shareholders are a key stakeholder

Our shareholders provide the equity capital for our business and play an important role in holding the Board and management to account. Engagement with them is key to our success and our aim to create long-term sustainable shareholder value.

How we engage with our shareholders

- We prioritise regular dialogue with our shareholders to offer objective information about our strategic priorities and performance, and to discuss how we're delivering our strategy and driving future growth.
- We have many channels through which we communicate with our shareholders, from meetings with Executive Directors, and our Chair and Senior Independent Director, to regulatory news service announcements, roadshows, our [website](#) and at our AGM.
- The Board receives an update on shareholder engagement at each formal Board meeting – regular feedback enables the Board to consider shareholders' interests as part of their decision-making on an ongoing basis.

Our clients

Why our clients are a key stakeholder

Our 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.

How we engage with our clients

- 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 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

Why our regulators are a key stakeholder

The 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.

How we engage with our regulators

- We operate an open, transparent and cooperative relationship with the Group's regulators, including the FCA, the Danish Financial Supervisory Authority (Danish FSA), the LSE, the Takeover Panel, AQSE and FINRA. 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 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.

Our suppliers

Why our suppliers are a key stakeholder

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.

How we engage with our suppliers

- 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.

Governance report

Our work in FY23 and how we considered our stakeholders

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.

Under Guernsey company law, and in relation to UK-registered subsidiaries under section 172 of the UK Companies Act 2006, we also have a duty to act in a way that we believe will promote our success for the benefit of our stakeholders.

That's why, in all our decisions, we carefully consider the:

- Likely consequences of any decision in the long term
- Interests of our people
- Need to foster relationships with our clients, regulators, investors and other key stakeholders
- Impact of our operations on our communities and the environment
- Importance of maintaining our reputation for high standards of business conduct
- The need to act fairly as between members of the Company

The Board considers our principal stakeholders throughout the year when reaching decisions, and considers whether there are any additional groups whose interests may be related to the Company's operations.

Here, we set out some of the key decisions we made this year, including how we considered the interests and needs of stakeholders.

Key decisions	What we did	Consideration of stakeholders in our key decisions
<p>Appointment of new Board Chair and Company Secretary</p>	<p>In July 2022, the Board formally appointed Lucinda Riches as Chair of the Peel Hunt 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.</p>	<p>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.</p>
<p>Reviewing and challenging the proposed strategy refinement and approving targeted investments in line with the new strategy</p>	<p>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. For more details on our refined strategy, see pages 23-28.</p>	<p>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.</p>

Key decisions	What we did	Consideration of stakeholders in our key decisions
<p>Investment into REX/ RetailBook, establishment of RetailBook as a standalone entity including appointments to the RetailBook board and collaboration arrangements with partners</p>	<p>The Board has been focused on ensuring Peel Hunt's proprietary technology is developed to maximise shareholder value. To develop Peel Hunt's REX technology as an industry-wide utility, the Board felt strongly that it needed to be operated independently of Peel Hunt so that competitors and peers would feel comfortable using and supporting it. The Board made a number of key decisions to support this journey including investment into the business, RetailBook, appointments to the subsidiary board and collaboration arrangements with key RetailBook partners, Hargreaves Lansdown, Jefferies, Numis and Rothschild & Co. For more details on the RetailBook project, see pages 42-43.</p>	<p>The Board supported management's view that broad industry wide adoption of REX technology was the key to its long-term success. The steps taken to ensure that REX be operated as RetailBook independently of Peel Hunt, and to ensure collaboration with other industry leaders, are intended to maximise long-term shareholder value.</p>
<p>Approving the business and operational plan for our new Copenhagen office and the regulatory application for the entity</p>	<p>To reinstate pre-Brexit access to EU clients and to strengthen our market-leading mid-cap distribution into Europe, the Board approved the business and operational plan for the Copenhagen office and its regulatory application. On 31 March 2023, we received regulatory approval to open our Copenhagen office, which is expected to be operational shortly. For more details on the new Copenhagen office, see page 21.</p>	<p>Having a European office that reinstates pre-Brexit access to European investors is key to maintaining our market-leading mid-cap distribution into Europe, and is strategically important as we look at act for ambitious mid-cap and growth companies that are listed or looking to list in London. Again, the Board has taken into account the interests of shareholders, clients and staff, whilst being mindful of the regulatory backdrop, in approving a prudent level of investment to underpin this key strategic initiative.</p>
<p>Considering the M&A landscape and inorganic growth opportunities</p>	<p>The Board, along with our advisors, regularly considers the M&A landscape including opportunities for organic growth.</p>	<p>The Board regularly considers opportunities to grow the business in a strategic and financially accretive manner to maximise shareholder value.</p>

Managing risk

The Board is responsible for overseeing the Group's risks and for setting the Board risk appetite, tone of its culture and conduct. During the year, the Directors continued to review how effective our systems of control and risk management are.

Across the Group, we have adopted a formal risk appetite statement, which describes the level and types of risk

we're willing to accept to achieve our business objectives. We have a low tolerance for risk, so we review this statement regularly to make sure the business model remains consistent with this tolerance.

The Risk Committee oversees the identification, measurement, monitoring and management of our risks. The Group uses a robust

enterprise risk management framework, which includes stress tests, to do this. The Risk Committee receives regular reports from senior management across the Group about the main sources of risk and any specific concerns around risk.

Governance report

We maintain risk registers across the Group, which outline the key risks to which the Group is exposed. This aims to identify and promote effective management of relevant risks through taking appropriate and timely mitigating actions. The risk registers are presented annually to the Risk Committee for review, and then provide the basis from which we monitor and report on key risks on an ongoing basis.

The Group's risk management processes, policies and procedures are embedded in our culture and working practices, and are operated through the 'three lines' model. You can find more information about how we use this model to manage risk on page 69.

Our Chief Risk Officer (CRO), David Curran, is a member of the senior management team, and is responsible for establishing, maintaining and developing our risk management framework, and reporting on risk matters to the CEO, the Board and the Risk Committee.

We have a whistleblowing policy in place to allow employees to report concerns around breaches of FCA regulations, failures to comply with policies and procedures, and behaviour that has or is likely to have an adverse effect on Peel Hunt's reputation or financial wellbeing. Liz Blythe, Audit Committee Chair, is the Board whistleblowing champion.

The Audit Committee has appointed a top tier professional services firm to act as our co-source provider of internal audit services, which supports the third line in the model. Internal audit provides independent assessment of the adequacy and satisfactory application of our governance, risk and control framework across the Group, and reports directly to the Chair of the Audit Committee. Suzanne Clark, as our Chief of Internal Audit, leads and oversees our co-source provider. Under Suzanne's direction, the business has strengthened and embedded our third line. You can find more information about the Group's key risks and risk management framework and processes on page 68.

Reviewing key policies

Conducting our business with integrity is crucial to achieving our business objectives. That's why we expect our people and our wider workforce, such as contractors, to uphold our high standards and adhere to the Group policies that underpin our governance structure.

The Group maintains a number of regulatory policies, procedures and key charters, and routinely updates the material ones on at least an annual basis. The key regulatory policies of LLP were updated throughout FY23, including those related to conflicts of interest, conduct, market misconduct, best execution and financial crime. Most policy updates did not involve material changes and were all notified to employees. LLP has implemented a project for FY24 to update all policies (including those related to regulatory risks) in accordance with an updated template, which will include the implementation of a system to help manage and distribute policy updates.

The Written Supervisory Procedure (WSP) of our US office was also updated in FY23 and notified to relevant PHI employees.

Our Group policies are reviewed every year or every other year, as appropriate, by subject-matter experts within Peel Hunt, to ensure that they remain in line with the relevant underlying laws, rules and regulations, and good practice, and are then approved by the relevant Board committee or by the Board (as applicable). These policies include our Data Protection Policy, Personal Account Dealing Policy and Share Dealing Code, Financial Crime Policy, Inside Information, Permanent Insiders and Wall-crossing Policy, Remuneration Policy and Whistleblowing Policy.

Ensuring our Directors work effectively

Our Directors must be able to contribute meaningfully to the Board, both as individuals and collectively. We conduct annual Board and individual Director performance evaluations to ensure that they can do so, while also supporting them through development and training.

Time commitment

We expect each Director to be able to commit enough time to do their work properly. The Non-Executive Directors provide a time commitment of between 24 and 60 days each year to perform their duties. Each year the Nomination Committee reviews the time required of the Non-Executive Directors and uses performance evaluations to assess whether they are doing so. This year, we are satisfied that all our Directors were able to meet the time requirement. The Executive Directors, our CEO and CFOO, are full-time employees.

Conflicts of interest

We have policies and procedures in place to monitor and manage any conflicts of interest our Directors might have. Directors must declare their outside business interests and potential conflicts of interest, and those of their connected persons, each year – and again when something changes. The Board must give prior approval for a Director to undertake certain outside business interests, including taking new non-executive director positions. The Company Secretariat maintains a register of the Directors' outside business interests and potential conflicts of interests, and those of their connected persons, which is tabled at each Board meeting. The Board has authorised the current interests disclosed in the register and, at the date of this report, doesn't consider any to constitute a material conflict of interest.

Development and support

We've appointed the Directors on our Board because of the skills and experience they offer and their personal qualities and capabilities and continuing to help them develop is an important aspect of the Board's work.

The Company Secretariat helps the Chair organise relevant training each year, which is delivered by internal experts and external professional advisers. The training programme includes:

- Briefings from each business head about the strategy, business plan and performance of that business
- Updates and refreshers around key governance, legal and regulatory matters relevant to the financial services industry
- Training on other relevant matters, such as the IFPR and cyber security

We identify collective and individual training needs through our annual Board evaluation process. This targeted training is arranged by the Company Secretariat.

The Company Secretariat also helps the Chair provide a tailored induction programme for all new Directors, which includes meetings with senior management and external advisers. This helps new Directors familiarise themselves with our business model and strategy, operations, governance arrangements and risks, as well as, crucially, our culture and values.

The Directors may talk to the General Counsel, the Company Secretariat, our nominated adviser or our professional advisers at any time for advice and counsel. They may also take independent advice at the Group's expense, should they need it in carrying out their duties.

The Group maintains Directors' and officers' liability insurance cover and indemnifies each of its Directors to the fullest extent permissible by law.

Advisers

We appointed a leading consulting firm in March 2021 to provide advisory services to the Remuneration Committee, and we continue to engage with them for advice. Their services include support around meetings, the annual compensation round, market and regulatory insights, and broader stakeholder matters. The Remuneration Committee also appointed a firm to help design the long-term incentive plans. We worked with a specialist external consultant in 2022 to support the ESG Committee in developing our ESG agenda.

Our performance this year

Regular evaluation can help boards and committees improve how they perform and how effective they are, as well as improve the performance of their company.

The Nomination Committee, which was established in readiness for our IPO on AIM, evaluates the performance of our Board, the Board committees and the individual Directors on an annual basis. This role is set out in its terms of reference and in Principle Seven of the QCA Code. We will also commission an external evaluation every three years.

This year's evaluation is discussed in the Nomination Committee report on page 99.

Nomination Committee report

With an experienced, diverse board now in place, this year the Committee has focused on effectiveness and succession planning to ensure Peel Hunt is set up for the next stage of its journey.

Membership and meeting attendance

The Group Nomination Committees (the Committee or Nomination Committee) comprise entirely Non-Executive Directors. The Committee regularly invites the CEO, CFO and the HR Director to attend. The Committee meets at least twice a year and otherwise as required.

Director	Attendance
Lucinda Riches	4/4
Maria Bentley	3/3
Liz Blythe	4/4
Richard Brearley	4/4
Darren Carter	4/4
Simon Hayes*	1/1

*Indicates that the individual ceased to be a member of the Committee during the year.

Roles and responsibilities

- Overseeing nominations and appointments of potential Directors to the Board and other boards within our Group
- Succession planning, reviewing overall composition and diversity of the Board
- Conducting an annual evaluation process of the Listed Company Board, the Group's committees and the Directors
- Overseeing Directors' training and development

The Nomination Committee's terms of reference can be found at www.peelhunt.com.



“I’m satisfied that we have the right balance and combination of directors to support Peel Hunt’s evolution.”

Lucinda Riches
Nomination Committee Chair

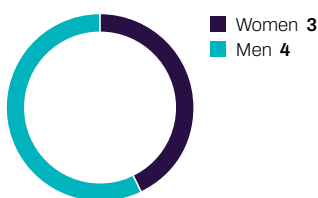
Key activities in FY23

- Annual evaluation of the Board, the Board committees and the Directors
- Developing and implementing the first phase of the succession planning programme for the Group, including the Executive Directors
- Implementing training based on the new Board skills matrix

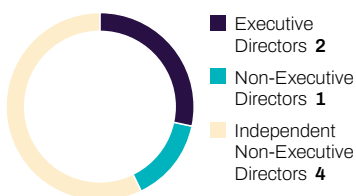
One of the core responsibilities of the Nomination Committee is to ensure that the Board has the right balance and combination of directors to support Peel Hunt's evolution. Having appointed two new Independent Non-Executive Directors in the period spanning FY22 and FY23, we are satisfied that our Board now has the requisite breadth and depth of experience, and diversity of views, to support and challenge management to lead Peel Hunt in the next stage of its journey.

As signposted in last year's annual report, Maria Bentley was appointed as Remuneration Committee Chair, having received regulatory approval in August 2022. Maria replaced Liz Blythe as Chair, whilst Liz remains a member of the Remuneration Committee.

Diversity



Composition



Diversity, particularly of gender and ethnicity, is high on the corporate regulatory agenda, and we are pleased that Peel Hunt is ahead of many of its AIM-listed peers, and those listed on the main market, in a number of respects. Of our Board Directors, 43% are women, and I, as Chair, fulfil the aspiration for companies to have at least one senior board position occupied by a woman. We also have one Board member from an ethnic minority background.

Evaluating Board effectiveness

We have performed a comprehensive evaluation of the Board, its committees and individual Directors for FY23, ahead of our planned external evaluation, which is scheduled to take place towards the end of 2023.

The Nomination Committee oversaw the evaluation process, with support from our Company Secretariat function. The process consisted of two elements: evaluation questions and a skills assessment. This year, our skills assessment took the form of a peer review of each Director by their fellow Directors.

The evaluation identified the need to take several key steps to enhance the interaction between the main Board and the Executive Board. These included increasing the frequency of Executive Board meetings, work on sequencing of meetings, and enhanced reporting and management information up from the Executive Board to the main Board. We have now implemented all these steps. The skills assessment identified

the need for the Board to continue to enhance IT and ESG-related skills and, through further training, the Board will continue to focus on these skillsets in FY24. Regarding the evaluation performed for each Board Committee, an action plan, tailored to the respective committee's role and responsibilities, is also underway.

Our skills assessment provided reassurance that the Board has the right blend of skills and knowledge, including representation of the right specialist and professional skills. Of particular note, Maria Bentley's appointment as Chair of the Remuneration Committee in August 2022 has added best practice HR and remuneration skills to the Board.

We have put a plan in place to support focus areas that were identified this year, including the need for more granular and technical understanding across the whole Board of cyber risks and sustainability issues, as well as enhanced reporting from front office business heads.

Following feedback from the Directors last year, we have focused on improvements to papers and agenda planning. The Board is satisfied that this has resulted in more timely, clear and succinct reporting.

Nomination Committee report continued

Relevant, focused induction and training programmes

Our programme of induction for newly appointed directors and executive management is comprehensive, well-structured and tailored to their individual skills and experience. It gives a thorough grounding in our business, the corporate governance framework and the duties of a director of an AIM-quoted company.

Throughout the year, our Directors have the opportunity to learn from internal and external experts on a broad range of topics, including areas for growth identified in last year's Board evaluation process. Training topics have included: algorithmic trading and controls, technology development, cyber security, Consumer Duty and the Investment Firms Prudential Regime (IFPR).

Appointment of directors to subsidiaries

During the year the Board oversaw the appointment of a number of directors to the boards of Peel Hunt Europe and RetailBook respectively.

Re-election of Directors

Each year all Directors must submit themselves for re-election at the Company's Annual General Meeting in accordance with the Company's Articles of Association. The Committee considered the results of the individual Director evaluations in determining whether to recommend re-election. The Committee is pleased to support all Directors who are standing for re-election in FY24.

Evaluating committee effectiveness

For FY23, the Nomination Committee conducted an evaluation of its own performance which was tailored to its specific responsibilities as delegated by the Board. The results of the evaluation were reviewed by the Committee and an action plan is being developed to address any areas identified for enhancement in FY24.

Priorities for the year ahead

Key focus areas for the Nomination Committee over the coming financial year include:

- Embedding succession planning into the mindset at Board, committee and executive management levels
- Overseeing the implementation of actions and strengthening Board knowledge in areas identified by the Board evaluation process

Lucinda Riches

Nomination Committee Chair
15 June 2023

Audit Committee report

The Audit Committee continues to play a key role in ensuring that Peel Hunt has the appropriate governance and controls as it matures as a listed company.

Letter from the Chair

In our second year after the IPO, much of the Audit Committee's time has been spent on supporting and challenging the internal team to enhance the processes behind our financial reporting. This is in line with the increasing requirements of Peel Hunt as a listed company, and the corresponding expectations of our investors and wider stakeholders that the information we report is a balanced and fair reflection of what has been happening in the business. I'm pleased to say that the team has made good progress, supported by increased resources within the Finance team.

A key development I'm pleased to report on is how Internal Audit, under the guidance of the new Chief of Internal Audit we appointed last year, has become embedded in the business. Having successfully delivered the risk-based internal audit programme for the year, Internal Audit has shared information and coordinated its activities with the Chief Risk Officer and business heads. This has helped to focus work appropriately and minimise duplicated effort.

Internal Audit has played a key role in supporting and challenging the business, while continuing to provide independent assurance in areas of risk, such as, operational resilience, client money, the new UK IFPR and cyber security. We are seeing the benefits of our increased use of technology, but are mindful that we need to ensure that we manage the corresponding increased risk exposure appropriately. Importantly, we continue to see organisational maturity in the way risk is being managed and understood, through the strengthening of our three lines model, which has been significantly bolstered by the appointment of the Chief of Internal Audit.



“I’m pleased with the progress made this year in further developing the internal audit function to meet changing expectations.”

In summary, the picture is very much one of continuing to mature the governance and systems of control in step with the increasing requirements of Peel Hunt as a listed entity and increasing regulatory obligations. Ensuring the organisation has a foundation of robust governance and risk management processes is vital to allow the business to deliver its growth plans and business strategy effectively and safely.

Liz Blythe
Audit Committee Chair
15 June 2023

Audit Committee report continued

Committee report

Membership and meeting attendance

The Group Audit Committees (the Committee or Audit Committee) comprise entirely independent Non-Executive Directors. The Committee regularly invites the other Non-Executive Directors including the Board Chair, the CEO, CFOO, General Counsel, Chief Risk Officer, the Chief of Internal Audit, the Finance Director and representatives from the external auditors, and the co-source internal audit partner. The Committee meets at least four times a year at appropriate intervals in the financial reporting and audit cycle and otherwise as required.

Director	Attendance
Liz Blythe	8/8
Maria Bentley	8/8
Richard Brearley	7/8
Lucinda Riches*	4/4

*Indicates that the individual ceased to be a member of the Committee during the year.

Roles and responsibilities

- Providing independent oversight of, and challenge to, the integrity of the Group's financial reporting processes and disclosures
- Providing assurance to the Board that the financial statements as a whole are fair, balanced and understandable, and provide the necessary information for shareholders to assess the Group's financial performance
- Overseeing the performance and effectiveness of the external audit process, including agreeing the remuneration and terms of engagement of the external auditors, assessing their objectivity and independence and recommending their re-appointment or removal
- Ensuring that the Internal Audit function performs against its approved annual plan, provides high quality reports, and audit review findings are actioned in a timely manner to remediate any identified deficiencies
- Assessing the effectiveness of the internal control environment
- Overseeing the whistleblowing process and ensuring that any concerns are resolved in accordance with agreed policies

The Audit Committee's terms of reference can be found at peelhunt.com.

Financial reporting

A key responsibility of the Committee is to support the Board in assessing the integrity of Peel Hunt's financial reporting processes, the half-year and annual financial statements and other formal announcements relating to the Group's financial performance. As part of our ongoing responsibilities, as with last year, we reviewed the Group's accounting policies, the presentation and disclosure of financial information, areas of significant audit risk, and the appropriateness of key estimates and judgements used in the preparation of the financial statements. These included recommending the approval of the proposed approach, taken by the Finance team, for accounting for share-based payments, and the capitalisation of technology development costs, both of which were new areas of accounting estimate and judgement in these financial statements.

We also reviewed the value-in-use assessment, carried out by our Finance team, relating to the investment in subsidiaries held by the Company and recommended its approval by the Board.

The Committee also assessed and recommended the adoption of the going concern assumption for the half-year and annual financial statements by the Board. This involved the review of both internal and external factors, including the challenging macroeconomic environment, the war in Ukraine,

Key activities in FY23

- Review and challenge of all key accounting estimates and assumptions, including the going concern assumption, which supports the financial statements
- Appointment of an external audit firm for our Copenhagen office
- Continued development of the internal audit strategy and operating model

and the impact of the recent turbulence in the retail banking sector. The Committee considered their potential impact on the projected profitability, liquidity and capital position of Peel Hunt, using forecast and stressed scenarios. We concluded that the likelihood of any such scenario threatening the viability of Peel Hunt was very low.

Like last year, we reviewed resources within the Finance team, in terms of numbers, skillsets and succession planning and were satisfied that they are appropriate for the Company, as a listed entity.

As part of our ongoing monitoring of future developments, we reviewed quarterly reports on significant financial reporting developments, including the Department for Business, Energy and Industrial Strategy's (BEIS) report on restoring trust in audit and corporate governance.

External audit

PwC were appointed as our external auditors in 2017. As a Committee, we assess the effectiveness and independence of the external auditors each year throughout the audit cycle. The Audit Committee is satisfied that PwC has conducted an effective audit for FY23. The Committee has recommended to the Board that PwC be reappointed as auditors at the 2023 AGM. PwC has agreed to offer itself for reappointment as auditors of the Group and a resolution requesting approval of this reappointment and to authorise the Directors to determine the remuneration for the external auditors

will be proposed at the AGM, scheduled for 6 July 2023. As a result of the mandatory rotation of audit partners after five years, a new lead partner at PwC was appointed in June 2022. The external auditors also reviewed Peel Hunt's compliance with FCA regulations for client assets. The Audit Committee was satisfied that no material areas of concern were identified. The Committee held a private meeting during the year with representatives from the external auditor, including the outgoing partner, to provide a forum for any concerns to be raised without the presence of management.

During the year, the Audit Committee also reviewed and recommended approval of:

- The engagement of PwC to perform non-audit services, including in relation to bank loan covenant reporting and the review process for the half-year financial statements
- Terms of engagement and fees for the external auditors for the upcoming financial year
- The appointment of PwC Denmark as external auditor for our Copenhagen office

Internal audit

Over the last two years, the Group has changed its operating model for internal audit, from one of an outsourced model to a co-sourced model, led by our internal Chief of Internal Audit. This has been working well, and has significantly improved the implementation of the 'three lines' model within the business.

A core focus for us during the year was to oversee the ongoing development of this operating model and further embedding of internal audit in the business.

During the year, our key actions in relation to internal audit were:

- Overseeing the development of the operating model to ensure that the function is operating effectively
- Transitioning to a new co-source internal audit provider
- Annual review of the internal audit charter and our compliance with it
- Reviewing the internal audit quality assessment and improvement plan, as well as assessing our compliance with the Institute of Internal Auditors' standards
- Overseeing the delivery of the internal audit plan, and timely implementation of any remedial actions required. The internal audit plan included audits of the front office business areas and supporting functions, as well as the implementation of regulatory requirements relating to operational resilience and the Investment Firms Prudential Regime
- Reviewing and approving the internal audit plan and budget for FY24
- Providing input to the Group Remuneration Committee on the alignment of remuneration and maintaining a robust internal control environment

Reports from our Board committees

Audit Committee report continued

Reviewing committee effectiveness

For FY23, the Audit Committee conducted an evaluation of its own performance which was tailored to its specific responsibilities as delegated by the Board. The results of the evaluation were reviewed by the Committee and an action plan developed to address any areas identified for enhancement in FY24.

Priorities for FY24

Looking ahead to FY24, aside from the areas we have highlighted in this report, we will also focus on:

- Understanding the FCA's new requirements around Consumer Duty and ensuring that we have effective control frameworks in place to support our compliance
- Ensuring that our cyber and IT controls are robust
- Assurance on the internal control framework and governance of new business areas for the business, including our new Copenhagen office
- Supporting the development of Peel Hunt's approach to ESG disclosures

Risk Committee report

FY23 has been about building on the foundations laid in the last two years. Significant regulatory change has continued to be a feature in the UK and elsewhere. We have continued to develop our risk framework and ensured that risk is a key consideration in strategic and operational matters.

Letter from the Chair

The challenging external environment, characterised by subdued market activity, has put Peel Hunt and much of the wider financial sector under considerable pressure this year. I am pleased with how Peel Hunt's risk management approach has proved resilient in the face of the challenging external environment and in particular how Peel Hunt's systems and processes have coped well with requirements. A good example was Peel Hunt's ability to adapt flexibly and speedily to fast changing requirements which came as a result of further Russian sanctions, which required prompt changes to screening and payment processes.

We are reaping the benefits of enhancing the skillset within the Risk team, and the increasingly proactive engagement and collaboration between employees across Peel Hunt on risk-related issues. We appointed David Curran as Chief Risk Officer last year and his leadership and expertise have contributed significantly to this positive momentum.

Given the current environment, we have kept a close eye on our prudential risk and exposures. In particular, we have closely monitored our market risk appetite to ensure we are prudently positioned while also enhancing the way we monitor liquidity risk in severe conditions. Ongoing collaboration between our trading, finance and risk management teams has been an essential part of this, ensuring strong discipline in our trading activities with robust oversight.



“I’m happy to see the work we’ve done on risk over the last couple of years coming to fruition.”

There's nothing quite like putting principles into practice, and we see increased levels of understanding and engagement in relation to the risk framework and processes. As we have worked to refine our strategy, alignment on the approach to risk and use of common language remain important considerations. My involvement as Chair of the Risk Committee is to ensure that risk plays an integral part in the discussions taking place between the Board and senior management, and I was pleased to see it being discussed and effectively factored into decisions.

Regulatory change is an ongoing backdrop to risk management and compliance. This year has been no exception and we have overseen the delivery of the regulatory change implementation agenda, including undertaking our first ICARA, publishing IFPR disclosures, and preparation for the introduction of Consumer Duty.

Risk Committee report continued

Committee report

Looking ahead, the establishment of our Copenhagen office increases the regulatory footprint of Peel Hunt, since we will now operate in the European Union as well as the US and UK. Otherwise, I expect more of the same: we'll remain focused on responding to a full regulatory agenda and will maintain our discipline and focus on the key operational, regulatory and financial risks which might affect Peel Hunt's ability to deliver our strategy. We'll also continue to engage in shaping a more dynamic environment in the UK for equity fundraising, increased retail access to share offerings and investment research. We are also watching with close interest how the various ESG and sustainability requirements will develop to ensure we are both prepared and can respond appropriately.

We can't predict every situation the external world may throw at us, but we can be prudent and vigilant so that we are ready to adapt. I remain confident that we have the right structures and channels of communication in place to monitor the risk environment, respond effectively and ensure that Peel Hunt is ready to meet challenges, requirements and expectations in the medium and longer term as we pursue our strategic agenda.

Richard Brearley

Risk Committee Chair
15 June 2023

Membership and meeting attendance

The Group Risk Committees (the Committee or Risk Committee) comprise entirely Non-Executive Directors. The Committee regularly invites the other Non-Executive Directors, the CEO, CFOO, General Counsel, Chief Risk Officer, the Head of Group Compliance and the Chief of Internal Audit to attend. Other senior managers from across the business also attend when required. The Committee meets at least four times a year at appropriate times and otherwise as required.

Director	Attendance
Richard Brearley	7/7
Maria Bentley	7/7
Liz Blythe	7/7
Lucinda Riches*	2/2

*Indicates that the individual ceased to be a member of the Committee during the year.

Roles and responsibilities

- Implementing and overseeing the Board-approved risk appetite
- Reviewing and recommending the risk management framework
- Reviewing and challenging risk management information
- Overseeing and advising on the embedding and maintenance of a positive risk management culture
- Advising the Board on risks relating to strategic decisions and transactions
- Considering the current and future macroeconomic, political and regulatory environment, and other potential emerging risks
- Overseeing the remit of the Risk Management and Compliance functions to ensure they are sufficiently empowered and adequately resourced to perform their role as second-line oversight

The Risk Committee's terms of reference can be found at [peelhunt.com](https://www.peelhunt.com).

Absorbing and anticipating regulatory change

As with many of the years since the financial crisis of 2007/08 we remain in a period of significant regulatory change, and therefore an important part of our work during the year was to oversee ongoing implementation and effective embedding of regulatory change initiatives. We continued to review the project started in FY22 to enhance our operational resilience. This work is substantially complete, and our focus has shifted to ensuring that the principles of operational resilience are well embedded in Peel Hunt's processes, culture and day-to-day practice. We supported further IFPR work, including on external disclosures and the completion of the documentation and review of the ICARA. Similarly, we regularly review

Peel Hunt's governance and oversight arrangements, specifically relating to effective allocation of management responsibilities to ensure they are in alignment with the Senior Managers and Certification Regime (SMCR).

During the year, the Risk and Compliance teams started a new initiative to address the requirements of the FCA's Consumer Duty. The Risk Committee received a briefing on these requirements, supported by advice from external advisers, and reviewed the proposed project plan including scope and key outputs, and recommended it for Board approval. As required, we appointed Richard Brearley as Board-level Consumer Duty champion to ensure that the Consumer Duty is being regularly discussed in a meaningful way.

Risk framework and reporting enhancements

We reviewed a number of key policies, including those related to conduct, operations, information security, data protection, financial promotions, conflicts, third-party management and fraud. We also reviewed risk assessments including those on anti-money laundering, internal software development, hybrid working, competition law and private client trading, with associated actions to improve risk management across the business. During the year we embarked on a project to review and enhance our risk framework and processes. This has comprised reviewing our suite of risk reports, risk taxonomy, risk and event tracking and risk responsibilities. These enhancements will continue, ensuring our framework promotes a sound understanding and ownership of risk and supports the strategic growth of the Group.

Key activities in FY23

- Overseeing ongoing and planned implementation of key regulation, including embedding IFPR and SMCR and implementing Consumer Duty
- Further development of our risk framework, including updates to the risk taxonomy, enhanced use of technology and developing modelling abilities
- Bringing a risk perspective to discussions on the refinement of Peel Hunt's strategy
- Overseeing the work to develop an appropriate risk and control environment for our new Copenhagen office
- Updating risk appetite
- Focus on market, liquidity, and credit/counterparty risk following SVB, Credit Suisse collapse and other banking failures
- Reviewing proposals on the development of RetailBook

Keeping risk in mind in strategic decisions

This year we ensured that all those involved in the refinement of Peel Hunt's strategic objectives actively considered risk as an integral part of discussions and not as a separate exercise. Our emerging and principal risks, set out on pages 70-73 of the strategic report, have been reviewed and updated in light of the refined strategic objectives, and we have put heightened focus on the following emerging risks: UK capital markets, people, regulation and financial market resilience.

Risk Committee report continued

Information security and cyber security are inherent risks for a client-facing technology-enabled business like Peel Hunt. Throughout the year we received regular reports on technology and cyber security matters from our CTO. These reports included internal operational updates on key projects and security testing to give us the confidence that our cyber security policies and practices remain appropriate and are operating effectively. We also received detailed briefings on external developments in cyber security to ensure that the Committee is up to date on the risk environment and trends.

We also reviewed and approved plans for the initial work required to set up the risk and control environment for our new Copenhagen office. With the expansion of Peel Hunt's footprint, we have for some time been tilting towards a Group-wide, rather than entity-to-entity approach to risk.

Considering risks in relation to remuneration

Another example of bringing a risk perspective into decision-making is the work on remuneration, where we were pleased to note increased collaboration between the Risk, Compliance and HR teams to ensure alignment between our remuneration and risk-adjustment processes.

Reviewing committee effectiveness

For FY23, the Risk Committee conducted an evaluation of its own performance which was tailored to its specific responsibilities as delegated by the Board. The results of the evaluation were reviewed by the Committee and an action plan developed to address any areas identified for enhancement in FY24.

Priorities for FY24

Risk is very much an active agenda, to ensure we keep pace with the strategic direction of Peel Hunt and demands of the external environment. Reflecting this, our priorities next year include:

- Further developing our risk framework with a focus on completing the shift towards a Group-wide approach, and improving risk appetite discussions, risk ownership and understanding
- Enhancing our modelling and forecasting capabilities in the management of financial risks
- Completing the risk and control environment for our Copenhagen office
- Reviewing our data security controls
- Monitoring regulatory developments
- Considering how reputational risk may evolve over time as a result of changing expectations in relation to environmental, social and governance (ESG) issues

Environmental, Social and Governance Committee report

This year has been one of progress and marked by important developments in our approach to sustainability. This approach is how we effectively engage in environmental, social and governance (ESG) issues. We defined our four focus areas, set targets for diversity and carbon reduction, and continued to develop our governance structures to ensure that we deliver.

Letter from the Chair

The Committee was set up in early FY22 to bring a more structured approach to the activities that Peel Hunt was engaged in under the banner of sustainability, and to consider any other ESG priorities on which we should focus our attention. Eighteen months on, I'm happy to report that we are well under way.

We said in last year's report that a key priority for FY23 would be to develop our priorities and an effective framework for delivery. This is exactly what we've done. Most of the Committee's time this year has been devoted to supporting and overseeing the development of the materiality assessment through which we established four focus areas and set initial targets in two of those areas, namely carbon reduction and diversity.

While we took on board many inputs to determine our focus areas, I would emphasise the importance of Peel Hunt's people as a key stakeholder group – successful implementation depends on our employees' understanding and engagement. So what our people think is really important and we honed in on the areas which really matter to them. I know they will also hold us to account and make sure we deliver.

The starting point was to focus on our direct impact – it is essential that we have strong foundations in place for measuring progress internally before tackling the broader issues of our indirect impact and influence, which by their nature are harder to manage and measure. Nonetheless, we are acutely aware of their importance and, as a Committee, we have started to explore how we might develop our approach in this area.

“While we are still at a relatively early stage in our sustainability journey, we have made good progress and I am comfortable that we now have the right structures in place to concentrate efforts on our four focus areas.”

From a governance perspective, a key part of our work was to set up the management-level ESG Working Group, so that we now have the structures to link the Board-level agenda with implementation across Peel Hunt. The Working Group is supporting the good work which has been done over many years by the Diversity, Equity and Inclusion Forum and the Sustainability Forum, as discussed in the strategic report on page 55.

It's been right to concentrate on structure and identifying our focus areas this year. Culture is also vital, and I've been pleased to see how often ESG considerations naturally arise as part of the decision-making process. To take a couple of examples, sustainability issues were an integral part of our thinking during the refinement of the strategy. They are being woven into the ongoing work on remuneration, objective setting and are actively considered in the context of risk.

With the foundations laid, I am pleased that we are now putting our sustainability approach into practice within a more structured framework and, along with my colleagues on the ESG Committee, I look forward to seeing further progress.

Richard Brearley
ESG Committee Chair
15 June 2023

Committee report

Our four focus areas

- Diversity, equity and inclusion
- Carbon reduction
- Governance and integrity
- Building our ESG capabilities and products

Our targets

- Women will represent at least 40% of all employees by 2035
- We will become carbon neutral by 2025 and reach net zero by 2040

Membership and meeting attendance

The Group ESG Committees (the Committee or ESG Committee) comprise Executive and Non-Executive Directors, and regularly invites the HR Director, members of the management-level ESG Working Group and the Chairs of our Sustainability Forum (formerly the Communities and Sustainability Forum) and Diversity, Equity and Inclusion (DEI) Forum. The Committee meets at least four times a year and otherwise as required.

Director	Attendance
Richard Brearley	4/4
Maria Bentley	4/4
Sunil Dhall	4/4
Steven Fine	4/4
Simon Hayes*	1/1

*Indicates that the individual ceased to be a member of the Committee during the year.

Roles and responsibilities

The primary purpose of the Committee is to ensure that Peel Hunt has:

- The right overall approach to sustainability commitments and targets
- Appropriate policies to meet its sustainability priorities and legal and regulatory requirements
- Effective reporting in relation to the implementation of the policies
- Sustainability objectives relevant for our business
- Timelines to meet such objectives, which can, where appropriate, be reported on internally and externally

The ESG Committee's terms of reference can be found at [peelhunt.com](https://www.peelhunt.com).

Enhancing our governance framework for sustainability issues

The Committee was set up in early FY22 to provide oversight and set the agenda at Board level. An early piece of work was to develop the sustainability framework further, to ensure that we have the right structures in place to put our agenda into practice. We have now set up a management-level ESG Working Group so that clear accountability is designed into the heart of business operations. The Committee and ESG Working Group will work closely together to ensure alignment of priorities with the Board-level ESG agenda, the setting of appropriate objectives and an effective flow of information in both directions to enable us to track progress.

Honing in on our priorities

Doing the right thing is one of our long-standing values at Peel Hunt, firmly embedded in our culture and underlying our purpose. As we move towards a structured approach to sustainability, we must translate that value into achievable plans, which make a real difference. We took the first steps towards this by conducting a materiality assessment, based on which we have chosen four priority areas:

- Diversity, equity and inclusion
- Carbon reduction
- Governance and integrity
- Building our ESG capabilities and products

For more information about the materiality assessment, including how we gathered input from key stakeholders, see page 52 of the strategic report.

Key activities in FY23

- Set up of the management-level ESG Working Group
- Undertook a comprehensive materiality assessment, including input from employees and other key stakeholders
- Significant progress in the identification and development of our four focus areas and the framework for their delivery
- Launch of business-wide gender diversity target and two carbon reduction targets
- First steps towards setting sustainability objectives for individuals

Setting our first targets for gender diversity and carbon reduction

Having established our four focus areas, the next step is to establish appropriate targets. This year after careful deliberation we have set targets in the first two. Diversity in the broadest sense has long been important in Peel Hunt and last year the Committee identified improvements in diversity as a key area for follow-up in FY23. After reviewing the materiality assessment, the Committee recommended for approval a gender diversity target: that women will represent at least 40% of all employees by 2035. In selecting this target we have chosen to include all our people, not just senior management. We will assess progress against this target by assessing our retention rate, hiring and succession plans and the existing gender balance within the business.

We also recommended two key targets aimed at reducing our carbon footprint: that we will become carbon neutral by 2025 and reach net zero by 2040.

In choosing these targets we assessed our existing carbon footprint and our current and future business activities. We have also considered governmental targets and the long-term future carbon reduction actions being taken in sectors such as transport.

As a Committee, we'll be monitoring management's progress towards these targets, including by supporting the ESG Working Group to develop robust plans and progress reports. For more information on the carbon reduction targets, plan and progress in FY23, see pages 62-64 of the strategic report.

Aligning performance with the sustainability agenda

We recognise the importance of objective-setting in establishing clear accountability for sustainability matters at all levels of the organisation. Our collective ability to meet our targets depends on the cumulative actions of many individuals. Setting individual objectives requires care to ensure that they are effective in making progress towards our sustainability targets and aligned with our strategy. It is also vital that individuals have a sense of ownership and empowerment, so that it is fair to hold them accountable for achieving their objectives.

There is still work required to establish specific objectives under our sustainability targets which can be translated into individuals' objectives throughout the business. However,

we have made a start, by incorporating sustainability objectives into the annual objectives set for the CEO and CFOO in FY24. We have also decided to set an objective relating to gender diversity in the context of talent acquisition for all line managers in FY24. The Remuneration Committee is considering how achieving our sustainability targets can be woven into our remuneration practices, including incentives.

Annual effectiveness review

For FY23, the ESG Committee conducted an evaluation of its own performance which was tailored to its specific responsibilities as delegated by the Board. The results of the evaluation were reviewed by the Committee and an action plan developed to address any areas identified for enhancement in FY24.

Priorities for FY24

In FY24 we will:

- Monitor progress towards our gender diversity and carbon reduction targets
- Continue work on establishing further objectives and incentives relating to sustainability matters
- Identify areas for improvement, including around data and reporting on our ongoing projects and new targets
- Develop our understanding and plans in relation to our indirect impacts, particularly through our influence with clients and suppliers

Remuneration Committee report

Letter from the Chair

The overriding objective of the Committee this year has been to balance financial prudence, given the tough market conditions, and fairness to our people to acknowledge the rising cost of living.

As an AIM-quoted company incorporated in Guernsey, Peel Hunt is not subject to the remuneration reporting regulations of Main Market UK companies, and therefore provides this Remuneration Committee report on a voluntary basis.

FY23 performance and variable compensation outcome

During the year, the business has made good progress on the strategic objectives which will underpin longer-term success. However, the difficult economic and trading environment has led to a loss for the Group in FY23. As a result, the Committee did not award any discretionary variable compensation in respect of FY23 to the Executive Directors.

Fixed compensation considerations

All our people contribute towards the longer-term success of the business. Therefore, when making decisions in respect of the Executive Directors, the Committee considers the reward arrangements for the wider workforce.

For the wider team, the Committee balanced salary increases with the need to maintain cost discipline. As a general principle, any such salary increases were targeted to our lower paid employees, to help support those disproportionately impacted by the rising cost of living. Executive Directors did not receive a salary increase and Non-Executive Directors did not receive a fee increase in respect of FY24.

We strongly believe in an equity philosophy for our people. We grant share awards to employees on a discretionary basis, to support retention, incentivise strong performance and promote share ownership and effective stewardship of the business.



“We aim to structure remuneration to support the long-term success of the business, to incentivise strong performance and promote share ownership.”

Application of Policy for FY24

An overview of the intended application of the Remuneration Policy for Executive Directors for FY24 is set out on page 113. In particular:

- There will be no salary increases for the Executive Directors for FY24
- The Executive Directors will be eligible to participate in the FY24 discretionary bonus pool
- After careful reflection of the Group's FY23 profit performance and in order to prudently manage future expenditure, no long-term performance share awards have been granted to Executive Directors during FY24. The Executive Directors may be granted long-term performance share awards during FY25 taking into account FY24 performance and affordability. This will be considered by the Committee at the start of FY25

Fit for the future

The Committee believes that the remuneration framework is well structured to promote Peel Hunt's long-term success and incorporates good governance to support better business practices. We will continue to provide clear and transparent reporting on executive remuneration, taking into account good governance practices for larger AIM-listed companies. I very much look forward to continuing to work closely with the Committee, the Board and executive management to implement our remuneration plans to support the evolving business.

Maria Bentley

Remuneration Committee Chair
15 June 2023

Membership and meeting attendance

The Group Remuneration Committees (the Committee or Remuneration Committee) comprises entirely Non-Executive Directors. The Committee regularly invites HR and Deloitte (in their capacity as remuneration advisor to Peel Hunt) to attend meetings. The Committee meets at least four times a year, and more frequently, if necessary.

Director	Attendance
Maria Bentley	8/8
Liz Blythe	8/8
Richard Brearley	7/8
Lucinda Riches*	3/3

*Indicates that the individual ceased to be a member of the Committee during the year.

Roles and responsibilities

The Remuneration Committee is responsible for the remuneration strategy for the Group and the remuneration policy for Directors, ensuring alignment to our purpose and business objectives, values, risk appetite, regulatory compliance and our long-term, sustainable success, recognising the interests of all relevant stakeholders. An overview of our governance and where the Committee sits within that framework, can found on page 88.

Summary of Remuneration Policy and its implementation for FY24

Set out below is a summary of the key elements of the Remuneration Policy for Executive Directors and how the Policy is intended to be implemented in FY24. The full Remuneration Policy for Directors is available in our FY22 Remuneration Committee report.

Component	Key features	Implementation for FY24
Base salary To recruit, retain and motivate high calibre executives	Usually reviewed annually taking into account factors including: <ul style="list-style-type: none"> Individual's role, experience and capabilities competitive salary levels and market forces pay and conditions elsewhere in the Group 	No salary increases have been awarded to the Executive Directors in respect of FY24. CEO: £450,000 CFOO: £300,000
Benefits To provide market competitive benefits as part of the total remuneration package	Benefits include private medical cover, group income protection, critical illness, death in service, walk-in GP service. This is aligned with benefits provision for the wider workforce. In certain circumstances, the Remuneration Committee may approve one-off or ongoing allowances/benefits, relating to the relocation of an Executive Director to perform their role.	In line with benefits provided in FY23.

Remuneration Committee report continued

Committee report

Component	Key features	Implementation for FY24
<p>Pension</p> <p>To provide an appropriate level of retirement benefit</p>	<p>Participation in Peel Hunt's defined contribution pension scheme or cash payments in lieu of contributions.</p> <p>Executive Directors are entitled to a pension allowance equal to 10% of salary, up to a maximum of £10,000 in pension contributions or £8,750 in cash per annum. This is aligned with the level available to employees throughout Peel Hunt.</p>	<p>Executive Directors will receive a cash payment in lieu of pension contributions equal to £8,750.</p>
<p>Annual bonus</p> <p>Incentive linked to the achievement of financial performance and strategic goals for the current year</p>	<p>Executive Directors are eligible to participate in a discretionary Group bonus pool.</p> <p>When determining the bonus pool, the Remuneration Committee considers the Group's overall compensation ratio, to ensure it meets agreed parameters and market practice.</p> <p>In line with the IFPR requirements, the Remuneration Committee has determined a maximum fixed to variable remuneration ratio for the Executive Directors. When determining individual bonus allocation, the Remuneration Committee will consider the balance of fixed and variable remuneration and ensures it complies with this ratio.</p> <p>Annual bonus awards are delivered in cash and deferred shares, taking into account IFPR requirements:</p> <ul style="list-style-type: none"> • A minimum of 40% of the amount earned is paid as cash following the end of the performance year • The remainder of the amount earned is deferred into share awards, which vest in equal tranches for up to three years (subject to continued employment). A six-month holding period applies to vested awards following the end of the deferral period. 	<p>The Executive Directors will be eligible to participate in the FY24 discretionary bonus pool.</p>
<p>Long-term incentive plan</p> <p>To incentivise Executive Directors to deliver long-term sustainable performance and provide direct alignment with shareholder interests</p>	<p>Executive Directors are eligible to receive performance share awards at the discretion of the Remuneration Committee.</p> <p>Maximum opportunity of up to 300% of salary for the CEO and 175% of salary for the CFOO may be awarded in respect of any financial year.</p> <p>Awards are subject to performance measures and continued employment over a three-year period.</p> <p>A six-month holding period applies to vested awards following the end of the performance period.</p> <p>The Remuneration Committee may reduce the vesting outcome if it considers that performance underpins based on conduct, risk management, ESG and capital base have not been achieved.</p>	<p>After careful reflection of the Group's FY23 profit performance and in order to maintain ongoing prudent management of future expenditure, no long-term performance share awards will be granted to Executive Directors during FY24.</p>
<p>Shareholding requirement</p> <p>To further align the Executive Directors' long-term interests with shareholders</p>	<p>Executive Directors are required to build up and maintain a shareholding in the Company equivalent to 200% of annual salary, normally within five years of appointment.</p>	<p>As at 31 March 2023, both Executive Directors have exceeded the shareholding requirement. The interests of the Executive Directors are provided on page 120.</p>

Annual report on remuneration

Executive Director remuneration for the year

The following table sets out the elements of remuneration received by each Executive Directors in respect of FY23, and total remuneration received by each Executive Directors in respect of FY22 and FY23.

	Salary £000	Benefits £000	Pension £000	Annual bonus £000	Total remuneration (FY23) £000	Total remuneration (FY22) £000
Steven Fine	450	4	9	–	463	1,335
Sunil Dhall	300	4	9	–	313	697

Additional information

Base salary

The base salaries for Executive Directors were reviewed at the time of IPO and set at an appropriate level, taking into account the size of the Group, their experience and the Company's listed status. Base salaries for Executive Directors since IPO have remained at £450,000 and £300,000 for the CEO and CFOO respectively.

FY23 annual bonus awards

Executive Directors are eligible to participate in a Group discretionary bonus pool. There has been no payout under the discretionary bonus pool in respect of FY23 for Executive Directors.

Long-term incentive awards

No long-term incentive awards were granted to Executive Directors during FY23.

Non-Executive Director remuneration in respect of FY23

The following table sets out the elements of remuneration received by each Non-Executive Directors in respect of FY23, and total remuneration received by each Non-Executive Director in respect of FY22 and FY23.

	Fees £000	Total remuneration (FY23) £000	Total remuneration (FY22) £000
Simon Hayes¹	27	27	102
Lucinda Riches²	155	155	78
Liz Blythe³	74	74	96
Richard Brearley	80	80	94
Maria Bentley⁴	66	66	–
Darren Carter⁵	60	60	30

1 Simon Hayes stepped down as a Director and Chair of the Board on 7 July 2022.

2 Lucinda Riches was appointed Chair of the Board on 7 July 2022.

3 Liz Blythe stepped down as Chair of the Remuneration Committee on 19 August 2022. She remains Chair of the Audit Committee.

4 Maria Bentley was appointed as an Independent Non-Executive Director on 4 April 2022 and was appointed Chair of the Remuneration Committee on 19 August 2022.

5 Darren Carter did not receive a fee prior to the admission date, and has received a fee for his services since this date.

Fee levels for Non-Executive Directors were reviewed at the time of IPO and no increases have since been awarded.

	£000
Non-Executive Chair	175
Senior Independent Director	10
Non-Executive Director basic fee	60
Fee for chairing the Audit, ESG, Remuneration and Risk Committees	10

Reports from our Board committees

Directors' share interests

The interests of our executive and Non-Executive Directors, and their connected persons in the Company's ordinary shares as at 31 March 2023, were:

	Shares held
Executive Directors	
Steven Fine	5,577,351
Sunil Dhall	2,243,362
Non-Executive Directors	
Simon Hayes	2,266,490
Liz Blythe	4,385
Richard Brearley ¹	30,000
Darren Carter	10,189,585
Lucinda Riches	21,929
Maria Bentley	21,104

1 Held by Richard Brearley's spouse.

As at 8 May 2023, the Company has not been advised of any changes to the interests of the Directors and their connected persons in the table above.

Payments made to former directors and payments for loss of office during FY23

There were no payments made to former directors and no payments made for loss of office during FY23.

Committee effectiveness

For FY23, the Remuneration Committee conducted an evaluation of its own performance which was tailored to its specific responsibilities as delegated by the Board. The results of the evaluation were reviewed by the Committee and an action plan developed to address any areas identified for enhancement in FY24.

Approval

This Report was approved by the Board and signed on its behalf by:

Maria Bentley

Remuneration Committee Chair

15 June 2023

Directors' report

The Directors present their report on the affairs of the Group. They also present the Company's financial statements and the audited consolidated financial statements of the Group, and the associated independent auditor's report, for the year ended 31 March 2023.

Our corporate governance statement

The Company's securities are admitted to trading on AIM. The Company is incorporated and registered in Guernsey, but domiciled in the UK. The Board has adopted the QCA Code as its recognised code of corporate governance. Further information on how we are governed can be found from page 88. The principal activities of the Company and the other members of the Group can be found on pages 12-13 of the strategic report. Where disclosures that would ordinarily form part of the Directors' report have been made elsewhere in this Annual Report, we have included signposts to where that information can be found.

Our Directors

Name	Role	Appointment date
Lucinda Riches	Chair	3 September 2021
Steven Fine	CEO	12 December 2018
Sunil Dhall	CFOO	12 December 2018
Maria Bentley	Independent Non-Executive Director	4 April 2022
Liz Blythe	Independent Non-Executive Director	3 September 2021
Richard Brearley	Independent Non-Executive Director	3 September 2021
Darren Carter	Non-Executive Director	12 December 2018
Simon Hayes	Chair (resigned on 7 July 2022)	12 December 2018

Parent company

The Company acts as a holding company. Details of its subsidiaries are shown in Note 27 to the consolidated financial statements. The financial statements for the Group and the Company have been prepared according to International Accounting Standards complying with The Companies (Guernsey) Law, 2008.

Dividends

Taking into account the financial results for FY23, the Board is not proposing a dividend for the year.

Going concern

The Directors have a reasonable expectation that the Company and the Group will have adequate resources to continue to operate for the foreseeable future. They have therefore adopted the going concern basis to prepare the financial statements presented in this Annual Report. The full process undertaken by the Directors in the going concern assessment is outlined in Note 2.5 of the consolidated financial statements.

Post balance sheet events

You can find details of any post balance sheet events in Note 31 to the consolidated financial statements.

Director's report continued

Engaging with shareholders

After announcing the Group's preliminary and half-year results, the CEO and CFOO have meetings with shareholders and analysts to talk about our strategy and results. Shareholders can also attend the AGM, at which all the Directors are available to answer questions. Our [website](#) provides electronic versions of the latest Annual Report and Accounts and our half-year results, along with share price and other relevant information. You can find this information at peelhunt.com.

Employment practices

Our employment practices are based on a commitment to provide equal opportunity, from the selection and recruitment process through to training, development, appraisal and promotion.

We provide our people with information about things that matter to them.

This includes:

- Regular videos from our CEO on what is happening around the business
- Quarterly Company updates that include a refresher on key Risk and Compliance policies
- 'Lunch & Learn' sessions – voluntary training sessions delivered by internal and external speakers that are designed to educate our people on the work of some of our business areas or to provide an overview of issues that are topical to our business

We also have well-established intranet pages that are full of information and resources, including an overview of each of our business areas, our employment and Risk and Compliance policies, and information on Company events. We encourage involvement by our people so that we can consider their views when making decisions likely to affect their interests. We launched a suggestion box in 2022 for our people to continually improve our culture and working environment. This has had good uptake in the business and, to date, a number of suggestions have been implemented.

Peel Hunt is accredited as a Disability Confident Employer by the Department for Work and Pensions. We are committed to changing behaviour and cultures around disability for the better, providing reasonable adjustments and interviewing disabled candidates who fit the minimum role criteria. We make appropriate arrangements for any disabled candidates at assessment stage, and for the continued employment, training and career development of disabled persons employed by the 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.

We have implemented share plans for our people. We have an established employee benefit trust, the Peel Hunt Share Trust (EBT). The EBT is a discretionary trust for the benefit of employees. It buys Peel Hunt shares that will be used to satisfy awards under the Group's share plans. More details of the Group's share plans can be found in the Remuneration Committee report on page 112.

Engaging with employees

You can find more information about how the Directors engage with our people in the strategic report from page 56 and in the governance report from page 92.

Change of control

When there is a change in control, Directors' and employees' employment contracts do not normally provide compensation for loss of office or employment. The Company's share plans, however, may allow for options and awards granted to our people to vest when there is a change of control.

Political and charitable donations

During the year, the Group made no political donations. Charitable donations for FY23 totalled £50,345, split between 15 recipients. (FY22: £50,000 donated to Disasters Emergency Committee to support the humanitarian relief effort in Ukraine.)

Engaging with suppliers and customers

You can find information about how our Directors have fostered relationships with our suppliers and customers in the governance report on page 93.

Energy and carbon emissions

You can find information about disclosures from page 62 in the strategic report.

Indemnities and insurance

We maintain Directors' and officers' liability insurance for all Directors and officers of the Group, which gives appropriate cover for legal proceedings brought against them.

As far as the law allows, and according to the Company's Articles of Association, we indemnify our Directors for any loss, liability or expense they incur in relation to the Company or its associated companies. The indemnity was in force during the year and up to the date we approved the financial statements.

Share capital and share premium

The Company has one class of shares in issue: ordinary shares of no-par value. The total number of shares in issue is 122,807,085, with each ordinary share carrying the right to one vote. The total number of voting rights in the Company is 122,807,085 ordinary shares of no-par value each.

You can find more information about the Company's share capital in Note 22 to the consolidated financial statements.

Financial instruments

You can find details of our financial risk management objectives and policies, and risk exposures, from page 154 in the financial statements.

Directors' conflicts of interest

We have procedures in place for managing conflicts of interest. Should a Director become aware that they, or a party connected to them, has an interest in an existing or proposed transaction with the Company or may find themselves in a situation which may conflict with the interests of the Company, they are required to notify the Board.

Internal controls are in place to make sure that any related-party transactions involving Directors, or a party connected to them, are conducted at arm's length. Directors have a continuing duty to keep the Company up-to-date as regards conflicts of interest relating to them and those connected to them.

Directors and their interests

In the table on page 120, you can find a list of the Directors' interests as at 31 March 2023 in the Company's ordinary shares of no-par value. There have been no changes in the serving Directors' interests in ordinary shares, or options over ordinary shares, from 31 March 2023 to 8 June 2023.

Substantial shareholders

In line with the FCA's Disclosure and Transparency Report DTR5, any relevant shareholding information that major shareholders give us is published through a regulatory information service provider and made available at [peelhunt.com](https://www.peelhunt.com).

We have received the information shown in the table on page 120 from holders of notifiable interests in the Company's issued share capital. This is in line with DTR5 and is up to date as at 31 March 2023. The lowest threshold is 3% of the Company's voting rights. Holders are not required to let us know of any change until this, or the next applicable threshold, is reached or crossed.

The Company has not been notified of any change to its substantial shareholders from 31 March 2023 to 8 May 2023.

Purchase of shares

The EBT is funded by the Group and has the power to acquire ordinary shares from the Group or in the open market to meet the Group's future obligations under these plans.

Directors' report

The EBT is a discretionary trust for the benefit of employees. In last year's Annual Report the Company announced a recommendation (the Recommendation) to the independent trustee of the EBT, to acquire up to 3% of the issued share capital of the Company over a 12-month period to satisfy share awards to employees. During the year ended 31 March 2023 the EBT purchased an aggregate of 3,349,797 ordinary shares with no par value of the Company. The number of shares purchased, representing 2.7% of the Company's issued share capital as at 31 March 2023, was for an aggregate consideration of £3,311,505.

In respect of the forthcoming 12-month period, the Company has refreshed the Recommendation to allow for purchases of up to 3% of the issued share capital of the Company to continue. This amount may be revised upwards or downwards at the Board's discretion; however, any material revision will be announced by the Company or otherwise disclosed in the Company's Annual Report. The Company may give the Recommendation in a manner which will allow the EBT to make purchases through closed periods.



Sunil Dhall

Chief Financial and Operating Officer
15 June 2023

Directors and their interests

Name	31 March 2023 ordinary shares	31 March 2022 ordinary shares
Lucinda Riches	21,929	21,929
Simon Hayes	2,266,490	2,266,490
Steven Fine	5,577,351	5,477,351
Sunil Dhall	2,243,362	2,143,362
Darren Carter	10,189,585	10,189,585
Maria Bentley	21,104	–
Liz Blythe	4,385	4,385
Richard Brearley	30,000 ¹	20,000 ¹

1. Held by Richard Brearley's spouse.

Substantial shareholders as of 31 March 2023

Name	Registered holding of ordinary shares	% of total issued share capital
Darren Carter	10,189,585	8.3
Gresham House Asset Management	8,093,809	6.6
Steven Fine	5,577,351	4.5
Peel Hunt Share Trust	5,528,728	4.5
Unicorn Asset Management	4,368,860	3.6
Iain Morgan	4,206,689	3.4
Canaccord Genuity Wealth (International) Limited	4,098,877	3.3
Schroder Investment Management	3,947,368	3.2

Peel Hunt Limited

Ground Floor, Dorey Court,
Admiral Park, St Peter Port,
Guernsey GY1 2HT

Statement of Directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the financial statements in accordance with applicable Guernsey law and United Kingdom Accounting Standards.

The Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the Directors are responsible for:

- Selecting suitable accounting policies and then applying them consistently
- Stating whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- Making judgements and accounting estimates that are reasonable and prudent
- Preparing the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for ensuring that the financial statements comply with The Companies (Guernsey) Law, 2008 safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. So far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company.

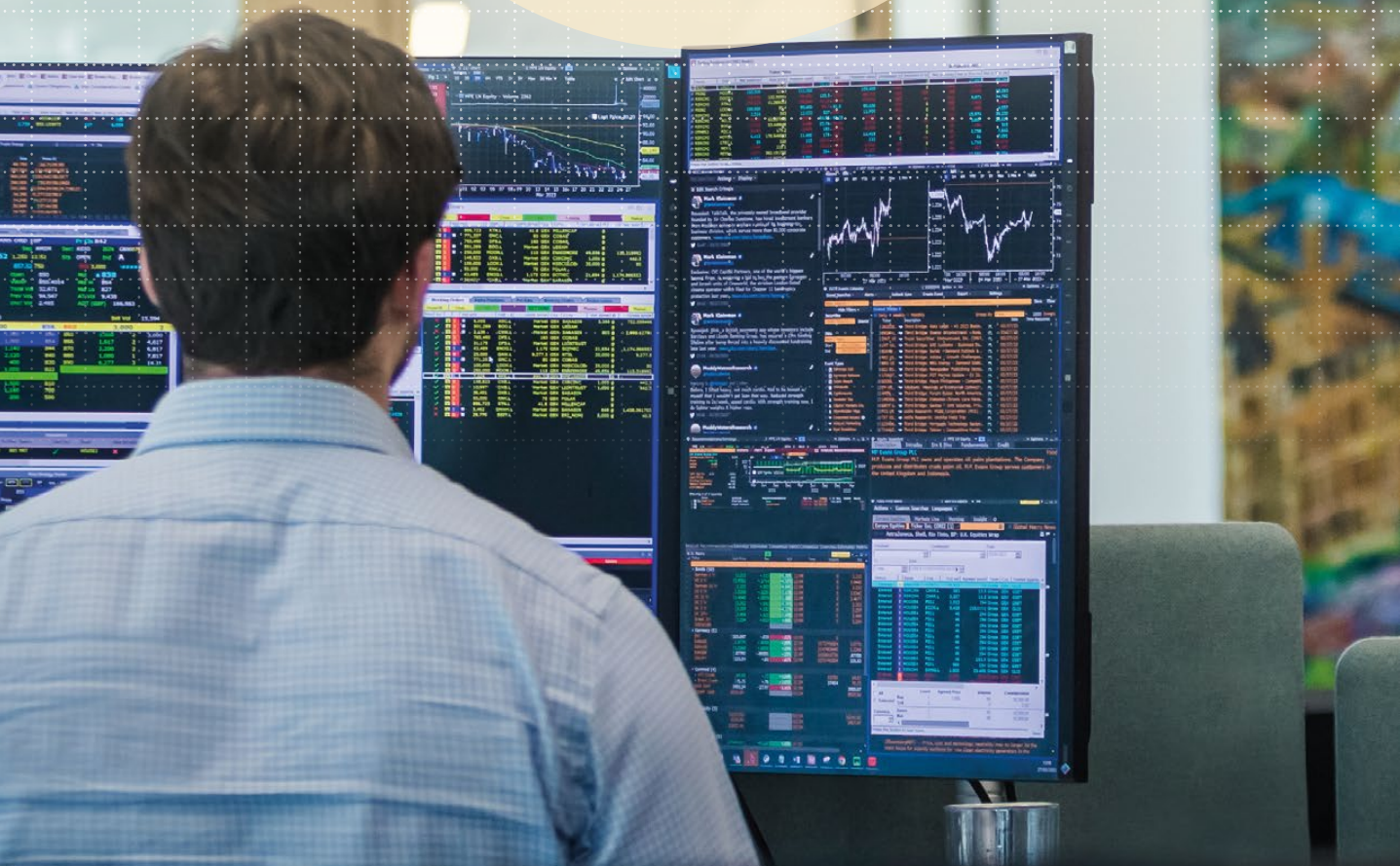
For and on behalf of the Board



Sunil Dhall
Chief Financial and Operating Officer
15 June 2023

“
We’ve focused on
maintaining business
resilience and strong
liquidity management,
whilst delivering on our
strategic priorities.”

Sunil Dhall Chief Financial and Operating Officer



FINANCIAL STATEMENTS

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Independent auditors' report to the members of Peel Hunt Limited

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 March 2023 and of the Group's loss and the Group's and Company's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards; and
- have been prepared in accordance with the requirements of The Companies (Guernsey) Law, 2008.

We have audited the financial statements, included within the Annual Report, which comprise: 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 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, as applicable to other listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in Note 4, we have provided no non-audit services to the Company or its controlled undertakings in the period under audit.

Our audit approach

Overview

Audit scope

- The Group is comprised of eight entities, of which only two are operating entities; Peel Hunt LLP and Peel Hunt Inc. Our Group scoping was driven by legal entity contributions to revenue. We performed a full scope audit of Peel Hunt LLP and have tested specific FSLIs for the Company and Peel Hunt Inc., which taken together, accounted for 99.9% of the Group's total revenue and 98.9% of the Group's total assets.
- The scope of the audit and the nature, timing and extent of audit procedures were determined by our risk assessment, the financial significance of financial statement line items and qualitative factors (including history of misstatement through fraud or error). In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Key audit matters

- Timing of revenue recognition in relation to Corporate Fees (Group).
- Carrying value of the Company's investment in subsidiary (Company).

Materiality

- Overall Group materiality: £1,589,540 (2022: £2,043,600) based on 3% (2022: 5%) of the average consolidated loss/profit before tax for the previous three years (including 2023).
- Overall Company materiality: £3,018,270 (2022: £3,049,280) based on 1% of total assets.
- Performance materiality: £1,192,155 (2022: £1,532,700) (Group) and £2,263,703 (2022: £2,286,960) (Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

The key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
<p>Timing of revenue recognition in relation to Corporate Fees (Group)</p> <p><i>Refer to 2.9 of the Significant Accounting Policies disclosed in Note 2 to the financial statements</i></p> <p>We focus our testing on areas where management judgement is required, specifically the risk of corporate fees being recognised in an inappropriate period either fraudulently to distort reported results, or in error.</p> <p>Corporate fees will only be recognisable once all the relevant elements of the performance obligation contained within the contractual agreement have been fulfilled (there may be abort fees or other compensation payable to the Group in the event of a transaction not occurring), and these can vary from deal to deal.</p> <p>We therefore concluded that it was appropriate to focus our work on the cut-off of revenue recognition on these fees.</p>	<ul style="list-style-type: none">• We understood and evaluated the design and implementation of controls in place over revenue recognition for corporate fees;• We inspected a sample of 56 contracts representing 89% of the total Corporate Fees revenue as at 31 March 2023. In addition, we have tested a sample of three contracts post year-end, representing 96% of the total Corporate Finance Fees revenue as at 30 April 2023, to determine the performance obligation, and tested whether fees arising or recorded either side of the balance sheet date were properly recognised in the appropriate period with reference to publicly available information, or other supporting evidence;• We evaluated and tested management's assessment of recoverability of overdue corporate fee receivables, for evidence regarding potential disagreements on recognition timing, where material; and• We identified and tested journal entries which impacted revenue and met specific fraud criteria of accounting combinations and back-dated items. <p>Based on the tests performed, we found no exceptions, or evidence of management bias, related to the cut-off of revenue recognition in relation to corporate fees.</p>

Independent auditors' report to the members of Peel Hunt Limited

Key audit matter	How our audit addressed the key audit matter
<p>Carrying value of the Company's investment in subsidiary (Company)</p> <p><i>Refer to 2.7 of the Significant Accounting Policies disclosed in Note 2 and Note 27 (investments in subsidiaries) of the financial statements</i></p> <p>The Company has an investment in Peel Hunt Partnership Group Limited with a carrying value of £260.9m. Since the market value of Peel Hunt Limited as of 31 March 2023 was lower than the carrying value, management prepared an impairment assessment and estimated the recoverable amount using a value-in-use model.</p> <p>This assessment involves judgement, in respect of significant assumptions, being the determination of expected cash flows over the forecast period, the long-term growth rate assumed thereafter, and the discount rate used for discounting purposes.</p> <p>We therefore concluded that it was appropriate to focus our work on the key assumptions, and whether they were reasonable and supportable based on the evidence provided.</p>	<ul style="list-style-type: none">• We understood and evaluated the design and implementation of key controls over the impairment assessment;• We evaluated the methodology used by management against the requirements of the financial reporting framework, and tested the mathematical accuracy of the model;• We agreed the forecast financial information to business plans and forecasts approved by the Board;• We understood the key drivers behind management's revenue and cost projections and assessed them in light of our understanding of the Peel Hunt business;• We assessed the reasonableness of the forecasts by performing a look-back analysis of prior period projections and comparing historic trends actually achieved to the projected amounts for key assumptions. Where the projections differed significantly from historic experience we challenged management on whether the assumptions were reasonable and supportable and obtained corroborating evidence to assess the assumptions. We considered how the revenue forecasts reflected different economic conditions, comparing forecast revenue growth to that achieved in previous cycles;• We engaged internal valuation experts to support the audit team's challenge of the approach and discount rate assumptions adopted; and• We assessed the reasonableness of the long-term growth rate against long-term industry growth expectations. <p>Based on the procedures performed, and the evidence obtained, we considered the directors' conclusion that the carrying value of the investment in subsidiary is not impaired to be reasonable.</p> <p>We evaluated the appropriateness of the related disclosures in Note 2 to the financial statements and Note 27 (investments in subsidiaries) and considered these to be reasonable.</p>

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

The scope of the audit and the nature, timing and extent of audit procedures were determined by our risk assessment, the financial significance of financial statement line items and qualitative factors (including history of misstatement through fraud or error).

The Group operates in the UK and the US, with the UK being the most significant territory. The Group is composed of two operating entities, Peel Hunt LLP and Peel Hunt Inc., which are subsidiaries of the Company. We consider Peel Hunt LLP as the only significant component due to its contribution to revenue and the consolidated loss before tax. We performed a full scope audit of Peel Hunt LLP and tested specific FSLIs for the Company and Peel Hunt Inc. This approach gave us a coverage of 99% of total assets and revenue in the Group financial statements.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the Group's and Company's financial statements, and we remained alert when performing our audit procedures for any indicators of the impact of climate risk. Our procedures did not identify any material impact as a result of climate risk on the Group's and Company's financial statements.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements – Group	Financial statements – Company
Overall materiality	£1,589,540 (2022: £2,043,600).	£3,018,270 (2022: £3,049,280).
How we determined it	3% (2022: 5%) of the average consolidated loss/profit before tax for the previous three years (including 2023).	1% of total assets.
Rationale for benchmark applied	We determined materiality by applying 3% to the average consolidated profit/loss before tax for the previous three years (including 2023). Based on the benchmarks used in the Annual Report, loss/profit before tax is the primary measure used by the shareholders in assessing the performance of the Group, and is a generally accepted auditing benchmark. Given the volatility in the performance of the Group, we consider it appropriate to take an average of the results of the preceding three years.	Total assets is an appropriate benchmark as the primary purpose of the entity is to act as a holding Company.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The materiality used in auditing Peel Hunt LLP for Group reporting purposes was £1,510,063 and we used £1,215,998 when auditing the material items within the Company and Peel Hunt Inc. financial information. We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2022: 75%) of overall materiality, amounting to £1,192,155 (2022: £1,532,700) for the Group financial statements and £2,263,703 (2022: £2,286,960) for the Company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £79,000 (Group audit) (2022: £102,000) and £151,000 (Company audit) (2022: £152,000) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

- performing a risk assessment to identify factors that could impact the going concern basis of accounting, including the impact of external risks such as an uncertain economic environment and climate change;
- understanding and evaluating management's financial forecasts and liquidity and regulatory capital over the going concern period including an evaluation of the stress testing performed by management;
- review of management's covenant compliance monitoring, the impact of the stress scenarios on the covenants and the mitigating actions available to management;
- substantiation of financial resources available to the Group and Company as at the balance sheet date including the cash at bank; and
- reading and evaluating the adequacy of the disclosures made in the financial statements in relation 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 Group's and the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Independent auditors' report to the members of Peel Hunt Limited

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 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 Companies (Guernsey) Law, 2008 have been included.

Based on our work undertaken in the course of the audit, The Companies (Guernsey) Law, 2008 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 March 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 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 Statement of Directors' responsibilities, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of the rules of the Financial Conduct Authority, 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 (Guernsey) Law, 2008. 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, back-dated journals, unexpected account combinations or journals with unusual words and blank descriptions;
- incorporating unpredictability into the nature, timing and/or extent of our testing; and
- challenging the significant assumptions and judgements made by management in key accounting estimates.

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.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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 members as a body in accordance with Section 262 of The Companies (Guernsey) Law, 2008 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.

Partner responsible for the audit

The engagement partner on the audit resulting in this independent auditors' report is Nick Morrison.

Other required reporting

Companies (Guernsey) Law, 2008 exception reporting

Under The Companies (Guernsey) Law, 2008 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- proper accounting records have not been kept by the Company; or
- the Company financial statements are not in agreement with the accounting records.

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

15 June 2023

Consolidated statement of comprehensive income

For the year ended 31 March

<i>Continuing activities</i>	Note	Consolidated Year ended 31 March 2023 £'000	Consolidated Year ended 31 March 2022 £'000
Revenue	3	82,337	131,046
Administrative expenses		(82,377)	(78,317)
(Loss)/profit from operations	4	(40)	52,729
Finance income	7	692	15
Finance expense	7	(2,320)	(1,664)
Other income	8	180	56
(Loss)/profit before members' remuneration and tax		(1,488)	51,136
Members' remuneration charged as an expense	6	–	(9,908)
(Loss)/profit before tax for the year		(1,488)	41,228
Tax	9	166	(5,280)
(Loss)/profit for the year		(1,322)	35,948
Other comprehensive income for the year	12	–	27
Total comprehensive (expense)/income for the year		(1,322)	35,975
<i>Attributable to:</i>			
Owners of the Company		(1,322)	10,954
Non-controlling interests		–	24,994
(Loss)/profit for the year		(1,322)	35,948
<i>Attributable to:</i>			
Owners of the Company		(1,322)	10,981
Non-controlling interests		–	24,994
Total comprehensive (expense)/income for the year		(1,322)	35,975
(Loss)/earnings per share – attributable to owners of the Company			
Basic	23	(1.1p)	15.4p
Diluted	23	(1.1p)	15.4p

Consolidated and Company statements of financial position

As at 31 March

<i>Company Number – 65579</i>	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
ASSETS					
Non-current assets					
Property, plant and equipment	10	–	–	8,092	9,341
Intangible assets	11	–	–	1,152	110
Investments in subsidiaries	27	268,902	267,902	–	–
Right-of-use assets	26	–	–	15,889	18,219
Subordinated loan	20	15,000	15,000	–	–
Deferred tax asset	17	–	–	273	259
Total non-current assets		283,902	282,902	25,406	27,929
Current assets					
Securities held for trading	13	–	–	54,144	50,341
Market and client debtors	19.4.5	–	–	471,504	559,485
Trade and other debtors	15, 20	21,964	17,134	15,546	13,200
Cash and cash equivalents	16, 19.4.5	11	4,892	27,410	76,719
Total current assets		21,975	22,026	568,604	699,745
LIABILITIES					
Current liabilities					
Securities held for trading	13	–	–	(32,062)	(32,705)
Market and client creditors	19.5	–	–	(421,953)	(505,475)
Amounts due to members		–	–	–	(21,837)
Trade and other creditors	18	(23,926)	(13,437)	(4,214)	(16,790)
Lease liabilities	26	–	–	(2,867)	(2,544)
Long-term loans	21	(6,000)	(6,000)	(6,000)	(6,000)
Provisions	29	–	–	(576)	(540)
Total current liabilities		(29,926)	(19,437)	(467,672)	(585,891)
Net current assets/(liabilities)		(7,951)	2,589	100,932	113,854
Non-current liabilities					
Long-term loans	21	(15,000)	(21,000)	(15,000)	(21,000)
Lease liabilities	26	–	–	(18,192)	(20,649)
Total non-current liabilities		(15,000)	(21,000)	(33,192)	(41,649)
Net assets		260,951	264,491	93,146	100,134

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	22	223,881	223,881	40,099	40,099
Other reserves		37,070	40,610	53,047	60,035
Shareholders' equity		260,951	264,491	93,146	100,134

The notes on pages 135-167 form part of these financial statements.

The financial statements on pages 130-134 were approved by the Board of Directors on 15 June 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	Own shares held by the Company £'000	Other reserves £'000	Total equity £'000
Balance as at 1 April 2021	99	–	46,706	46,805
Loss for the year	–	–	(3,642)	(3,642)
Other comprehensive income	–	–	–	–
Total comprehensive expense	–	–	(3,642)	(3,642)
<i>Transactions with owners</i>				
Increase in investment in subsidiaries	183,782	–	–	183,782
New shares issued during the year (including cost of issuance)	40,000	–	(2,513)	37,487
Gain on option exercise	–	–	59	59
Balance as at 31 March 2022	223,881	–	40,610	264,491
Loss for the year	–	–	(455)	(455)
Other comprehensive income	–	–	–	–
Total comprehensive expense	–	–	(455)	(455)
<i>Transactions with owners</i>				
Equity-settled share-based payments reserve	–	–	647	647
Dividends paid	–	–	(3,732)	(3,732)
Balance as at 31 March 2023	223,881	–	37,070	260,951

Group	Ordinary share capital £'000	Own shares held by the Company £'000	Other reserves £'000	Total equity £'000
Balance as at 1 April 2021	99	(14)	48,285	48,370
Profit for the year	–	–	10,954	10,954
Other comprehensive income	–	–	27	27
Total comprehensive income	–	–	10,981	10,981
<i>Transactions with owners</i>				
New shares issued during the year (including cost of issuance)	40,000	–	(2,513)	37,487
Gain on option exercise	–	–	730	730
Sale of Company shares	–	14	2,552	2,566
Balance as at 31 March 2022	40,099	–	60,035	100,134
Loss for the year	–	–	(1,322)	(1,322)
Other comprehensive income	–	–	–	–
Total comprehensive expense	–	–	(1,322)	(1,322)
<i>Transactions with owners</i>				
Equity-settled share-based payments reserve	–	–	647	647
Purchase of Company shares	–	–	(2,581)	(2,581)
Dividends paid	–	–	(3,732)	(3,732)
Balance as at 31 March 2023	40,099	–	53,047	93,146

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	25	7,180	5,464	(30,899)	(68,074)
Cash flows from investing activities					
Investment in subsidiaries	27	(1,000)	(11,127)	–	–
Purchase of property, plant and equipment	10	–	–	(511)	(1,346)
Purchase of intangible assets	11	–	–	(1,087)	(6)
Disposal of investments not held for trading	12	–	–	–	47
Net cash (used in) investing activities		(1,000)	(11,127)	(1,598)	(1,305)
Cash flows from financing activities					
Interest paid	7	(1,329)	(662)	(1,382)	(732)
Dividends paid		(3,732)	–	(3,732)	–
Issue of loans to subsidiaries	21	–	(30,000)	–	–
Lease liability payments	26	–	–	(3,117)	(316)
Proceeds from issuance of shares		–	40,000	–	40,000
(Purchase)/sale of Company shares		–	–	(2,581)	2,566
Investment in subsidiary		–	671	–	–
Proceeds from options exercise		–	59	–	730
Share issuance expenses		–	(2,513)	–	(2,513)
(Repayment of)/increase in long-term loan	21	(6,000)	3,000	(6,000)	3,000
Net cash (used in)/generated from financing activities		(11,061)	10,555	(16,812)	42,735
Net (decrease)/increase in cash and cash equivalents		(4,881)	4,892	(49,309)	(26,644)
Cash and cash equivalents at beginning of period		4,892	–	76,719	103,363
Cash and cash equivalents at the end of the year	16	11	4,892	27,410	76,719

The financial statements on pages 130-134 were approved by the Board of Directors on 15 June 2023 and signed on its behalf by:

Steven Fine
Chief Executive

Sunil Dhall
Chief Financial and Operating Officer

Notes to the financial statements

1 General information

Peel Hunt Limited (the Company) (until 21 September 2021, PH Capital Limited) is a non-cellular company limited by shares having listed its shares for trading on the Alternative Investment Market (AIM), a market operated by The London Stock Exchange, on 29 September 2021. The Company is registered in Guernsey. Its registered office is Ground Floor, Dorey Court, Admiral Park, St Peter Port, Guernsey GY1 2HT. The consolidated financial statements of the Company comprises the Company and its subsidiaries, together referred to as the Group.

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

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

2 Significant accounting policies

2.1. Basis of preparation

The 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 (Guernsey) Law, 2008. 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 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 Group and entities controlled by the Company (including the Company's Employee Benefit Trust) to 31 March each year. Peel Hunt Limited has control over another entity when Peel Hunt 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 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.

Notes to the financial statements

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 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 Group.

The Companies (Guernsey) Law 2008 s244 (5) does not require the Company to prepare individual accounts during a financial year when consolidated financial statements are prepared. The Company has disclosed the statement of financial position, statement of changes in equity and statement of cash flow as permitted by the Companies (Guernsey) Law 2008.

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 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 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 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 Group as approved by the Board in the 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 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 costs 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 Group's liquid assets in order to ensure the Group's ability to repay its long-term loans as required, which would remove any potential covenant constraints. In view of the Group's available financial resources, the Directors believe that the Group is well placed to manage its business risks successfully.

2.5. Going concern continued

The Directors are satisfied that the 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 Group has a strong focus on working capital management to ensure the payment of the 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. Segment reporting

In accordance with IFRS 8 Operating Segments, an operating segment is defined as a business activity whose operating results are reviewed by the chief operating decision-maker and for which discrete information is available.

The Group is operated under a one business segment as an integrated investment banking business. The chief operating decision-maker responsible for allocating resources and assessing performance of the operating segment is identified as the Board of Directors (the Board). The operating segment is reported in a manner consistent with the internal management reporting provided to the chief operating decision-maker.

2.7. Critical accounting judgements and key sources of estimation

The treatment in respect of external membership interests in Peel Hunt LLP, which is considered to be a critical judgement, 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 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. 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 Board and the long-term sustainable growth of the Group
- The assumptions regarding growth in corporate clients, return on funding of market-making activities taking into account regulatory capital requirements and risk limits, and macroeconomic factors, such as levels of market and client activity
- Future cash flows have been discounted at an appropriate weighted average cost of capital (WACC) for the 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 £15m to £50m

Notes to the financial statements

2.7. Critical accounting judgements and key sources of estimation continued

- A 1 percentage point increase in WACC would result in a 11% decrease in value in use reducing the available headroom by £38m to £27m
- A 12% 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 to £nil

2.8. Provisions

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

2.9. Revenue from contracts with customers

The 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 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 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 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 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

2.10. 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.

2.11. Property, plant and equipment

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

- Leasehold and building 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.

2.12. 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 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 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.

2.13. Impairment of non-financial assets

Tangible and Intangible assets

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

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

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 Group market capitalisation versus carrying amount of the investment in subsidiaries and economic viability and expected future financial performance of the 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 Group. Refer to Note 2.7 for judgements and estimates made in relation to the impairment assessment performed.

Notes to the financial statements

2.14. 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.

2.15. Financial instruments

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

2.15.1. 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 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 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

2.15.1. Financial assets continued

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 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).

The 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 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 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.

Notes to the financial statements

2.15.2. Financial liabilities and equity

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

Equity instruments

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

Financial liabilities

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

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 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 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.

2.15.3. 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.

2.16. Leases

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

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

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

2.16. Leases continued

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.

2.17. Pensions

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

2.18. 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.

2.19. 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 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 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 Group on behalf of the members to ensure that future income tax liabilities in respect of income from the Group were met.

2.20. 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.

Notes to the financial statements

2.21. Share-based payments

The Group issues equity-settled share-based awards to employees of the 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).

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 as only a service-based condition exists. The RSP scheme requires 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 Company is recognised as an expense in the Consolidated Statement of Comprehensive Income.

The Group has an established employee benefit trust in respect of the Group's share plans which is funded by the Group and has the power to acquire ordinary shares from the Group or in the open market to meet the Group's future obligations under these plans. The EBT is a discretionary trust for the benefit of employees.

On consolidation, the cost of shares acquired by the Employee Benefit Trust was deducted as an adjustment to equity. Gains and losses arising on Employee Benefit Trust-related transactions are taken directly to equity.

3 Revenue

Revenue comprises the following:

	Consolidated Year ended 31 March 2023 £'000	Consolidated Year ended 31 March 2022 £'000
Research payments and Execution commission	25,116	26,986
Execution Services revenue	33,810	46,112
Investment Banking revenue	23,411	57,948
Total revenue for the year	82,337	131,046

Although there are different revenue types, the 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 Group's activities within the UK.

We have reclassified £3.5m from Research payments and Execution commission to Execution Services revenue in the prior year to 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	1,805	1,793
Lease depreciation (see Note 26)	2,446	2,361
Staff costs (see Note 5)	48,252	41,465
Other non-staff costs	29,362	32,257
Auditors' remuneration in respect of Company	127	95
Auditors' remuneration in respect of subsidiaries	200	175
Audit-related assurance services	155	145
Other assurance services	30	26
Total administrative expenses	82,377	78,317

4 Loss/profit from operations continued

Audit-related assurance services includes £102k (31 March 2022: £95k) in relation to the Peel Hunt LLP CASS audit and £52k (31 March 2022: £50k) for the review of the Group interim report. Other assurance services primarily relate to the covenant review. 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	39,946	33,179
Social security costs	5,597	6,051
Pensions costs	2,623	1,473
Other costs	86	762
Total staff costs for the year	48,252	41,465
Members' remuneration charged as an expense	–	9,908
Total staff costs and members' remuneration charged as an expense for the year	48,252	51,373

Wages and salaries includes variable compensation for employees. Directors' remuneration is disclosed in the Remuneration Committee report on page 115.

Other than the Directors no staff are employed by the Company. The average number of members and employees of the 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	207	212	210	211
Support and administration	103	104	99	88
Total number of members and employees	310	316	309	299
Members	–	–	–	72
Employees	310	316	309	227
Total number of members and employees	310	316	309	299

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 (31 March 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	692	15
Finance expense		
Bank interest paid	(52)	(72)
Interest on lease liabilities	(938)	(934)
Interest accrued on long-term debt	(1,330)	(658)
Finance expense for the year	(2,320)	(1,664)
Net finance expense for the year	(1,628)	(1,649)

8 Other income

	Consolidated Year ended 31 March 2023 £'000	Consolidated Year ended 31 March 2022 £'000
Sundry income and rebates	180	56
Total other income for the year	180	56

9 Tax on (loss)/profit on ordinary activities

9.1. Tax on (loss)/profit

Since the UK is the primary tax jurisdiction for the 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. Taxation for other jurisdictions is relevant to the Group and is calculated at the rates prevailing in the respective jurisdictions. 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
Foreign tax for the year	10	43
Adjustments in respect of prior years	(179)	1,605
Deferred tax:		
Origination and reversal of timing differences (see Note 17)	(7)	174
Total tax (credit)/charge reported in the consolidated statement of comprehensive income	(166)	5,280

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	(1,488)	41,228
Tax at the UK corporation tax rate of 19% (2022: 19%)	(283)	7,833
Tax effect of profit attributable to non-controlling interest	–	(4,749)
Tax effect of expenses not deductible for tax	251	319
Tax effect of different tax rates of subsidiaries operating in other jurisdictions	(64)	163
Adjustments in respect of prior years	(179)	1,605
Temporary differences	109	109
Total tax (credit)/charge reported in the consolidated statement of comprehensive income	(166)	5,280

10 Property, plant and equipment

2023	Leasehold buildings and improvements £'000	Other assets £'000	Office equipment £'000	Fixtures and fittings £'000	Consolidated Total £'000
Cost					
Balance at 1 April 2022	11,448	35	4,425	1,611	17,519
Additions during the year	168	–	271	72	511
Disposals during the year	–	–	–	–	–
Balance at 31 March 2023	11,616	35	4,696	1,683	18,030
Accumulated depreciation					
Balance at 1 April 2022	(4,171)	–	(3,225)	(782)	(8,178)
Charge for the year	(881)	–	(685)	(194)	(1,760)
Disposals during the year	–	–	–	–	–
Balance at 31 March 2023	(5,052)	–	(3,910)	(976)	(9,938)
Carrying value at 31 March 2023	6,564	35	786	707	8,092
2022	Leasehold buildings and improvements £'000	Other assets £'000	Office equipment £'000	Fixtures and fittings £'000	Consolidated Total £'000
Cost					
Balance at 1 April 2021	10,973	35	3,703	1,462	16,173
Additions during the year	475	–	722	149	1,346
Disposals during the year	–	–	–	–	–
Balance at 31 March 2022	11,448	35	4,425	1,611	17,519
Accumulated depreciation					
Balance at 1 April 2021	(3,320)	–	(2,478)	(621)	(6,419)
Charge for the year	(851)	–	(747)	(161)	(1,759)
Disposals during the year	–	–	–	–	–
Balance at 31 March 2022	(4,171)	–	(3,225)	(782)	(8,178)
Carrying value at 31 March 2022	7,277	35	1,200	829	9,341

11 Intangible assets

Group

2023	Intellectual property in progress £'000	Internal software intellectual property £'000	Sports debentures £'000	Computer software £'000	Consolidated Total £'000
Cost					
Balance at 1 April 2022	–	–	62	1,060	1,122
Additions during the year	1,116	–	–	–	1,116
Transfers (out)/in	(551)	551	–	–	–
Balance at 31 March 2023	565	551	62	1,060	2,238
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	565	506	48	33	1,152
2022					
Cost					
Balance at 1 April 2021			62	1,054	1,116
Additions during the year			–	6	6
Balance at 31 March 2022			62	1,060	1,122
Accumulated amortisation					
Balance at 1 April 2021			(10)	(968)	(978)
Charge for the year			(4)	(30)	(34)
Balance at 31 March 2022			(14)	(998)	(1,012)
Carrying value at 31 March 2022			48	62	110

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 2.12 for a description of the accounting policy and related judgements.

12 Financial assets at fair value through other comprehensive income

	Consolidated 31 March 2023 £'000	Consolidated 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 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 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	3,479
Less: provision for impairment of aged debtors	–	–	(521)	(244)
Net trade receivables	–	–	2,522	3,235
Accrued income	312	53	2,552	1,933
Deposits paid for property licence	–	–	109	139
Amounts due from related companies (see Note 28)	21,620	17,048	–	–
Prepayments	–	–	3,803	3,107
Other debtors	32	33	6,560	4,786
Total trade and other debtors	21,964	17,134	15,546	13,200

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 expected credit losses.

	Consolidated 2023 £'000	Consolidated 2022 £'000
At 1 April	(244)	(223)
Movement to level of expected credit losses	(277)	(21)
At 31 March	(521)	(244)

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 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	11	4,892	12,410	76,719
Cash equivalents	–	–	15,000	–
Total cash and cash equivalents	11	4,892	27,410	76,719

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	172	293
Amounts credited/(debited) to the profit and loss	(7)	(121)
Carried forward	165	172
Other:		
Brought forward	87	133
Amounts (debited)/credited to the profit and loss	21	(46)
Carried forward	108	87
Total deferred tax asset carrying value	273	259

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.

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
Accrued expenses	–	–	1,900	14,995
Amounts due to related companies (see Note 28)	23,926	13,437	–	–
Corporation tax payable	–	–	–	–
Other creditors	–	–	2,314	1,795
Total trade and other creditors	23,926	13,437	4,214	16,790

19 Financial instruments

19.1. Capital structure

The capital of the Group and Company is structured in the form of issued share capital and reserves.

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	21,620	17,134	8,214	7,871
Cash				
Cash and cash equivalents	11	4,892	27,410	76,719
Total financial assets	21,631	22,026	561,272	694,416
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	(23,926)	(13,437)	(812)	(11,010)
Amounts due to members	–	–	–	(22,837)
Lease liability	–	–	(21,059)	(23,193)
Loan	(21,000)	(27,000)	(21,000)	(27,000)
Total financial liabilities	(44,926)	(40,437)	(496,886)	(622,220)

19.2. Risk management overview

The Board and Group Risk Committee are responsible for the oversight of risk management throughout the 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 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 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 Group controls market risk using aggregate trading and individual position limits, with the 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 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 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 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 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

Notes to the financial statements

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

	Neither past due nor 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		
As at 31 March 2023							
Trade and other debtors	21,620	–	–	–	–	–	21,620
Total financial assets at 31 March 2023	21,620	–	–	–	–	–	21,620

	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		
As at 31 March 2022							
Trade and other debtors	17,134	–	–	–	–	–	17,134
Total financial assets at 31 March 2022	17,134	–	–	–	–	–	17,134

Notes to the financial statements

19.4.5. Credit risk continued

As at 31 March 2023	Not overdue £'000	Overdue				Impaired £'000	Consolidated Carrying value before impairment £'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	27,410	–	–	–	–	–	27,410
Total financial assets at 31 March 2023	495,150	63,292	823	701	785	521	561,272

As at 31 March 2022	Not overdue £'000	Overdue				Impaired £'000	Consolidated Carrying value before impairment £'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	–	–	–	–	–	249	249
Cash							
Cash and cash equivalents	76,719	–	–	–	–	–	76,719
Total financial assets at 31 March 2022	609,331	82,933	1,404	221	612	547	695,048

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

The maturity analysis below analyses the Group's 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	23,926	–	–	–	23,926
Loan ¹	6,696	6,494	9,344	–	22,534
Total financial liabilities at 31 March 2023	30,622	6,494	9,344	–	46,460

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	13,437	–	–	–	13,437
Loan ¹	6,882	6,696	15,839	–	29,417
Total financial liabilities at 31 March 2022	20,319	6,696	15,839	–	42,854

1. Includes 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	2,867	2,837	8,511	6,844	21,059
Loan ¹	6,696	6,494	9,344	–	22,534
Total financial liabilities at 31 March 2023	432,328	9,331	17,855	6,844	466,358

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	22,139	–	–	–	22,139
Trade and other creditors	11,010	–	–	–	11,010
Lease liabilities	2,544	3,650	10,048	6,951	23,193
Loan ¹	6,882	6,696	15,839	–	29,417
Total financial liabilities at 31 March 2022	548,050	10,346	25,887	6,951	591,234

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 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 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.

20 Intercompany borrowings

	Company 31 March 2023 £'000	Company 31 March 2022 £'000
Subordinated loan – due more than 1 year	15,000	15,000
Intercompany loan – due within 1 year	15,000	15,000
Total intercompany borrowings	30,000	30,000

On 16 December 2021, the Company entered into an intercompany subordinated loan agreement with Peel Hunt Partnership Group Limited with a facility limit of £30m to support the regulatory capital requirements of the Group. 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.

On 16 December 2021, the Company further entered into an intercompany loan agreement with the LLP with a facility limit of £50m to support the working capital requirements. This intercompany loan is unsecured and does not qualify for regulatory capital. The loan has a one-month rolling 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.

21 Long-term loans

	Company 31 March 2023 £'000	Company 31 March 2022 £'000	Consolidated 31 March 2023 £'000	Consolidated 31 March 2022 £'000
Loans due within one year	6,000	6,000	6,000	6,000
Loans due within two to five years	15,000	21,000	15,000	21,000
Total loans	21,000	27,000	21,000	27,000

During the year the Company has repaid £6m of the outstanding Senior Facilities Agreement (SFA). The balance outstanding at year end is £21m (31 March 2022: £27m) and interest is accrued at 3.2% per year plus SONIA, payable quarterly in arrears. The SFA is repayable bi-annually in equal amounts of £3m in March and September until fully repaid.

The 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 £'000	31 March 2022 £'000
Issued		
Ordinary shares: 122,807,085 (31 March 2022: 122,807,085) shares at no par value	223,881	223,881
Total ordinary share capital	223,881	223,881

The Company's authorised share capital is 122,807,085 shares at no par value.

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:

- The A ordinary shares and B ordinary shares were consolidated into 24,654,526 ordinary shares of no par value for £99,000 in cash, previously paid
- 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 for £183m investment in subsidiary
- All individual members of Peel Hunt LLP retired as members and became employees of Peel Hunt LLP
- 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 £40m in cash
- 122,807,085 ordinary shares of no par value were admitted to trading on AIM

Reserves

Reserves comprise retained earnings and share premium.

23 (Loss)/earnings per share

	31 March 2023 Number of shares	31 March 2022 Number of shares
Weighted average number of ordinary shares in issue during the year	119,197,519	71,231,123
Dilutive effect of share option grants	1,605,000	259,971
Diluted weighted average number of ordinary shares in issue during the year	120,802,519	71,491,094

Basic (loss)/earnings per share is calculated on total comprehensive (loss)/income for the year, attributable to the owners of the Company, of (£1.3m) (31 March 2022: £11.0m) and 119,197,519 (31 March 2022: 71,231,123) 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 share option grants.

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

The Company has 1,605,000 (31 March 2022: 259,971) of dilutive equity instruments outstanding as at 31 March 2023.

24 Investment in joint venture

The 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 is currently in liquidation and awaiting final notice.

25 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	(455)	(3,642)	(1,488)	41,228
<i>Adjustments for:</i>				
Depreciation and amortisation	–	–	4,251	4,154
Expected credit loss on financial assets held at amortised cost	–	–	277	244
Fair value gain on sale of securities	–	–	–	27
Increase in provisions	–	–	37	109
Foreign exchange movement on deferred tax asset	–	–	–	(8)
Equity-settled share-based payments – IFRS 2 charge	647	–	647	–
Revaluation of right-of-use asset and lease liability	–	–	(71)	(52)
Net finance (income)/costs	(546)	260	1,628	1,649
<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
Increase in trade and other debtors	(4,830)	(1,928)	(2,339)	(4,017)
Decrease in net amounts due to members	–	–	(21,837)	(116,565)
Increase/(decrease) in trade and other creditors	10,489	10,377	(12,572)	3,001
Cash generated from/(used in) operations	5,305	5,067	(31,455)	(61,925)
Interest received	1,875	397	692	15
Corporation tax paid	–	–	(136)	(6,164)
Net cash generated from/(used in) operations	7,180	5,464	(30,899)	(68,074)

Notes to the financial statements

26 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 Group currently uses for its offices in London and New York.

	2023 £'000	2022 £'000
Depreciation expense in relation to premises leases	(2,446)	(2,361)
Interest expense in relation to premises leases	(938)	(909)
Net operating cost in relation to premises leases	(3,384)	3,270

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

As at 31 March the 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	18,219	20,517
Addition	–	–
Disposal	–	–
Revaluation of right-of-use-asset	116	63
Depreciation charge	(2,446)	(2,361)
Closing balance sheet date	15,889	18,219

Lease liabilities for the year ended:	31 March 2023 £'000	31 March 2022 £'000
Opening balance sheet date	(23,193)	(22,564)
Addition	–	–
Disposal	–	–
Interest expense	(938)	(934)
Revaluation of lease liability	(45)	(11)
Lease payments	3,117	316
Closing balance sheet date	(21,059)	(23,193)

At 31 March the 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	3,673	2,515
Within two to five years	13,469	12,446
Over five years	7,415	12,526
	24,557	27,487

The 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.

27 Investments in subsidiaries

The Company directly holds 100% of the ordinary share capital of Peel Hunt Partnership Group Limited and Peel Hunt Technology Holdings Limited, both of which are registered in England and Wales. The Company also holds 100% of the ordinary share capital of Peel Hunt International Limited which is registered in Guernsey.

Name of subsidiary	Country of incorporation		Percentage ownership by Group
Peel Hunt International Limited	Guernsey	Ground Floor, Dorey Court, Admiral Park, St Peter Port, Guernsey, GY1 2HT	100%
Peel Hunt Partnership Group Limited	England and Wales	100 Liverpool Street, London, United Kingdom, EC2M 2AT	100%
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%
Peel Hunt Europe A/S	Denmark	C/O Zieglers Gaard Office Club, Nybrogade 12, 1203 København K	100%
Peel Hunt Inc.	Delaware, USA	250 Park Avenue, 7th Floor, New York, NY 10177 USA	100%
Retail Book Holdings Limited	England and Wales	100 Liverpool Street, London, United Kingdom, EC2M 2AT	100%
Retail Book Limited	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.

Retail Book Holdings Limited (Peel Hunt Technology Holdings Limited until 16 March 2023) was incorporated on 4 May 2022 and owns 100% of the ordinary share capital of Retail Book Limited which was incorporated on 5 May 2022. Peel Hunt Europe A/S was incorporated on 19 July 2022 and is 100% owned by Peel Hunt International Limited. M22 Nominees Limited was dissolved during the year.

Investments in subsidiaries are accounted for at cost. The Company's investment in the share capital of Peel Hunt International Limited was as follows:

	31 March 2023 £'000	31 March 2022 £'000
Balance at 1 April	1,127	–
Investment in subsidiary	–	1,127
Balance at 31 March	1,127	1,127

The Company's investment in the share capital of Peel Hunt Partnership Group Limited was as follows:

	2023 £'000	2022 £'000
Balance at 1 April	266,775	73,658
Increase in investment in subsidiary	–	193,117
Balance at 31 March	266,775	266,775

Notes to the financial statements

27 Investments in subsidiaries continued

The Company's investment in the share capital of Retail Book Holdings Limited was as follows:

	2023 £'000	2022 £'000
Balance at 1 April	–	–
Increase in investment in subsidiary	1,000	–
Balance at 31 March	1,000	–

Prior to the year end the Company committed to a further investment of £1m which will be made during the financial year ending 31 March 2024.

The SFA loan disclosed in Note 21 is secured against the assets of Peel Hunt Limited, as the obligor of the loans.

28 Related party transactions

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

28.1. Transactions with Group companies

Peel Hunt Limited is the ultimate controlling party of Peel Hunt Partnership Group Limited, Peel Hunt Partnership Limited, Peel Hunt LLP, Peel Hunt International Limited, Peel Hunt Technology Holdings Limited, Retail Book Limited, Peel Hunt Europe A/S and Peel Hunt Inc. Intra-group transactions between Peel Hunt Partnership Group Limited, Peel Hunt LLP, Peel Hunt Partnership Limited, Peel Hunt International Limited, Peel Hunt Technology Holdings Limited, Retail Book Limited, Peel Hunt Europe A/S, Peel Hunt Inc. and the Company are eliminated on consolidation and are not disclosed in this note. Amounts owed between the Company and its subsidiaries are disclosed in Notes 15, 18 and 20.

The intra-group balance disclosed in Note 15 and Note 18 includes transactions with Peel Hunt Partnership Group Limited, Peel Hunt Partnership Limited, Retail Book Limited and Peel Hunt International Limited. As at 31 March 2023, the Company was owed £1.3m (31 March 2022: £0.2m) by Peel Hunt International Limited, £0.2m (31 March 2022: n/a) by Retail Book Limited and £5.0m (31 March 2022: £1.8m) by the Employee Benefit Trust. These receivables are disclosed within Note 15.

Within Note 20, we disclosed the amounts of intercompany receivables in relation to the loans to Peel Hunt Partnership Group Limited and Peel Hunt LLP.

Interest on the subordinated loan to Peel Hunt Partnership Group Limited amounted to £1.1m (31 March 2022: £0.2m) for the year. In relation to the intercompany loan to Peel Hunt LLP interest amounting to £0.8m (31 March 2022: £0.2m) was charged for the year.

The intra-group balance disclosed in Note 18 relates to transactions with Peel Hunt Partnership Group Limited, Peel Hunt LLP and Peel Hunt Partnership Limited. As at 31 March 2023, Peel Hunt Limited owed £9.8m (31 March 2022: £9.5m) to Peel Hunt Partnership Group Limited, £14.1m (31 March 2022: £4.0m) to Peel Hunt LLP and £0.1m (31 March 2022: £nil) to Peel Hunt Partnership Limited.

28.2. 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.

29 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 Group's offices at 100 Liverpool Street and previous offices at Moor House, representing the estimated amount of the liability.

30 Share-based payments

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

2022 Restricted Share Plan (RSP)

Under the RSP, selected 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 January	–	–
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 Group did not enter into any share-based payment transactions with parties other than employees during the current or previous period.

31 Post balance sheet event

Since the year end the Company has accelerated £6m of principal repayments of the Senior Facilities Agreement (SFA) (see Note 21 – Long-term loans), reducing the outstanding balance to £15m. As a result, £3m of scheduled principal repayments in each of September 2023 and March 2024 are no longer due. The accelerated repayments are estimated to save approximately £0.3m of interest expense throughout the year ending 31 March 2024. The available Revolving Credit Facility (RCF) remains at £30m and the interest rates applicable to both the SFA and RCF remain unchanged. Alongside the accelerated repayments, the Company has negotiated a temporary reduction in its interest cover covenant up to and including 31 December 2023.

Abbreviations and glossary

AGM	Annual General Meeting	ESG	Environmental, Social and Governance
AI	Artificial Intelligence	ESG Committee	Environmental, Social and Governance Committee
AIM	Alternative Investment Market	ESOP	The Peel Hunt Employee Share Option Plan
AQSE	Aquis Stock Exchange	EU	European Union
ARM	Automated RSP Management – the Company's fully automated systematic market-making model for liquid instruments and automated position management	ERMF	Enterprise Risk Management Framework
BEIS	Department for Business, Energy and Industrial Strategy	ExCo	Executive Committee of Peel Hunt LLP
BREEAM	The Building Research Establishment Environmental Assessment Method for assessing, rating, and certifying the sustainability of buildings	FCA	Financial Conduct Authority
C-Suite	The executive-level managerial positions within an entity	FINRA	Financial Industry Regulatory Authority
CAGR	Compound Annual Growth Rate, expressed in a percentage	FOP	Free of Payment
CEO	Chief Executive	FRC	Financial Reporting Council
CFA	Chartered Financial Analyst	FVTOCI	Fair Value Through Other Comprehensive Income
CFOO	Chief Financial and Operating Officer	FVTPL	Fair Value Through Profit or Loss
Chair-Designate	The current Deputy Chair, assuming the role of Chair, with effect following the date of the Company's AGM	FY23	Financial Year 1 April 2022 – 31 March 2023
Company	Peel Hunt Limited	Group	The Company and its subsidiaries
CRO	Chief Risk Officer	HR	Human Resources
CRR	Capital Requirements Regulations of EU Regulation No 575/2013	IAS	International Accounting Standards
CTO	Chief Technology Officer	IB	Investment Banking division
DCM	Debt Capital Markets	ICAAP	Internal Capital Adequacy Assessment Process
DEI Forum	Diversity, Equity and Inclusion Forum	ICARA	Internal Capital And Risk Assessment
DTR	Disclosure Guidance and Transparency Rules Sourcebook	IFPR	Investment Firms Prudential Regime
DVP	Delivery Versus Payment	IFPRU	Prudential Sourcebook for Investment Firms
EBT	Peel Hunt Share Trust, the Group's Jersey-based employment benefit trust	IFRS	International Financial Reporting Standards
ECM	Equity Capital Markets	IPO	Initial Public Offering
		KBC	KBC Bank or KBC Group NV, a Belgian bank-insurer
		KBW	Keefe, Bruyette & Woods – an investment firm and the Company's broker; part of the Stifel Group

kg CO₂e	A measurement of greenhouse gas emissions, in kilogrammes of carbon dioxide equivalent
KPI	Key Performance Indicators
kWh	KiloWatt Hours
LIBOR	London Interbank Offered Rate
LLP	Limited Liability Partnership
LSE	London Stock Exchange
LTIP	Long-term Incentive Plan
M&A	Mergers & Acquisitions
MiFID II	The EU's Markets in Financial Instruments Directive No. 2 (2014/65/EU)
NBR	New Business Request
PBT	Profit Before Tax
PCM	Private Capital Markets
Peel Hunt	The Company and its subsidiaries (also termed the Group)
PHALGO	The Company's proprietary algorithmic trading platform to manage and route low-touch electronic order flow
PHAPPS	A framework for delivering internal web applications for managing static data and sharing information across the Company
PHAT	The Company's internal pre/post-trade analytics, risk and quote management system for market making
PPT	Percentage point
PSOP	The Peel Hunt Partner Share Option Plan
QCA	Quoted Companies Alliance Corporate Governance Code 2018
RAS	Risk Appetite Statement
RCM	Retail Capital Markets
RCSA	Risk and Control Self-Assessment

RetailX@	Retail Crossing Algo – the Company's proprietary algorithmic trading strategy giving institutions direct access to retail liquidity
REX	Retail Exchange – the Company's electronic platform to enable retail participation in investment banking deals
RMF	Risk Management Forum
RSP	Retail Service Provider network, providing electronic quotes to execution only retail intermediary platforms and brokers
SBTi	Science Based Targets initiative
SEER Committee	Social, Environmental, Ethical and Reputational Committee
SID	Senior Independent Director
SLA	Service Level Agreement
Mid- and small-cap	The segment of the market where the total value of each individual equity transaction falls in the range between £100m and £1,500m
SPAC	Special Purpose Acquisition Company
t CO₂e	A measurement of greenhouse gas emissions, in tonnes of carbon dioxide equivalent
UN SDGs	United Nations Sustainable Development Goals

Other information

Information for shareholders

Financial calendar

16 June 2023	Full-year results announced
21 June 2023	Annual Report issued
6 July 2023	Annual General Meeting
29 November 2023	Interim results

Company information

Incorporated and registered in Guernsey
Company Number 65579

Registered office

Ground Floor, Dorey Court
Admiral Park
St Peter Port
Guernsey
GY1 2HT

Trading office

100 Liverpool Street
London
EC2M 2AT

investors@peelhunt.com
www.peelhunt.com

Nominated adviser (NOMAD)

Grant Thornton UK LLP
30 Finsbury Square
London
EC2A 1AG

Broker

Keefe, Bruyette & Woods (KBW)
150 Cheapside, 4th Floor
London
EC2V 6ET

Independent Auditors

PricewaterhouseCoopers LLP (PwC)
1 Embankment Place
London
WC2N 6RH

Registrar

Equiniti Limited
Aspect House
Spencer Road
Lancing, West Sussex
BN99 6DA

Bankers

Lloyds Banking Group
25 Gresham Street
London
EC2V 7HN

PR

MHP Communications
60 Great Portland Street
London
W1W 7RT

ALTERNATIVE PERFORMANCE MEASURE

We use the following non-GAAP alternative performance measure 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 2021.

Illustrative consolidated statement of comprehensive income

Measure: illustrative administrative expenses; illustrative profit from operations; illustrative profit before tax; illustrative corporation tax; illustrative profit after tax; illustrative dividend; illustrative retained profit for the year; illustrative compensation ratio; illustrative non staff cost ratio; illustrative PBT margin.

Reconciliation: See page 39.



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