Panmure Gordon & Co

Report and Financial Statements

for the year ended 31 December 2008

Key information

Fund raising of approximately £15.3m before expenses in a placing with BlueGem LP through its subsidiary BlueGem Water Holding B.V. of 63.65m shares at a price of 24p per share

- Institutional investor also indicates interest in participating in the placing to a value of £2m.
- The placing is subject to shareholder and regulatory approval.

Adjusted loss before tax for 2008 of £9.2m (2007: £10.5m profit), following challenging market conditions, trading book losses and unrealised losses on investments

- UK trading loss of £2.2m, reflecting the extreme market downturn in the autumn and the exiting of illiquid trading book positions. Size of trading book reduced.
- £1.3m loss on investments.
- Group corporate finance income reduced by 54% from £36.7m to £16.9m.
- Statutory loss before tax of £28.8m, after non-cash goodwill impairment of £13.7m, non-cash share-based payment charges of £2.4m and restructuring charges of £3.2m.

Decisive action taken in 2008 to cut costs

- Group headcount reduced by 18%, from 316 to 260.
- Over the course of the year, UK costs reduced by 10% and US costs by 18%.
- Since its acquisition in 2007, ThinkEquity's fixed cost base has been reduced by 31%, from an annualised $49m to an annualised $34m.
- ThinkEquity is now refocused, with greater emphasis on M&A (with a record year in 2008) and all sales and sales trading employees now on commission-based income.
- Experienced investment banker, Greg Wright, appointed as new CEO of US business, ThinkEquity, who has led fundamental restructure of the business.
- Excellent, selective hires across investment banking and research to further strengthen franchise.

New corporate clients and growth in market share of commission income in 2008, despite difficult market conditions

- Appointed to 13 new corporate clients.
- In US, ThinkEquity acted as adviser on 13 M&A deals and experienced good growth in commission levels.
- In UK, market share of commission income increased by 30% over the year.

Current trading and outlook significantly improved

- Group revenues year-to-date substantially ahead of 2008.
- Trading conditions in first quarter remained difficult, though recent weeks have shown marked improvement.
- Amount billed in UK investment banking transaction revenue year-to-date exceeds total billed for calendar year 2008.
- UK commission income in-line with that achieved last year, representing significant growth in market share given weak markets.
- Trading book performance positive, benefiting from actions carried out at the end of last year.
- US institutional equities commission income similar to that achieved in the first quarter of 2008.
- Pipeline of US investment banking transactions, particularly for second half of year, is encouraging.
- Operational performance of US business much improved due to significant cost reduction exercise.

Chairman's statement

I am very pleased to announce that BlueGem has agreed to make a strategic investment in your company, via a placing of 63.65m shares, raising £15.3m. Along with the decisive action already taken by management to generate cash and reduce costs, this placing will further strengthen the Group's balance sheet. The Group is very well placed both to weather the current financial market turmoil and benefit strongly when the recovery comes. The operational gearing in the business is huge and we have made an encouraging start to 2009.

2008 was undoubtedly a very difficult year for the Group, as for others, as both commission income and in particular transaction fees were impacted by the downturn and volatility in financial markets. Our 2008 results reflect this environment and also the one-off costs of the early and decisive action taken by management to align our fixed cost base with the new market and economic realities.

At the time of our interim results in June, we partly wrote down goodwill in our US business, reflecting an assessment of the difficult economic background. We have not felt the need to make any further adjustment at the year end. The income statement shows this non-cash write-down, amounting to £13.7m, along with one-off restructuring costs of £3.2m. In the US we have reduced headcount by 22% and in the UK by 12%. We have exited several properties and taken a charge for the onerous lease costs in 2008.

Despite the turbulent markets in 2008, the business made progress on a number of fronts. In the UK we were appointed to 13 clients and grew our market share of commission income. In the US, ThinkEquity acted as an adviser on 13 M&A deals and saw good growth in commission levels compared to 2007. In both geographies we have taken the opportunity to selectively hire new people and grow the franchise.

We have entered 2009 with a materially reduced cost base. In particular, our US business has been refocused. Greg Wright, who was appointed as the new CEO of ThinkEquity during the year, has done an outstanding job in leading the US team at a time of great change and in very difficult circumstances. The professionalism and commitment of all the Group's employees gives me great confidence for the future of the business and I thank them for their efforts.

Although market conditions remain difficult, Panmure Gordon has had an encouraging start to 2009. Group revenues year-to-date are substantially ahead of 2008. We have seen the firm undertake sizeable corporate finance deals as financial adviser as well as stockbroker. In the US, commission levels are improving and we have a strengthening investment banking pipeline.

We are confident that Panmure Gordon will emerge from current market difficulties as a formidable force in UK stockbroking, and that in the US we will have a profitable, clearly focused offering, serving the companies and institutions of the growth economy. Increasingly we are seeing the benefit of a true transatlantic offering, and as the US markets recover, we will be a beneficiary. This is a time of opportunity for Panmure Gordon. Following the placing, our capital position will be further strengthened with regulatory capital of three times the required amount. We are now well placed to take advantage of the opportunities created by the market turmoil.

While we are not forecasting a substantial improvement in the market in 2009, we do expect, thanks to the action taken in 2008, to see a substantial improvement in the firm's performance. Our new shareholder brings an infusion of contacts and expertise that will help generate business opportunities and improve revenue and profits for the benefit of all shareholders. With a strong balance sheet and outstanding employees, the Group is well placed for 2009 and beyond, whether or not the markets show signs of any sustained recovery.

Board changes

Following its significant strategic investment, I am delighted that BlueGem has accepted two seats on our Board. I will be delighted to welcome Marco Capello, BlueGem's founding partner, and Emilio Di Spiezio Sardo, as Non-executive Directors. Prior to establishing BlueGem, Mr Capello was a Managing Director of Merrill Lynch Global Private Equity with more than 18 years investment banking experience with First Boston, Wasserstein Perella, and Merrill Lynch in London and New York. Mr Di Spiezio Sardo, a partner at BlueGem, is also a former hedge fund investor and experienced investment banker, having worked at York Capital Management and Merrill Lynch.

Richard Wyatt and Charles Stonehill, both previous Board chairmen, stood down at the AGM in May. Michael Moe and Deborah Quazzo, the founders of ThinkEquity, stood down from the Board and left the firm in the autumn. Simon Bax, one of our Non-executive Directors, stood down from the Board in November. I thank each of them for their contribution to the firm.

Tony Caplin
Chairman
14 April 2009

Chief Executive's review

I am looking forward very much to working with our new strategic investor to take the business forward. On top of the restructuring that took place in 2008, this further strengthening of our balance sheet and the business opportunities that our new shareholder will bring, means I am very confident about the Panmure Gordon Group's future success.

Although we expect market conditions to remain difficult throughout most of 2009, we believe the business is well positioned to benefit as industry capacity is reduced. As the Chairman notes, we have substantially reduced both US and UK costs. While the restructuring costs were significant, all material amounts were taken in 2008 and the full benefit of last year's hard work will be seen in 2009 performance and thereafter.

It is a testament to the firm's strength and reputation that, even in the most difficult markets that persisted throughout 2008, there were a number of areas in which we made real progress to build the firm for the future. We were able to grow our market share in institutional equities and considerably build our M&A practice. We welcomed EFG-Hermes, the Middle-East and North Africa's premier investment bank, as a significant shareholder and we maintained our absolute focus on corporate clients, standing with them as they battled the credit crunch impact.

US

The unprecedented financial markets upheaval of 2008 necessitated a complete and rapid review of ThinkEquity's business model. Having acquired the business in April 2007, at a time when it was positioned for growth in a growing market, it was clear ThinkEquity was not structured to deal with the severity of the market downturn.

Painful decisions were made quickly to refocus and resize the business to meet the new market challenges and the income statement reveals the extent of the hard work to achieve this. ThinkEquity is now a very lean and cost-conscious business that is focused on achieving profitability. It has been a pleasure to work with new chief executive, Greg Wright, and his senior management team, to achieve an exceptional cost-reduction result. In the foreground, ThinkEquity remained focused on its clients and, in doing so, enjoyed a record M&A year.

UK

Overall, in extraordinary markets, the UK business performed creditably. I am pleased that we increased commission market share and that we were able to take on 13 new corporate clients.

As part of de-risking our balance sheet, we deliberately reduced our trading book exposure by exiting a number of positions and, in doing so, suffered some losses. This effort will again benefit 2009 performance. We also sold part of our investment in Loudwater, a pre-IPO closed-end investment fund, in which Panmure Gordon was an original investor. Loudwater remains an important relationship for the firm, though we have no continuing commitment to invest in the business or its investments. While we have marked to market our investment at 31 December 2008, we see considerable value in the underlying holdings.

Our people

Repositioning the Group's cost base meant difficult decisions were required to reduce our headcount in both the UK and the US. The reduction also gave us the ability to make a number of exceptional hires. In recent weeks we have added to our UK research team to strengthen our coverage in the Oil & Gas and Leisure sectors.

In the US we hired additional equity sales personnel, all of whom are on commission-based remuneration and, in recent weeks, we created a Healthcare team within ThinkEquity's research capability.

Of particular note were our outstanding 2008 Extel Survey results. Across a range of measures individual analysts, sales people and teams scored very highly.

In markets like those we experienced in 2008, and which we may see for much of 2009, the firm is indebted to the loyalty and expertise of all its dedicated, professional employees. Their commitment, calmness and determined focus to put the interests of our clients first, no matter what the market conditions, contributes greatly to the firm's reputation.

Dividend

Given the market turmoil and the Company's results, the Board has recommended no dividend for the year.

Current trading and outlook

Trading conditions in the first quarter have remained difficult, though recent weeks have shown a marked improvement.

In the UK we have executed a number of significant corporate finance deals. Our UK investment banking transaction revenue year-to-date exceeds the total billed for 2008. Commission income is in-line with that achieved last year, which represents a significant growth in market share given weak markets. Our trading book performance has been positive and has benefited from the reduction in size carried out at the end of last year.

In the US, commission income has been close to that achieved in the first quarter of 2008. This reflects a much stronger March following the particularly difficult markets in January and February. Wealth advisory income and investment banking revenue is weaker than last year due to market conditions; however the pipeline of investment banking transactions, particularly for the second half of the year, is encouraging. As a consequence of the significant cost reduction exercise carried out in the US, the operational performance of the business has much improved, and this cost reduction exercise has continued into 2009.

Looking to the future, ThinkEquity has successfully repositioned itself as a leading boutique advisory investment bank, focused on serving growth companies and growth investors. It has strengthened its M&A and private placement capability significantly. With an emphasis on companies operating with deep and protected intellectual property, the firm is well positioned to flourish from an increase in public market issuance in some of the most exciting sectors, such as green technology. Panmure Gordon has also positioned itself to be a beneficiary of market changes with a continued focus on clients, and the business has been successful in both executing high quality transactions and winning new business.

Both parts of the firm do however have to contend with markets, which while they have rallied, are likely to remain challenging for the next few months. The proceeds of the placing will further strengthen the Group's ability both to weather market turmoil and also take advantage of growth opportunities.

The Board believes that the appropriate action has been taken to position the business for a successful 2009 and beyond, and views the future with confidence.

Tim Linacre
Chief Executive
14 April 2009

Operating review

The Panmure Gordon Group results for 2008 include, for the first time, the full year results of ThinkEquity (2007: nine months). The combined business produced revenue of £42.1m (2007: £65.2m) and an adjusted loss before tax of £9.2m (2007: £10.5m profit).

Reflecting the difficult markets, Group revenue fell by 35%, largely as a result of sharply reduced corporate transaction fees as the IPO market dried up.

The full statutory income statement is set out on page 25 of the financial statements. This includes the non-cash goodwill write down of £13.7m (as more fully explained in note 12 under Goodwill Impairment), the non-cash expensing of share-based payments under IFRS 2 of £2.4m and one-off restructuring charges of £3.2m.

Adjusted financial results

To give a more clear and consistent view of the underlying operating performance than is contained in the statutory income statement, the Board looks at operating profit and earnings on an adjusted basis, as set out below, excluding:

- IFRS 2 share-based payment and related charges (since these do not lead to a cash outflow);
- Tax credits relating to IFRS 2 share-based payment charges;
- One-off items, including redundancy and restructuring charges, and prior year tax credits;
- Payments to employees in substitution for dividends that would have been paid in respect of vested shares in the Employee Benefit Trust (dividend equivalent bonuses); and
- Amortisation of intangibles and impairment of goodwill.

	2008 £'000	2007 £'000
Net revenue	**42,068**	65,159
Net loss on available for sale investments	**(1,349)**	(1,104)
Less gain relating to discontinued activities	**-**	(77)
Administrative expenses (including bonuses)	**(50,649)**	(55,343)
Adjusted operating (loss)/profit	**(9,930)**	8,635
Interest receivable and similar items	**686**	1,821
Adjusted (loss)/profit before tax	**(9,244)**	10,456
Tax	**3,874**	(2,384)
Adjusted (loss)/earnings	**(5,370)**	8,072
Adjusted (loss)/earnings per share	**(7.35)p**	11.68p
Adjusted (loss)/earnings adding back loss on available for sale investments	**(6.03)p**	12.88p
Weighted average number of shares in issue	**73,092,280**	69,102,942

The adjusted earnings reconcile to the profit/loss on ordinary activities after taxation contained in the consolidated income statement on page 25 as follows:

	2008 £'000	2007 £'000
Adjusted (loss)/earnings	**(5,370)**	8,072
Add/(less)		
Goodwill write down	**(13,688)**	-
IFRS 2 charges as a result of the acquisition of Panmure Gordon (UK) Limited	**135**	(4,149)
Other IFRS 2 share-based payments	**(2,513)**	(2,278)
Amortisation of intangible assets	**(218)**	-
Gain on sale of discontinued activities net of corporation tax	**-**	54
Deferred tax not recognised on US losses[1]	**(1,866)**	-
Dividend equivalent bonuses net of corporation tax	**(46)**	(106)
Redundancy and restructuring charges net of corporation tax	**(2,015)**	(250)
Prior year over provision of tax	**119**	492
Tax relief provided by exercise of share options[2]	**93**	849
Deferred tax (charge)/credit from the future exercise of share options[2]	**(2,500)**	3,323
Deferred tax liability relating to goodwill	**(275)**	(317)
(Loss)/profit for the period	**(28,144)**	5,690
(Loss)/basic profit per ordinary share	**(38.5)p**	8.23p

[1] Management expects that these losses will provide a tax benefit in future years, although in the statutory income statement, given the uncertainty over the extent and timing of their recoverability, no credit has been taken for the potential future tax benefit provided by these losses.

[2] Since IFRS 2 share-based payment charges are ignored in calculating adjusted earnings, so are the tax impacts of share options. In the current year, there is a deferred tax charge in respect of the future exercise of share options because the decline in the share price has reduced the value of potential gains by employees on future exercise of options on which the Group obtains a tax credit as at 31 December 2008 compared to the previous year end.

During the year we significantly reduced costs across the Group. Costs for the second half of the year in the UK were reduced by an annualised £2.7m or 13% compared to the first half and in the US by an annualised $9.2m (£6m at year-end rates) or 15%. We have reduced our UK headcount by 16 (12%) and US headcount by 40 (22%) while continuing to hire selectively to grow our franchise. We therefore entered 2009 with a materially reduced cost base. We remain committed to driving costs down, without affecting the high quality of our client service.

Operating review

UK operations

The Board examines a number of key performance indicators in evaluating business performance, the key ones being:

	2008	2007
Revenue per employee (£'000)	**134**	**325**
Ratio of employee compensation to turnover	**78%**	**55%**
Fixed non compensation costs per employee (£'000)	**51**	**55**
Average daily institutional revenue (£'000)	**35**	**64**
UK adjusted operating (loss)/profit (£'000)	**(4,898)**	**10,104**

Excluding the losses on the trading book and the impairment recognised on marking to market of Available for Sale Investments, the adjusted operating loss was £1.4m.

At year end we were retained by 78 (2007: 88) UK listed corporate clients and maintained sales and trading relationships with over 400 (2007: over 400) institutional investors in the UK and overseas.

Institutional equities and research

£'000	2008	2007
Commission	**11,015**	14,386
Trading	**(2,165)**	1,719
	8,850	16,105
Settlement costs	**(1,171)**	(1,211)
Net commission and trading income	**7,679**	14,894

While commission fell by 23% compared to 2007, we gained significant market share during 2008. Early indications are that we continue to gain market share in 2009.

We intentionally reduced the size of our trading books significantly in the fourth quarter, and while this crystallised trading losses, we entered 2009 with net books of £2.9m compared to a month end average of £5m in H1 2008. Despite difficult market conditions in early 2009, the trading book is profitable year-to-date.

We offer research, sales and trading services predominantly in UK equities to institutional investors. We do not proprietary trade and our model is one of client facilitation. We have and will continue to take advantage of market conditions to hire exceptional talent, to help drive revenue and provide improved service to our clients.

During the year we continued to produce high quality independent research on over 220 stocks, from FTSE100 companies to AIM, across 25 sectors. We make markets in approximately 500 stocks.

Investment banking

£'000	2008	2007
Transaction fees	**5,679**	23,496
Retainers	**3,157**	2,719
Corporate finance fee income	**8,836**	26,215

Market turbulence impacted transaction fees significantly, but in these difficult times we take pride in remaining close to our corporate clients and offering advice biased towards quality and strengthening our long-term relationships. Some highlights for 2008 include:

- 21 transactions involving a total value of £879.2m
- being appointed to 13 new clients

We see continued progress in client and transaction wins, strengthened by our genuine transatlantic presence, and we expect this to be of tremendous benefit as markets stabilise.

Pre-bonus operating costs (excluding redundancy and restructuring)	Q1	Q2	Q3	Q4
£'000				
Fixed employment	3,182	3,229	2,966	2,835
Other overheads	1,646	1,766	1,666	1,529
	4,828	**4,995**	**4,632**	**4,364**

The above costs exclude redundancy and restructuring costs and other one-off items totalling £2.2m for the year. Effective cost reductions meant that we started the new year with an annualised cost base of approximately £17.5m in the UK.

US operations	2008 £'000	2007 £'000	2008 $'000	2007 $'000
Revenue per employee	**162**	**177**	**297**	**361**
Ratio of employee compensation to turnover	**77%**	**68%**	**77%**	**68%**
Fixed non compensation costs per employee	**67**	**60**	**124**	**130**
Average daily institutional revenue	**66**	**54**	**121**	**109**
US adjusted operating profit/(loss)	**(5,031)**	**(1,469)**	**(9,467)**	**(2,908)**

Institutional equities and research

	2008 £'000	2007[1] £'000	2008 $'000	2007[1] $'000	2007[2] $'000
Commission	**17,353**	11,123	**31,714**	22,471	29,844
Trading	**(685)**	(861)	**(1,246)**	(1,747)	(2,319)
	16,668	10,262	**30,468**	20,724	27,525
Settlement costs	**(1,846)**	(952)	**(3,364)**	(1,928)	(2,194)
Net commission and trading income	**14,822**	9,310	**27,104**	18,796	25,331

1 For the nine months of the year post acquisition.
2 Full year of which only nine months form part of the Group accounts for 2007.

Institutional commission net of trading losses was 11% ahead of 2007, a very satisfactory result given difficult market conditions.

We offer research, sales and trading services in US equities to institutional investors. We do not proprietary trade and our model is one of client facilitation. We believe the loss ratio of 4% to be good compared with the industry overall. We have and will continue to take advantage of market conditions to hire exceptional talent to help drive revenue and provide improved service to our clients.

Investment banking

	2008 £'000	2007[1] £'000	2008 $'000	2007[1] $'000	2007[2] $'000
M&A	**5,329**	1,156	**9,887**	2,300	2,300
Equity fund raisings	**2,719**	9,279	**5,253**	18,867	29,630
Transaction fees	**8,048**	10,435	**15,140**	21,167	31,930

1 For the nine months of the year post acquisition.
2 Full year of which only nine months form part of the Group accounts for 2007.

While the IPO market remained tough during 2008 we are delighted that our M&A franchise in the US enjoyed a record year. The quality, size and our role on these transactions has improved through the strength of our offering and we expect this to continue throughout 2009.

Operating review

Wealth advisory

	2008 £'000	2007[1] £'000	2008 $'000	2007[1] $'000	2007[2] $'000
Revenue	**2,683**	2,721	**4,944**	5,496	7,221

[1] For the nine months of the year post acquisition.
[2] Full year of which only nine months form part of the Group accounts for 2007.

ThinkEquity Wealth Management is a focused group servicing the needs of senior management of the firm's corporate clients and other high net worth individuals. The group currently has $600m assets under management.

Pre-bonus operating costs (excluding redundancy and restructuring) $'000	Q1	Q2	Q3	Q4
Fixed employment	6,555	6,113	5,321	4,722
Commission pay aways	2,590	2,974	2,874	2,438
Other overheads	5,358	6,127	5,042	4,760
	14,503	**15,214**	**13,237**	**11,920**

Significant cost reductions were made at the end of H2 2008 such that operating costs for Q4 were running annualised at under $48m; this was despite relatively strong commission numbers, (which increase commission pay aways to salesmen) which were running at an annualised $30m. The percentage of commission paid away to salesmen was reduced at the end of Q3. We expect to reduce the US cost base further in 2009. Redundancy and restructuring costs totalled $4.1m for 2008.

Restructuring details

Given the extreme market instability, it was decided to adjust the Group's operating costs better to withstand a sustained economic and market downturn. While this resulted in additional exceptional charges, our early action has seen benefits from the changes and savings in place for the start of 2009.

UK business

Our pre-bonus cost base in the UK is now expected to be £17.5m for 2009 down from £18.8m on an equivalent basis in 2008. Our headcount is now 114 people compared to 130 at the beginning of 2008, despite some exceptional hiring across our equities and investment banking divisions.

US business

Including our Geneva representative office, our headcount at year end was 146 compared to 186 at the beginning of 2008. All equity distribution staff are now on commission only based compensation, which makes up the bulk of variable costs.

While we retain five regional offices in the US: New York (35 heads), San Francisco (73 heads), Boston (7 heads), Chicago (13 heads), and Minneapolis (7 heads), we have sublet large amounts of the real estate and significantly reduced our real estate costs on an annualised basis.

In October Greg Wright was made CEO of the US business and has been the catalyst for significant change and cultural focus on top and bottom line performance. He is backed by an exceptional management team, all of whom are revenue generators and have extensive industry experience.

Risks and uncertainties

Panmure Gordon is proud of its reputation for integrity. We actively guard against risk by regularly reviewing the business and by actively promoting a culture founded on irreproachable ethics and compliance throughout the business.

We have identified the Group's top five risks as follows, and have geared our capital planning and risk controls accordingly.

(i) Risk of market downturn

As with other firms in our sector Panmure Gordon is generally dependent on financial market health and appetite for new and secondary issues. Panmure Gordon has seen a significant impact on its revenues due to the sustained difficult market and economic conditions. We have taken extensive steps to ensure our cost base has been reduced appropriately, our trading books and exposure minimised and our cash preserved. We continue to expand market share and win clients while diversifying our investment banking operations to ensure we can take advantage of revenue opportunities, and continue to grow our client base.

(ii) Loss of key staff

Panmure Gordon is a people-orientated business and hence the loss of team members is a potential risk. A limited number of staff departed during 2008 (other than through deliberate headcount reduction) and, almost without exception, we were able to hire people of higher standard. We value our staff as a key asset and continually strive to ensure that our clients are serviced by some of the highest quality teams in the market place. We have appropriate incentive schemes in place to retain and reward staff for performance which is value enhancing to the firm on a risk adjusted basis.

(iii) Breach of Chinese walls

A breach of Chinese walls or the requirements surrounding them would be detrimental to the Group's reputation, whether through regulatory censure or adverse publicity. Panmure Gordon has built a reputation for respecting its client confidentiality and the market's requirements. We have robust procedures in place including physical separation of departments and data segregation. All our employees fully recognise the importance of information barriers.

(iv) Lack of quality execution

Reputational risk accompanies all market transactions. We have vigorous internal approval processes that mitigate risk before we take on new business and as transactions proceed. In the event of risk crystallisation, we move proactively to address market impact and maintain confidence in our offering and services.

(v) IT failure

The level of risk arising from any IT failure is dependent largely on the failure's extent and nature. As we rely on core data services, we actively seek providers who have suitable disaster recovery procedures of their own in place in addition to building networks that are a combination of in-house and package products which ensure industry-best operating platforms supported by top-quality IT professionals. We also manage our own disaster recovery programmes and have a detailed plan in place to ensure business continuity in the event of significant failure.

More information on the Group's internal controls is contained in the corporate governance report.

Environment

Panmure Gordon realises that although its environmental footprint is relatively small, its offices contribute to emissions and produce waste.

We continue to be active in recycling programmes and use paper from sustainable forestry or recycled paper where practical. We encourage staff to only print documents where necessary and we run a pre-tax bicycle purchase benefit for employees.

Electrical waste in all our offices is disposed of safely either through using approved contractors or recycling. Old equipment is donated to charity for refurbishment and reuse by Non-Governmental Organisations throughout the developing world.

We recognise good environmental practice helps to reduce costs too. Low energy fluorescent light bulbs are installed extensively throughout our offices, many of which are activated via motion sensor. Our employees are strongly encouraged to use public transport to attend meetings outside the office.

Report of the Directors

Financial statements

The Directors have pleasure in submitting their Annual Report together with the consolidated financial statements of the Company and its subsidiary undertakings for the year ended 31 December 2008.

Principal activities

The principal activity of the Group is to provide corporate and institutional investment banking and stockbroking services. During 2008, the Group's UK business was conducted through two regulated operating subsidiaries, Panmure Gordon (UK) Limited and Panmure Gordon (Broking) Limited, which were both authorised and regulated by the Financial Services Authority. Panmure Gordon (UK) Limited is a member of the London Stock Exchange.

The majority of the Group's US business is carried out through ThinkEquity LLC, which is a member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation and is an SEC registered broker-dealer and investment adviser. It is a member of NASDAQ and a trading permit holder for the NYSE / Arca Exchange.

The shares of Panmure Gordon & Co. plc are traded on the AIM market of the London Stock Exchange (PMR.L).

Business review

A detailed review of the business and a description of the main trends and factors likely to affect the future development, performance and position of the Group can be found in the Chief Executive's review on pages 4 to 5 and the Operating review on pages 6 to 11.

Results and dividends

The Group recorded a loss after tax of £28.8m (2007: profit of £5.7m). Further information on the result for the period is included within the Chief Executive's review on pages 4 to 5 and the Operating review on pages 6 to 11.

The Directors do not recommend the payment of a dividend for the year ended 31 December 2008 (2007: 3p).

Board of Directors

The following Directors were in office during the year ended 31 December 2008:

Simon Bax	Non-executive Director	Resigned 25-11-08
Anthony Cann	Non-executive Director	
Tony Caplin	Chairman	
Paul Gismondi	Non-executive Director	
Simon Heale	Non-executive Director	
David Liddell	Executive Director	
Tim Linacre	Executive Director	
Michael Moe	Executive Director	Resigned 26-08-08
Deborah Quazzo	Executive Director	Resigned 14-10-08
Charles Stonehill	Chairman	Resigned 22-05-08
Richard Wyatt	Non-executive Director	Resigned 22-05-08

Directors' indemnity arrangements

The Company has purchased and maintained throughout the year directors' and officers' liability insurance. The Company has also executed deeds of indemnity for the benefit of each Director of the Company. These provisions, which are qualifying third party provisions, were in force during the 2008 financial year and remain in force at the date of this report.

Substantial shareholders

At 31 December 2008, the following had notified the Company of an interest of 3% or more of the Company's ordinary shares:

Beneficial owner	Number of ordinary shares	% of issued share capital
Praxis Trustees Limited on behalf of the Panmure Gordon & Co. plc No. 2 Employee Benefit Trust	14,372,744	18.99%
UKPG Holdings LLC	11,821,295	15.62%
Northcote (IOM) Limited	7,250,000	9.58%
EFG-Hermes Regional Investments Ltd	7,168,130	9.47%
HBOS plc	4,945,124	6.53%

Acquisition of own shares for treasury

At the Annual General Meeting of the Company held on 22 May 2008, the Company was given authority to purchase up to 6,732,665 ordinary 4p shares. This authority will expire at the 2009 Annual General Meeting and shareholders will be asked to give a similar authority.

During the year the Company purchased 275,000 of its own ordinary 4p shares for a total consideration of £236,605 to be held in treasury (2007:1,353,732 shares). 14,672 shares were transferred out of treasury during the year to satisfy the vesting of awards under an employee share scheme (2007: nil). The number of shares held in treasury at the year end totalled 3,470,531 (2007: 3,210,203). At 31 December 2008 the Company had 79,174,683 shares in issue, therefore the total number of shares held in treasury represents 4.38% (2007: 4.54%) of the issued share capital. The Board of Directors authorised the buy back of shares into treasury at times when the shares were perceived to be under-valued as they believed that this would increase earnings per share. Shares acquired in this way may be used to contribute to staff incentive plans in the future.

Risk management and financial risk

The risks and uncertainties facing the Group are discussed in the Operating review on pages 6 to 11. In addition, the financial instruments and risk profile of the Group are set out in note 20.

Employee benefit trusts

The Group has three employee benefit trusts ("EBTs") which were established on 28 May 1996, 5 June 2003 and 26 April 2005. The assets and liabilities of the EBTs are solely for the benefit of the employees and former employees of the Group.

Payments to suppliers

The Group agrees terms and conditions for its business transactions with suppliers. Payment is then made on these terms, subject to the terms and conditions being met by the supplier. At 31 December 2008 trade creditors represented approximately 54 days trade purchases for the Group (Parent Company: 34 days).

Political and charitable donations

No political donations were made by the Group during 2008 (2007: nil). The Group made charitable donations of £6,309 in 2008 (2007: £29,988).

Auditors

A resolution for the reappointment of KPMG Audit Plc as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

Directors' statement as to disclosure of information to auditors

Each Director who was a member of the Board at the time of approving the Directors' report (as listed on page 18), having made enquiries of fellow Directors and of the Company's auditors, confirms that:

- to the best of each Director's knowledge and belief, there is no information relevant to the preparation of this report of which the Company's auditors are unaware; and
- each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

Annual General Meeting

The Annual General Meeting of the Company will be held on Thursday 18 June 2009 at 2.00pm.

Approved by order of the Board on 14 April 2009
Sarah Wigley
Company Secretary

Directors' remuneration report

The Board of Directors presents the following remuneration report for the year ended 31 December 2008.

Remuneration Committee

The Remuneration Committee, which consists solely of Non-executive Directors, is responsible for determining the remuneration policy and terms and conditions of service of the Executive Directors and the Chairman. Further detail on the Remuneration Committee is included within the corporate governance report on pages 19 to 22.

Remuneration policy

The remuneration packages of the Executive Directors are constructed with the objective of:

- attracting and retaining individuals with the qualities required to drive the business forward;
- motivating Directors to increase the profile and profitability of the business whilst balancing both the short term aims and the long term objectives of the Group;
- aligning the interests of the Directors to those of the shareholders; and
- reflecting the value of the Directors whilst remaining appropriate in comparison to the reward levels of other senior employees within the Group.

The remuneration awarded to Directors reflects consideration of comparable market compensation packages and the individual performance of each Director, together with the Group's profitability and its position within its development cycle. In order to ensure that the Directors' motivation is intrinsically linked to the Group's performance, remuneration packages are a blend of:

- basic annual salary and related benefit;
- discretionary bonus payments;
- share incentive schemes.

Executive Directors are entitled to accept appointments outside the Group and retain any fees associated with these appointments, subject to the approval of the Board.

The remuneration of the Non-executive Directors is determined by the Chairman and the Executive Directors.

Basic salary

Each Executive Director's basic salary is determined by the Remuneration Committee taking into consideration standards within the financial services industry, market conditions and the individual's experience and potential value to the Group. Salaries are reviewed annually following the Group-wide annual appraisal process in December, or exceptionally during the year should there be any change to an individual's role or responsibility. In addition to basic salary, each Executive Director is eligible to participate in the Group's defined contribution stakeholder pension scheme, with the Group providing contributions of up to 7.5% of basic salary, depending on the Director's own contribution. Other benefits consist of membership of the Group's medical insurance, life assurance and permanent health insurance schemes. These benefits are in line with the benefits afforded to all Group employees.

The Non-executive Directors are paid an annual basic salary (with the exception of Paul Gismondi) and are reimbursed all reasonable expenses incurred solely in relation to their duties as Non-executive Director.

Share options and awards

Directors' options and other share awards are granted at the discretion of the Remuneration Committee and take into account the past performance of the individual Director and the future objectives of the Group. No options or awards were granted to Directors during 2008.

The Company currently operates nine share plans:

- 2002 Approved Share Option Plan
- 2002 Unapproved Share Option Plan
- 2005 Employee Share Option Plan
- Performance Share Option Plan
- Matching Share Plan
- Overseas Share Option Plan
- ThinkEquity Accrued Bonus Plan
- ThinkEquity Performance Pool Plan
- Performance Share Plan

Options awarded under the Performance Share Option Plan, the ThinkEquity Performance Pool Plan and the Performance Share Plan are subject to the attainment of certain performance conditions; no specific performance criteria have been set for exercise of share options or vesting of share awards under the other plans.

Directors' contracts

Tim Linacre and David Liddell have service contracts without fixed terms which are terminable on twelve months' notice by the Group. Should a Director's contract be terminated without giving the required notice, the Company would be obliged to pay compensation to the extent that insufficient notice was given. Compensation for loss of office is negotiable by the Company.

The Non-executive Directors all have service contracts without fixed terms which are terminable on three months' notice, with the exception of Paul Gismondi's contract which is governed by the terms of the Relationship Agreement in place between Panmure Gordon & Co. plc, UKPG Holdings LLC and Lazard & Co., Limited.

All Directors are required to retire by rotation (providing each Director is subject to re-election every three years) and one third of the Board is required to seek re-election each year.

Tim Linacre and Simon Heale will be standing for re-election by the shareholders at the Annual General Meeting.

Directors' emoluments

Given market conditions over the last 18 months, the Executive Directors have not received a cash bonus or share-based award in respect of the 2008 financial year and will have no increase to their basic salaries for 2009.

Emoluments paid to each Director during the period ended 31 December 2008 were as follows:

	Salary	Bonus	Pension	Benefits	Dividend Equivalent Payment[1]	Loss of office	Total	Total
	2008 £'000	2008 £'000	2008 £'000	2008 £'000	2008 £'000	2008 £'000	2008 £'000	2007 £'000
S Bax[2]	33	-	-	-	-	-	**33**	10
A Cann	37	-	-	-	-	-	**37**	13
A Caplin	39	-	-	2	-	-	**41**	52
P Gismondi[3]	-	-	-	-	-	-	**-**	-
S Heale	39	-	-	-	-	-	**39**	50
D Liddell	140	-	16	3	4	-	**163**	284
T Linacre	160	-	13	3	64	-	**240**	579
M Moe[4]	101	-	-	7	-	68	**176**	226
D Quazzo[5]	136	-	-	-	-	136	**272**	221
R Wyatt[6]	17	-	-	1	64	-	**82**	97
C Stonehill[7]	27	-	-	-	3	-	**30**	70
Total	**729**	**-**	**29**	**16**	**135**	**204**	**1,113**	1,602

[1] The Dividend Equivalent Scheme represents payments in substitution for dividends that would have been paid in respect of shares under the 2005 Employee Share Option Plan and the Performance Share Option Plan.

[2] Resigned 25 November 2008.

[3] Paul Gismondi's contract is governed by the terms of the Relationship Agreement in place between Panmure Gordon & Co. plc, UKPG Holdings LLC and Lazard & Co., Limited. Under this agreement, UKPG is entitled to appoint a Non-executive Director to the Board (the "Appointed Director"), to remove any Appointed Director from office and to appoint another person in the place of any Appointed Director who for any reason ceases to be a Director.

[4] Resigned 26 August 2008.

[5] Resigned 14 October 2008.

[6] Resigned 22 May 2008.

[7] Resigned 22 May 2008.

Directors' remuneration report

Directors' interests in the Company

Shareholdings

The following Directors of the Company had beneficial interests in the Company on 31 December 2008:

	Ordinary shares of 4p each as at 31 December 2008	Ordinary shares of 4p each as at 31 December 2007
Anthony Cann	196,962	-
Tony Caplin	324,104	127,142
Simon Heale	64,240	15,000
David Liddell	135,481	37,000
Tim Linacre	86,740	37,500

The figures above exclude vested share options under the 2005 Employee Share Option Plan held within the Panmure Gordon & Co. plc No. 2 Employee Benefit Trust as detailed below.

Share options & awards

The following tables provide details of Directors' share options and awards which were outstanding at 31 December 2008:

2002 Approved Share Option Plan

Date of grant	Earliest exercise date	Expiry date	Exercise price (p)	No. outstanding at 1 January 2008	Granted in period	Lapsed in period	No. outstanding at 31 December 2008
Tony Caplin							
06/06/03	06/06/06	06/06/13	120	25,000	-	-	25,000
David Liddell							
12/05/04	12/05/07	12/05/14	125	24,000	-	-	24,000

2002 Unapproved Share Option Plan

Date of grant	Earliest exercise date	Expiry date	Exercise price (p)	No. outstanding at 1 January 2008	Granted in period	Lapsed in period	No. outstanding at 31 December 2008
David Liddell							
26/04/05	26/04/07	26/04/15	120	500,000	-	-	500,000

Some of the shares held in the Employee Benefit Trust have been sub-trusted for the potential benefit of certain Directors or their beneficiaries. The current allocations, which are subject to change at the Trustees' discretion, are as follows:

Date of sub-trusting	Earliest exercise date	Expiry date	Exercise price (p)	No. outstanding at 1 January 2008	Granted in period	Lapsed in period	No. outstanding at 31 December 2008
Tony Caplin							
10/07/03	06/06/05	06/06/13	103	167,828	-	-	167,828
31/10/03	11/08/05	11/08/13	171	35,172	-	-	35,172
							203,000
David Liddell							
13/05/04	06/06/05	06/06/13	103	5,715	-	-	5,715
13/05/04	11/08/05	11/08/13	171	23,560	-	-	23,560
13/05/04	12/05/06	12/05/14	125	96,725	-	-	96,725
26/04/05	07/12/06	07/12/14	64	130,000	-	-	130,000
							256,000

2005 Employee Share Option Plan

The Trustees of the Panmure Gordon & Co. plc No. 2 Employee Benefit Trust have granted options to Directors as follows:

Date of grant	Earliest exercise date	Expiry date	Exercise price (p)	No. outstanding at 1 January 2008	Granted in period	Lapsed in period	No. outstanding at 31 December 2008
David Liddell							
26/04/05	26/04/06	Undated	4	64,646	-	-	64,646
26/04/05	26/04/07	Undated	4	64,647	-	-	64,647
26/04/05	26/04/08	Undated	4	64,647	-	-	64,647
							193,940
Tim Linacre							
26/04/05	26/04/06	Undated	4	824,246	-	-	824,246
26/04/05	26/04/07	Undated	4	824,246	-	-	824,246
26/04/05	26/04/08	Undated	4	824,246	-	-	824,246
							2,472,738

Performance Options

The performance criteria having been met, Tim Linacre holds options to subscribe for 872,731 ordinary shares, which are currently exercisable, at an exercise price of 4p. These options were granted on 26 April 2005 and became exercisable as to half of the shares under option when the market capitalisation of the Company exceeded £60m on any five consecutive AIM trading days and as to the remaining half when the market capitalisation of the Company exceeded £90m on any five consecutive AIM trading days. The options have no expiry date.

Matching Share Plan

The Matching Share Plan was introduced in March 2007 and all employees of the Group at the time were invited to participate in the plan. Under the plan, free shares are awarded to match the number of shares employees purchase themselves, subject to a three year holding period. Executive Directors have participated in the plan as follows:

Date of grant	Vesting date	No. outstanding at 1 January 2008	Granted in period	Lapsed in period	No. outstanding at 31 December 2008
David Liddell					
31/03/07	31/03/10	11,000	-	-	11,000
Tim Linacre					
31/03/07	31/03/10	12,500	-	-	12,500

There are no options or awards outstanding to Directors under the Overseas Share Option Plan, the ThinkEquity Accrued Bonus Plan, the ThinkEquity Performance Pool Plan or the Performance Share Plan.

During the period and up to the date of this report, the current Directors have exercised none of the above share options or awards.

Details on staff share options exercised during the period are included in note 23 to the financial statements.

The market price of the Company's shares at 31 December 2008 was 20p (31 December 2007: 91.5p) and the range during the period was 19.5p to 91.5p.

Approved by order of the Board on 14 April 2009
Sarah Wigley
Company Secretary

Board of Directors

Chairman

Tony Caplin (57)

Tony was appointed Chairman of Panmure Gordon in May 2008, having previously served as Chairman from 2002 to 2005 and as a Non-executive Director from 2005 to 2008. He has helped numerous companies on the road to success and has also held a number of senior management positions with Manchester News Ltd and Pacific Telesis, amongst others. He is currently the Chairman of North West London Hospitals NHS Trust and is a Non-executive Director of Northamber plc and Alternative Networks plc.

Chief Executive

Tim Linacre (50)

Tim has worked in the City for some 27 years; originally a Chartered Accountant, he moved to Hoare Govett before joining Panmure Gordon in 1992. He has helped steer the firm through its various incarnations, being Head of Investment Banking for WestLB Panmure, Head of Corporate Broking and Head of Technology Banking before being appointed Chief Executive of WestLB Panmure in 2003. He orchestrated the sale of the business to Lazard in 2004 becoming a Managing Director of Lazard with responsibility for Lazard Capital Markets which he integrated within Panmure Gordon. Following the combination with Durlacher in 2005, Tim became Chief Executive of the listed business.

Chief Financial Officer

David Liddell (49)

David was appointed Finance Director in April 2004. Having read history at Cambridge, he qualified as a Chartered Accountant with Deloitte Haskins & Sells in 1986. In 1988 he joined Hoare Govett Securities Limited as a financial accountant and subsequently moved to Guinness Flight Global Asset Management Limited as Finance Director in 1991. Overseeing a business that grew rapidly, including the acquisition of Hambros Fund Management from Hambros plc, David played a leading role in the sale of Guinness Flight Hambro to Investec Group in 1998. Continuing as Finance Director of the enlarged fund management business, Investec Asset Management, until 2000, he then became head of Investec's investment trust business.

Non-executive Director

Anthony Cann (61)

Anthony has spent his career as a solicitor with Linklaters, a global law firm, and served as worldwide Senior Partner from 2001 to 2006. He worked principally in the firm’s corporate department, working on a broad range of M&A transactions, privatisations and several financings, specialising particularly in public and private M&A and joint ventures. Anthony is currently a Non-executive Director of Smiths News plc, Chairman of Trustees of Changing Faces, a Trustee of Adventure Capital Fund, a Director of Futurebuilders England Fund Management Ltd and a Governor of Haberdashers' Aske's Hatcham College Trust.

Non-executive Director

Paul Gismondi (53)

Paul has 30 years of experience in the banking industry and is currently a Managing Director in charge of Lazard & Co., Limited's capital markets advisory, origination, and financing activities, responsible for advising, acting as sponsor and acting as placement agent on a wide range of securities offerings and private placements. Before joining Lazard Brothers & Co., Limited in 1990, Paul spent five years as Managing Director of Manufacturers Hanover Limited in London. Previously he was employed by Manufacturers Hanover Trust Company in New York and the Bank of New York. Paul is also a Non-executive Director of Hampson Industries PLC and is a Fellow of the Securities Institute.

Non-executive Director

Simon Heale (55)

Simon is currently a Non-executive Director of Morgan Crucible Company plc, Kazakhmys plc, PZ Cussons plc and MAREX Financial Limited. He recently acted as Chief Executive of CHINA NOW, a festival devoted to Chinese culture which ran from February 2008 until the Beijing Olympics in August 2008. He was previously Chief Executive of the London Metal Exchange, held roles as Group Finance Director and Chief Operating Officer of Jardine Fleming in Hong Kong and spent a long career with the Swire Group, holding positions in the US, Japan and Hong Kong.

Corporate governance

The Group is committed to a high standard of corporate governance and has, wherever possible and practicable, adopted the provisions of the Combined Code as it applied to the Group's current reporting period. Where the Group does not comply with the code's provisions, an explanation is set out below.

Board of Directors

The Board currently consists of two Executive and four Non-executive Directors, whose biographies can be found on page 18. The Directors collectively bring a broad range of business experience to the Board and this is considered essential for the effective management of the Group. The Board has between eight and ten scheduled meetings each year and meets more frequently when required by the needs of the business. The Board has full control over strategy, investment and capital expenditure and is responsible for the overall direction and performance of the Group. The day to day management of the Group's business in the UK is delegated to the Management, Risk and New Business Committees and in the US to the Board of Panmure Gordon Holdings US LLC and the ThinkEquity Management Committee. The Board reviews the decisions of these Committees at each of its meetings.

The roles of Chairman and Chief Executive are separated, ensuring a division of authority and responsibility at the most senior level within the Company. Tony Caplin was appointed Non-executive Chairman on 22 May 2008 having previously served as Chairman from 2002 to 2005 and as a Non-executive Director from 2005 to 2008. Tony Caplin was awarded share options some years ago, nevertheless the Board does not consider that this impedes his objectivity and independence in current matters.

Of the Non-executive Directors, Anthony Cann and Simon Heale are considered by the Board to be independent of management and free from any relationship that could materially interfere with the exercise of their independent judgement. Paul Gismondi was appointed by UKPG Holdings LLC, a major shareholder, pursuant to the Relationship Agreement entered into at the time of the acquisition of Panmure Gordon. He is not therefore considered to be independent, but nevertheless applies impartial reasoning to Board involvement. The Non-executive Directors all contribute to the Company's strategy and policy making; in addition they assist with the monitoring of the performance of the business and its successful management.

The Board has agreed not to appoint a Senior Independent Director. Given the size of the organisation and the policy of active dialogue maintained with institutional shareholders by senior management, the Board is of the opinion that the appointment of a Senior Independent Director would not assist further in communication with shareholders.

To enable the Board to function effectively and allow Directors to discharge their responsibilities, full and timely access is given to all relevant information. A comprehensive set of board papers including the latest monthly and year-to-date accounts compared to budget is presented to the Board at each of its regular meetings.

Newly appointed Directors are offered training appropriate to the level of their previous experience. Details of Directors' retirement and re-election requirements are detailed within the Directors' remuneration report on pages 14 to 17. All Directors have access to the Company Secretary, who is responsible for ensuring that Board procedures are observed. Any Director wishing to do so may take independent professional advice at the expense of the Company.

Full details of the Company's remuneration policy and the terms and conditions of service are set out in the Directors' remuneration report appearing on pages 14 to 17.

Board Committees

The Board has a supporting committee structure in line with the proposals of the Combined Code. The Board has three committees, namely the Nomination Committee, the Audit Committee and the Remuneration Committee, as described below. The terms of reference of these committees can be viewed on the Company's website (www.panmure.com). The Board also established a Compliance Committee in early 2009.

Audit Committee

The Audit Committee comprises Anthony Cann, Tony Caplin and Simon Heale and is chaired by Simon Heale. The Committee meets at least twice a year and monitors and reviews the internal controls and financial reporting of the Group from information provided by the management and auditors. It also considers the objectivity, independence and cost effectiveness of the external auditors. Other personnel, including the Chief Executive and the Chief Financial Officer, may be invited to attend the Audit Committee meetings as required.

Corporate governance

Nomination Committee

The Nomination Committee currently comprises Anthony Cann, Tony Caplin, Paul Gismondi and Simon Heale and is chaired by Paul Gismondi. As mentioned earlier in this report, Paul Gismondi is not considered to be an independent Non-executive Director due to his appointment by UKPG Holdings LLC pursuant to the Relationship Agreement entered into at the time of the acquisition of Panmure Gordon. However, the Committee is comprised exclusively of Non-executive Directors and the Board considers that this constitutes an effective balance of independent views on Board appointments. The Committee meets as necessary to consider and make recommendations to the Board in respect of further Board appointments.

Remuneration Committee

The Remuneration Committee meets at least once a year and on an ad hoc basis as and when required. The members of the Committee are Anthony Cann, Simon Heale and Paul Gismondi and it is chaired by Anthony Cann. The Committee is responsible for determining the remuneration policy, the terms and conditions of service of the Company's Executive Directors and for considering the introduction of incentive schemes for the Executive Directors and the Group's employees more generally. During the year, the Committee finalised the implementation of the Company's new Performance Share Plan, which was approved by shareholders at the 2008 Annual General Meeting. Other Directors, the Head of HR or representatives of external advisers are invited to attend Committee meetings as appropriate.

Compliance Committee

The Compliance Committee was established in 2009 and comprises Anthony Cann, Tony Caplin, Paul Gismondi and Simon Heale. It is chaired by Anthony Cann and intends to meet three to four times a year. It will review the Group's compliance with its regulatory obligations, review the activities of the Group Compliance department and oversee the Group's relationships with its regulators.

Attendance at meetings

	Scheduled Board meetings	Audit Committee	Remuneration Committee
Number of meetings in the year	8	3	6
Anthony Cann[1]	8/8	2/2	6/6
Tony Caplin[2]	8/8	1/1	4/4
Paul Gismondi[3]	8/8		2/2
Simon Heale	8/8	3/3	6/6
David Liddell	8/8		
Tim Linacre	8/8		

[1] Anthony Cann was appointed to the Audit Committee on 22 May 2008.

[2] Tony Caplin ceased to be a member of the Audit and Remuneration Committees on 22 May 2008 and was re-appointed to the Audit Committee on 9 February 2009.

[3] Paul Gismondi was appointed to the Remuneration Committee on 22 May 2008.

There were no Nomination Committee meetings during the calendar year.

Board performance evaluation

The Board has undertaken a formal review of its own performance and that of the Board committees and individual directors during the financial year. The review was conducted internally by the Company Secretary and consisted of interviews with each Director following a standard questionnaire. Views and recommendations were consolidated into a report which was presented to the Board. Some of the issues raised by the evaluation process will be used to introduce improvements to the Board's procedures during the coming year, to build upon strengths and to tackle weaknesses identified.

Auditor independence

The Audit Committee and the external auditors, KPMG Audit Plc, have safeguards in place to avoid the possibility that the auditors' objectivity and independence could be compromised. These safeguards include the auditors' report to the Audit Committee on the actions they take to comply with the professional and regulatory requirements and best practice designed to ensure their independence from Panmure Gordon.

The overall performance and the independence of the auditors is reviewed annually by the Audit Committee taking into account the views of management. The Audit Committee also has discussions with the auditors without management being present on the adequacy of controls and on any judgemental areas.

The annual appointment of auditors by shareholders in the Annual General Meeting is a fundamental safeguard of auditor independence, but beyond this, appropriate consideration is given to whether additional work performed by the auditors may be appropriate for sound commercial and practical reasons, including confidentiality. Examples of work that would fall into this category include regulatory advice, taxation services and financial due diligence work.

The level of audit and non-audit fees charged by KPMG Audit Plc is set out in note 6.

Internal control

The Board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group, which has been in place for the period and up to the date of approval of the financial statements. This process has been reviewed by the Board.

The Directors are responsible for the Group's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss. Steps have been taken to embed internal control and risk management further into the operations of the business, as described below.

As part of the Chief Executive's review presented at each Board meeting, the monthly results of each area of the business are discussed and compared to forecast. Market conditions, and the risks and benefits that these afford to each business area at the time, are considered, together with any developing operational or other environmental risks surrounding each activity. Both the Audit Committee and the Board have reviewed and discussed the Group's Internal Capital Adequacy Assessment Process during the year.

The Group has established a number of committees for the day to day running of the business.

In the UK, the Management Committee comprises the Executive Directors and all business unit heads. It is chaired by the Chief Executive and meets weekly. The Risk Committee, which is tasked with consideration of all risk issues, specifically market and trading risks, meets twice a month and is chaired by the Chief Financial Officer. Its members include the COO, the Head of Trading, the Operational Risk Manager and the Compliance Officer. An Operational Risk Committee, which is responsible for monitoring and reviewing operational risk and the control environment generally, reports into the Risk Committee. The New Business Committee meets as appropriate to consider proposed engagements. The New Business Committee is chaired by the Chief Executive and comprises appropriate executives from Corporate Finance and Institutional Equities, as well as the Chief Financial Officer and Compliance Officer. Departmental meetings are also held on a regular basis.

In the US, representatives from each business area are members of the Management Committee, the committee charged with overseeing the day to day running of the business, which meets weekly. There are also two functional committees to review new business: one which is tasked with reviewing potential equity transactions and a second which approves new M&A transactions. In addition, the Investment Management Committee reviews new customers and relative client performance in our Investment Advisory business.

Owing to the size of the Group, the monitoring of the Group's activities by the Compliance department and the hands-on approach by the Executive Directors, the Board continues to feel that a dedicated internal audit function is not appropriate; however, this will continue to be reviewed annually.

Corporate governance

Going concern

The Directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the following 12 month period. For this reason the Directors continue to adopt the going concern basis in preparing the financial statements.

Communication with shareholders

The Company places a great deal of importance on communicating with its shareholders and endeavours to keep shareholders informed through press releases, the Company's website and Interim and Annual Reports. All shareholders are encouraged to attend, and are given at least 21 days' notice of, the Annual General Meeting, at which an opportunity is provided to ask questions. The Executive Directors are in regular contact with the Company's major shareholders and other institutional investors throughout the year and they are responsible for ensuring that shareholders' views are communicated to the Board as a whole.

Regulation

Panmure Gordon (UK) Limited is authorised and regulated by the Financial Services Authority. ThinkEquity is a member of the Financial Industry Regulatory Authority (FINRA) and the Securities Investor Protection Corporation and is an SEC registered broker-dealer and investment adviser.

Statement of Directors' reponsibilities in respect of the Annual Report and the financial statements

The Directors are responsible for preparing the Annual Report and the Group and Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange, they are required to prepare the Group's financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements on the same basis.

The Group and Company financial statements are required by law and IFRSs as adopted by the EU to present fairly the financial position of the Group and the Company and the performance for that period; the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing each of the Group and Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of Panmure Gordon & Co. plc

We have audited the Group and Company financial statements (the "financial statements") of Panmure Gordon & Co. plc for the year ended 31 December 2008 which comprise the consolidated income statement, the consolidated and Company statements of recognised income and expense, the consolidated and Company balance sheets, the consolidated and Company cash flow statements and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the Statement of Directors' responsibilities on page 23.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion, the information given in the Directors' report is consistent with the financial statements. The information given in the Directors' report includes that specific information presented in the Operating review and Chief Executive's review that is cross referred from the Business review section of the Directors' report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Group's affairs as at 31 December 2008 and of its loss for the year then ended;
- the Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU as applied in accordance with the provisions of the Companies Act 1985, of the state of the Company's affairs as at 31 December 2008;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' report is consistent with the financial statements.

KPMG Audit Plc
Chartered Accountants
Registered Auditor
8 Salisbury Square
London
14 April 2009

Consolidated income statement
for the year ended 31 December 2008

	Notes	2008 £'000	2007 £'000
Commission and trading income		25,518	27,952
Commission and trading expense		(3,017)	(2,164)
Net commission and trading income		22,501	25,788
Corporate finance and other fee income		19,567	39,371
Net commission and fee income		**42,068**	**65,159**
Net loss on available for sale investments		(1,349)	(1,104)
Administrative expenses[1]		(50,931)	(55,494)
Redundancy and restructuring charges[1]	4	(3,187)	(432)
Operating (loss)/profit before share-based payments and goodwill impairment		**(13,399)**	**8,129**
Share-based payments arising as a result of the acquisition of Panmure Gordon (UK) Limited[1]	5	135	(4,149)
Other share-based payments[1]	5	(2,513)	(2,278)
Goodwill impairment[1]	12	(13,688)	-
Operating (loss)/profit (including goodwill impairment)		**(29,465)**	**1,702**
Financial income	7	945	2,043
Financial expenses	7	(259)	(222)
Net financial income	7	686	1,821
(Loss)/profit before tax		**(28,779)**	**3,523**
Income tax	9	635	2,167
(Loss)/profit for the period		**(28,144)**	**5,690**
Basic earnings per share	11	**(38.50)p**	**8.23p**
Diluted earnings per share	11	**(38.50)p**	**8.05p**

[1] These are all part of administrative expenses which total £70.2m (2007: £62.4m) that have been presented separately owing to their nature and size.

The notes on pages 32 to 72 form part of these financial statements.

Consolidated statement of recognised income & expense for the year ended 31 December 2008

	Notes	2008 £'000	2007 £'000
Foreign exchange translation differences (net of tax)	24	6,206	(356)
Change in fair value of available for sale investments		-	(17)
Deferred tax arising thereon	19	-	5
Income and expense recognised directly in equity		**6,206**	**(368)**
(Loss)/profit for the period	24	**(28,144)**	**5,690**
Total recognised income and expense for the period		**(21,938)**	**5,322**

The notes on pages 32 to 72 form part of these financial statements.

Consolidated balance sheet
as at 31 December 2008

	Notes	2008 £'000	2007 Restated[1] £'000
Assets			
Intangibles	12	32,381	40,545
Plant and equipment	13	3,029	3,288
Available for sale investments	14	4,076	6,351
Deferred tax asset	19	4,822	4,541
Total non-current assets		**44,308**	**54,725**
Securities held for trading	14	3,133	5,477
Trade and other receivables	15	25,804	39,730
Cash and cash equivalents		21,106	34,893
Total current assets		**50,043**	**80,100**
Current liabilities			
Bank overdraft	27	-	(459)
Trade payables	16	(17,112)	(30,776)
Tax and social security		(606)	(470)
Corporation tax liabilities		-	(774)
Other payables	16	(10,809)	(20,219)
Held for trading liabilities		(212)	(686)
Total current liabilities		**(28,739)**	**(53,384)**
Net current assets		**21,304**	**26,716**
Interest bearing loans and borrowings	17	(3,000)	(3,000)
Provisions	18	(488)	(488)
Deferred tax liability	19	(592)	(345)
Total non-current liabilities		**(4,080)**	**(3,833)**
Net assets		**61,532**	**77,608**
Equity			
Issued share capital	24	3,167	2,831
Shares to be issued (including share premium)	24	611	3,147
Share premium account	24	16,058	12,676
Merger reserve	24	21,200	32,818
Special reserve	24	9,595	9,595
Fair value reserve	24	-	(12)
Other reserve	24	(566)	(636)
Foreign currency translation reserve	24	5,850	(356)
Treasury shares	24	(5,187)	(4,972)
Retained earnings	24	10,804	22,517
Total equity		**61,532**	**77,608**

[1] Restatement in respect of goodwill as described in note 12 to these financial statements.

The notes on pages 32 to 72 form part of these financial statements.

Approved by the Board on 14 April 2009 and signed on its behalf by:

Tim Linacre	David Liddell
Chief Executive	Chief Financial Officer

Company statement of recognised income & expense for the year ended 31 December 2008

	Notes	2008 £'000	2007 £'000
Change in fair value of available for sale investments		17	(17)
Deferred tax arising thereon	19	(5)	5
Income and expense recognised directly in equity		**12**	**(12)**
Profit for the period	24	**242**	**4,793**
Total recognised income and expense for the period		**254**	**4,781**

The notes on pages 32 to 72 form part of these financial statements.

Company balance sheet
as at 31 December 2008

	Notes	2008 £'000	2007 Restated[1] £'000
Assets			
Plant and equipment	13	932	1,627
Investments in subsidiary undertakings	14	39,362	47,811
Amounts owed by subsidiary undertakings	14	20,080	8,999
Available for sale investments	14	4,058	6,338
Deferred tax asset	19	663	2,062
Total non-current assets		**65,095**	**66,837**
Trade and other receivables	15	3,539	3,937
Cash and cash equivalents	27	581	153
Total current assets		**4,120**	**4,090**
Current liabilities			
Trade payables	16	(395)	(209)
Other payables	16	(3,666)	(12,212)
Accruals and deferred income	16	(2,313)	(1,741)
Total current liabilities		**(6,374)**	**(14,162)**
Net current liabilities		**(2,254)**	**(10,072)**
Provisions	18	-	-
Deferred tax liability	19	-	(28)
Net assets		**62,841**	**56,737**
Equity			
Issued share capital	24	3,167	2,831
Shares to be issued (including share premium)	24	611	3,147
Share premium account	24	16,058	12,676
Merger reserve	24	1,105	12,723
Special reserve	24	9,595	9,595
Fair value reserve	24	-	(12)
Other reserve	24	(566)	(636)
Treasury shares	24	(5,187)	(4,972)
Retained earnings	24	38,058	21,385
Total equity		**62,841**	**56,737**

[1] See notes 14 and 15.

The notes on pages 32 to 72 form part of these financial statements.

Approved by the Board on 14 April 2009 and signed on its behalf by:

Tim Linacre
Chief Executive

David Liddell
Chief Financial Officer

Consolidated statement of cash flow

Reconciliation of profit before tax to net cash outflow from operating activities

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Cash flows from operating activities		
(Loss)/profit before tax	(28,779)	3,523
Net financial income	(686)	(1,821)
Depreciation and amortisation	1,697	1,018
Goodwill write down	13,688	-
Net loss on available for sale investments	1,349	1,104
Movement in securities held for trading	1,870	(1,658)
(Increase)/decrease in net amounts owed by market counterparties	(35)	3,088
Decrease in trade receivables	968	356
Decrease in trade payables and provisions	(9,305)	(2,644)
IFRS 2 share-based payment charges	3,522	4,908
Net cash (outflow)/inflow from operating activities	**(15,711)**	**7,874**
Income taxes paid	(843)	(3,132)
Net cash from operating activities	**(16,554)**	**4,742**
Cash flows from investing activities		
Financial income received	945	2,043
Acquisition of subsidiary net of cash acquired	-	(1,313)
Transaction costs relating to the subsidiary acquisition	-	(1,483)
Acquisition of plant and equipment	(643)	(1,447)
Acquisition of available for sale investments	(1,503)	(4,344)
Proceeds from disposal of available for sale investments	2,468	2,400
Net cash from investing activities	**1,267**	**(4,144)**
Cash flows from financing activities		
Proceeds from the issue of share capital	3,164	86
Purchase of own shares for treasury	(237)	(2,162)
Financial expense	(259)	(222)
Repayment of borrowings arising in subsidiary acquired	-	(6,144)
Repayment of EBT loan	70	76
Payment of 2007 dividend	(779)	(761)
Net cash from financing activities	**1,959**	**(9,127)**
Net decrease in cash and cash equivalents	(13,328)	(8,529)
Cash and cash equivalents at 1 January	34,434	42,963
Cash and cash equivalents at 31 December	**21,106**	**34,434**

The notes on pages 32 to 72 form part of these financial statements.

Company statement of cash flow

Reconciliation of profit before tax to net cash outflow from operating activities

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 Restated[1] £'000
Cash flows from operating activities		
Profit before tax	1,610	2,764
Net financial income	(675)	(608)
Depreciation and amortisation	821	664
Impairment of subsidiary	13,688	-
Foreign exchange gain on loan to subsidiary	(3,721)	-
Loss on available for sale investments	1,349	1,124
(Decrease)/increase in trade receivables	398	(1,040)
(Decrease)/increase in trade payables and provisions	(7,695)	8,228
IFRS 2 share-based payment charges	282	1,764
Net cash outflow from operating activities	**6,057**	**12,896**
Cash flows from investing activities		
Financial income received	675	608
Acquisition of subsidiary	-	(1,847)
Transaction costs relating to the subsidiary acquisition	-	(181)
Capital injection into subsidiary	(2,000)	(9,119)
Loan to subsidiary	(7,360)	(8,999)
Acquisition of plant and equipment	(126)	(663)
Acquisition of available for sale investments	(1,503)	(4,344)
Proceeds from disposal of available for sale investments	2,467	2,324
Net cash from investing activities	**(7,847)**	**(22,221)**
Cash flows from financing activities		
Proceeds from the issue of share capital	3,164	86
Purchase of own shares for treasury	(237)	(2,162)
Repayment of EBT loan	70	76
Payment of 2007 dividend	(779)	(761)
Net cash from financing activities	**2,218**	**(2,761)**
Net increase/(decrease) in cash and cash equivalents	428	(12,086)
Cash and cash equivalents at 1 January	153	12,239
Cash and cash equivalents at 31 December	**581**	**153**

[1] See note 14.

The notes on pages 32 to 72 form part of these financial statements.

Notes to the financial statements

1 Significant accounting policies

Panmure Gordon & Co. plc (the "Company") is a company domiciled in the United Kingdom. The address of the Company's registered office is Moorgate Hall, 155 Moorgate, London, EC2M 6XB. The consolidated financial statements of the Company for the year ended 31 December 2008 comprise the Company and its subsidiaries (together referred to as the "Group").

1.1 Basis of preparation and statement of compliance

Both the Group and Company financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). On publishing the Company's financial statements here together with the Group's financial statements, the Company is taking advantage of the exemption in section 230 of the Companies Act 1985 not to present its individual income statement and related notes that form a part of these approved financial statements.

The financial statements are presented in sterling, rounded to the nearest thousand. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

The preparation of financial statements in conformity with adopted IFRSs require management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from those estimates. Judgements made by management in the application of adopted IFRSs that have a significant effect on the financial statements and estimates with a significant risk of material adjustment are discussed in note 28.

The Group's exposure to financial instruments and associated risk profiles is set out in note 20 to these financial statements.

The Group has cash resources of £21.1m at 31 December 2008 and no short-term borrowings. The only debt in the Group is a subordinated loan of £3m, which is repayable in February 2011. The Group has to maintain sufficient regulatory capital to satisfy regulations in the UK and the US. At 31 December 2008, the Group had excess regulatory capital under FSA regulations of £12m (unaudited).

The Group does not have any balance sheet risk in the form of loans to third parties or other assets where deterioration in asset quality or market values could affect the Company's capital, other than its Available for Sale Investments and Trading Book holdings. Consequently, the chief impact on the Group's capital will be in terms of operating performance, the excess of revenue over expenditure. Whilst in the current economic environment there is inherent uncertainty about the level of transactional income going forward, after making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources, both in terms of liquidity and regulatory capital, to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

The following is a summary of EU endorsed accounting standards that will be applicable to the Group's financial statements in subsequent accounting periods.

IFRS 8 *Operating Segments* is effective for periods beginning on or after 1 January 2009. This standard introduces the "management approach", which requires segment disclosures based on the components of the entity that management monitors in making decisions about operating matters. While this standard will impact disclosures in the Group's consolidated financial statements, the Company does not expect adoption of the amendment to have any other significant effect.

A revised IAS 1, which is applicable for annual periods beginning on or after 1 January 2009, was issued on 6 September 2007. The revised standard aims to improve users' ability to analyse and compare information given in the financial statements. The adoption of the revised standard will have no effect on the results reported in the Group's consolidated financial statements or the separate financial statements of the Company. It will, however, result in certain presentational changes in the primary financial statements or the separate financial statements of the Company and the Group.

The IASB issued an amendment to IFRS 2 *Share-based Payments – Vesting Conditions and Cancellations* on 17 January 2008. The amendment, which is applicable for annual periods beginning on or after 1 January 2009, clarifies that vesting conditions comprise only service conditions and performance conditions. It also specifies the accounting treatment for a failure to meet a non-vesting condition. The Company does not expect adoption of the amendment to have a significant effect on the Group's consolidated financial statements or the separate financial statements of the Company.

The IASB issued a revised IAS 23 *Borrowing Costs* on 29 March 2007, which is applicable for annual periods beginning on or after 1 January 2009. The revised standard eliminates the option of recognising borrowing costs immediately as an expense, to the extent that they are directly attributable to the acquisition, construction or production of a qualifying asset. The Company does not expect adoption of the revised standard to have a significant effect on the Group's consolidated financial statements or the separate financial statements of the Company.

1.2 Basis of consolidation

1.2.1 Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. In the Company's financial statements investments in subsidiaries are stated at cost less any impairment losses.

1.2.2 Transactions eliminated on consolidation

Intragroup balances, and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

1.2.3 Employee Benefit Trusts

The Group has accounted for each Trust as a branch of the Company. Holdings of shares by the Trusts are accounted for as treasury shares. When the Trusts transfer shares to employees, this is accounted for as a distribution of those shares to the employees.

1.3 Functional and presentation currency

These consolidated financial statements are presented in sterling, which is the Group's presentational currency. The Company's financial statements are presented in sterling, which is the Company's functional and presentational currency. Except where indicated, financial information presented in sterling has been rounded to the nearest thousand.

1.4 Foreign currency

1.4.1 Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction, to the respective functional currencies of the Group entities. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to their respective functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to their respective functional currency at foreign exchange rates ruling at the dates the fair value was determined.

1.4.2 Financial statements of foreign operations

The assets and liabilities of foreign operations are translated to sterling at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to sterling at rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation of assets and liabilities are recognised directly in a separate component of equity known as the Foreign Currency Translation Reserve. When a foreign operation is disposed of, in part or in full, the relevant amount in the Foreign Currency Translation Reserve is transferred to the income statement.

1.5 Plant and equipment

1.5.1 Owned assets

Items of plant and equipment are stated at cost, less accumulated depreciation (see 1.5.2) and any impairment losses (see 1.10.3).

Where parts of an item of plant and equipment have different useful lives, they are accounted for as separate items of plant and equipment and depreciated accordingly.

1.5.2 Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of plant and equipment. The estimated useful lives are as follows:

(i) Fixtures and fittings	5 years
(ii) Furniture and office equipment	6 - 7 years
(iii) Computer and telephone equipment	3 years

Notes to the financial statements

1.6 Intangible assets

1.6.1 Goodwill and intangible assets

Goodwill arises on business combinations, including the acquisition of subsidiaries, and on the acquisition of interests in joint ventures and associates, when the cost of acquisition exceeds the fair value of Panmure Gordon's share of the identifiable assets, liabilities and contingent liabilities acquired. If Panmure Gordon's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of an acquired business is greater than the cost of acquisition, the excess is recognised immediately in the income statement.

Intangible assets are recognised separately from goodwill when they are separable or arise from contractual or other legal rights, and their fair value can be measured reliably.

1.6.2 Other intangible assets

Intangible assets other than goodwill that are acquired by the Group are stated at cost less accumulated amortisation (see 1.6.4) and impairment losses.

1.6.3 Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

1.6.4 Amortisation

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. The estimated useful lives of intangibles are up to five years.

1.7 Investments

1.7.1 Financial assets and liabilities

The Group classifies its financial assets and liabilities as:

1. securities held for trading;
2. held for trading liabilities; and
3. available for sale investments.

The classification depends on the purpose for which the assets or liabilities were acquired. Management determines the classification of its investments at initial recognition.

A financial instrument is defined as any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

1.7.2 Recognition

All financial assets and liabilities are initially recognised and measured at fair value plus directly attributable transaction costs on the trade date at which the Group or Company becomes a party to the contractual provisions of the financial instrument.

1.7.3 Derecognition

The Group derecognises all securities held for trading when the contractual rights to the cash flows on the financial asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of the financial asset are transferred.

1.7.4 Held for trading assets and liabilities

The terms "securities held for trading" and "held for trading liabilities" (formerly long and short trading positions) represent the aggregate of trading positions in individual securities arising respectively from a net bought or net sold position. These positions in securities are valued at market bid and offer prices respectively at the close of business on the balance sheet date, and movements are recognised in the income statement. A financial asset or liability is classified in this category if acquired principally for the purpose of selling or buying back in the short term. Purchases and sales of investments are recognised on trade date, being the date on which the Group or Company commits to purchase or sell the asset.

1.7.5 Available for sale investments

Available for sale investments are those investments which are not held for short term trading. Fair values in respect of available for sale investments that are quoted in active markets are determined by reference to the current quoted bid price. Where independent prices are not available, fair values may be determined using valuation techniques with reference to observable market data. The difference between acquisition cost and fair value is taken to equity, and to the income statement if the asset is impaired. The Group and Company makes an assessment at each balance sheet date as to whether there is any objective evidence of impairment, being any circumstance where an adverse impact on estimated future cash flows of the financial asset or group of assets can be reliably estimated. On disposal, any profit previously recognised within equity, or any impairment previously recognised in the income statement are reversed and the actual profit or loss on disposal is recognised in the income statement.

1.8 Trade and other receivables

Trade and other receivables are initially recognised at fair value plus directly attributable transaction costs and then measured at amortised cost. At each balance sheet date such receivables are reviewed to determine whether there is an indication of impairment. If any such indication exists, the recoverable amount is estimated. Impairment losses are recognised in the income statement.

1.9 Cash and cash equivalents

Cash and cash equivalents (including money market funds) comprise cash balances and call deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's treasury function are included as a component of cash and cash equivalents for the purpose of the statement of cash flows. Cash and cash equivalents are held at amortised cost in the balance sheet.

1.10 Impairment

1.10.1 Available for sale investments

When a decline in the fair value of an available for sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in the income statement even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in the income statement is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in the income statement.

1.10.2 Goodwill and other intangibles

Goodwill is allocated to cash-generating units for the purpose of impairment testing, which is undertaken at the lowest level at which goodwill is monitored for internal management purposes. Impairment testing is performed at least annually, and whenever there is an indication that the cash-generating unit may be impaired, by comparing the recoverable amount from a cash-generating unit with the carrying amount of its net assets, including attributable goodwill. The recoverable amount of an asset is the higher of its fair value less cost to sell, and its value in use. Value in use is the present value of the expected future cash flows from a cash-generating unit. If the recoverable amount is less than the carrying value, an impairment loss is charged to the income statement. Goodwill is stated at cost less accumulated impairment losses.

1.10.3 Plant and equipment

For plant and equipment, an impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

1.11 Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a change in equity. Repurchased shares that are not subsequently cancelled are classified as treasury shares and presented as a deduction from total equity.

1.12 Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less directly attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest rate basis.

Notes to the financial statements

1.13 Employee benefits

1.13.1 Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

1.13.2 Share-based payment transactions

The Group has applied the requirements of IFRS 2 *Share-based Payments* to all grants of equity instruments.

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the date of grant is expensed on a straight-line basis over the vesting period based on the Group's estimate of shares that will eventually vest. Fair value is measured by use of a proprietary valuation model and considers such inputs as: share price at date of grant, exercise price, historical volatility and risk-free interest rates. At each reporting date the amount recognised as an expense is adjusted to reflect the actual number of leavers.

Where Panmure Gordon & Co. plc enters into share-based payment arrangements involving employees of subsidiaries, the cost is recognised in 'Investment in subsidiaries' and credited to the 'Share-based payment reserve' over the vesting period. Where the cost is recharged to the subsidiary, it is recognised as an inter-company debtor, not as an investment in subsidiary. Where a subsidiary has funded the share-based payment arrangement, 'Investment in subsidiaries' is reduced by the fair value of equity instruments.

1.13.3 Matching Share Plan

Under the Matching Share Plan, the Group grants free shares to employees to match the number they have purchased. This is recorded as an expense based on its estimate of the number of shares expected to vest on a straight-line basis over the vesting period. At each reporting date the amount recognised as an expense is adjusted to reflect the actual number of leavers. More information on the Matching Share Plan can be found in note 5.

1.14 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, which can be estimated reliably, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle that obligation at the balance sheet date.

1.15 Trade and other payables

Trade and other payables are initially recognised at fair value plus directly attributable transaction costs and then measured at amortised cost.

1.16 Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business.

- If revenue is earned on the execution of a significant act, it is recognised when the significant act has been completed (for example, commissions from institutional equities and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party, such as the arrangement for the acquisition of shares or other securities).
- If revenue is earned as services are provided, it is recognised as the services are provided (for example, asset management, portfolio and other management advisory and service fees).
- Financial income and financial expenses are recognised using the effective interest rate method.

1.17 Segmental reporting

Segments are distinguishable components of the Group that provide services within a particular economic environment (geographic segment) or type of service (business segment). A reportable segment is any segment that earns at least 10% of its revenue from external customers. The dominant source of the Group's different risks and rewards determines the Group's primary segment.

In accordance with IAS 14, the Group's primary segment is based on geographic region.

1.18 Operating leases

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Under IAS 17 guidelines, lease incentives received are recognised in the income statement as an integral part of the total lease expense.

1.19 Income tax

Income tax on the profit or loss for the periods presented comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. The most significant element of the deferred tax asset relates to the tax benefit arising from the future exercise of share options.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future.

Notes to the financial statements

2 Segmental reporting

Segment information is presented in respect of the Group's geographical and business segments. The Group's primary segment is geographical and is based on the Group's management and internal reporting structure.

2.1 Geographical segments

The Group compromises the following main geographical segments:

- UK business
- US business

The following provides an analysis of results split by geographical segments:

	UK		US		Consolidated	
	2008 £'000	2007 £'000	2008 £'000	Restated (See note 12) 2007 £'000	2008 £'000	Restated (See note 12) 2007 £'000
Net commission and trading income	**7,679**	14,894	**14,822**	10,894[4]	**22,501**	25,788
Corporate finance fee income	**8,836**	26,215	**8,048**	10,435	**16,884**	36,650
Wealth management income	**-**	-	**2,683**	2,721	**2,683**	2,721
Net loss on AFS investments	**(1,349)**	(1,104)	**-**	-	**(1,349)**	(1,104)
Total administration expenses	**(21,027)**	(29,975)	**(33,091)**	(25,951)	**(54,118)**	(55,926)
Share-based payment charges	**(2,098)**	(6,343)	**(280)**	(84)	**(2,378)**	(6,427)
Goodwill impairment	**-**	-	**(13,688)**	-	**(13,688)**	-
Net financial income	**1,233**	2,040	**(547)**	(219)	**686**	1,821
Income tax	**(1,132)**	1,276	**1,767**	891	**635**	2,167
(Loss)/profit for period	**(7,858)**	**7,003**	**(20,286)**	**(1,313)**	**(28,144)**	**5,690**
Non-current assets (inc goodwill)[1,2]	**19,388**	24,802	**24,920**	29,923	**44,308**	54,725
Current assets [1]	**38,651**	67,313	**11,392**	12,787	**50,043**	80,100
Current liabilities [1,3]	**(21,120)**	(33,750)	**(7,619)**	(19,634)	**(28,739)**	(53,384)
Non-current liabilities	**(4,080)**	(3,833)	**-**	-	**(4,080)**	(3,833)
Capital expenditure	**(126)**	(663)	**(517)**	(783)	**(643)**	(1,446)

[1] These amounts exclude the non-current and current intragroup balances between the UK and the US.

[2] These amounts include deferred tax assets.

[3] These amounts include deferred tax and financing liabilities.

[4] Includes £1.6m relating to a third party execution only arrangement.

2.2 Business segments

The UK and US segments operate in two principal business segments, institutional equities and corporate finance and other fee income.

The following provides an analysis of revenue by business segment for the period to 31 December 2008:

	Total	Institutional equities	Corporate finance and other fee income	Central
	Year ended 31 December 2008 £'000	Year ended 31 December 2008 £'000	Year ended 31 December 2008 £'000	Year ended 31 December 2008 £'000
Net commission and fee income	**42,068**	22,501	19,567	-
Current assets	**50,043**	20,355	1,295	28,393
Current liabilities	**(28,739)**	(15,222)	-	(13,517)
Capital expenditure	**(643)**	-	-	(643)

The following provides an analysis of revenue by business segment for the period to 31 December 2007:

	Total	Institutional equities	Corporate finance and other fee income	Central
	Year ended 31 December 2007 Restated £'000	Year ended 31 December 2007 £'000	Year ended 31 December 2007 £'000	Year ended 31 December 2007 Restated £'000
Net commission and fee income	**65,159**	25,788	39,371	-
Current assets	**80,100**	36,219	2,449	41,432
Current liabilities	**(53,384)**	(29,252)	-	(24,132)
Capital expenditure	**(1,447)**	-	-	(1,447)

Notes to the financial statements

3 Purchase of subsidiary undertakings

On 30 March 2007 the Group completed the acquisition of ThinkEquity. The net assets acquired under adopted IFRSs were as follows:

	Book value £'000	Adjustments £'000	Fair value £'000
Intangible assets	-	554	554
Plant and equipment	1,327	(72)	1,255
Available for sale investments	13	-	13
Held for trading investments	7	-	7
Trade and other receivables	3,795	-	3,795
Cash	5,389	-	5,389
Payables	(20,913)	-	(20,913)
Net liabilities	**(10,382)**	**482**	**(9,900)**
Direct costs of acquisition			(1,483)
Add goodwill on consolidation			26,645
			15,262

Satisfied by:	
Cash payment	1,847
Issue of 8,767,626 shares[1]	13,415
	15,262

[1] Market price of 153p at the date of acquisition

Subsequent to the publication of the 2007 annual report, payables were increased by £489,000 and goodwill increased by £489,000 as set out in note 12.

4 Redundancy and restructuring charges

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Redundancy charges	**1,071**	432
Onerous leases	**1,292**	-
Litigation costs and fund restructuring	**824**	-
	3,187	432

5 IFRS 2 share-based payments

The Group has two active employee benefit trusts, the Panmure Gordon & Co. plc Employee Benefit Trust (EBT1) and the Panmure Gordon & Co. plc No. 2 Employee Benefit Trust (EBT2). The assets and liabilities of each EBT are consolidated within the Group's financial statements.

Certain options over the ordinary shares of Panmure Gordon & Co. plc issued under the Unapproved Share Option Plan have been granted in prior periods to an Executive Share Option Scheme held in EBT1. Subsequently, options have been sub-trusted for the potential benefit of certain employees (including Directors) or their beneficiaries.

The Panmure Gordon & Co. plc Matching Share Plan is in essence a buy one get one free plan, under which for each ordinary share in Panmure Gordon & Co. plc which is purchased and lodged with the Company, matching shares are issued free of charge after three years, provided the shares have not been disposed of and provided that the employee is still employed by a Group company at the time of vesting.

The Performance Share Plan was introduced in May 2008, following shareholder approval of its terms. Awards are made over shares which are issued free of charge after a minimum of three years provided the performance conditions imposed at the time of grant are fulfilled and provided the employee is still employed by a Group company at the time of vesting. Awards currently outstanding under this plan were made on the basis that shares will vest in 2011 if the Company's earnings per share for the financial year ending 31 December 2010 is 10p or more. If this performance condition is not satisfied, the shares will vest in 2012 if the Company's average earnings per share for the financial years ending 31 December 2010 and 31 December 2011 is 10p or more.

On completion of the acquisition by the Group of Panmure Gordon (UK) Limited on 26 April 2005, the Company issued 18,521,295 new ordinary shares at par value to the trustees of EBT2. The par value of these shares, less exercised shares, is currently shown within the other reserve section of the balance sheet. The Trustees have granted options over some of the shares to employees, including Directors, at an exercise price equivalent to the par value of 4 pence per share. Also consequent on completion of the acquisition of Panmure Gordon (UK) Limited the Company granted 1,500,000 options over ordinary shares to certain Directors under the 2002 Unapproved Share Option Plan (of which 500,000 remain outstanding). The provisions of IFRS 2 have been applied to both these options and to the options granted over shares held in EBT2.

The ThinkEquity Accrued Bonus Plan was established at the time of the acquisition of ThinkEquity in 2007. It was agreed that 25% of ThinkEquity's 2006 bonus pool would be settled in the form of shares with a fixed value of £1.815 and $/£ exchange rate of 1.962, vesting over a three year period. In 2008 certain awards which had been forfeited by leavers were re-allocated.

The Group has adopted the provisions of IFRS 2 as regards share-based payment charges. These provisions require a calculation of the fair value at the date of grant of share options granted to Directors and employees. This fair value is then charged to the income statement over the vesting period of the options. Since this charge is neither a cash item nor a diminution in asset value, there is an equal and opposite credit to reserves of the amount of the share-based payment charge.

Other related share-based payment charges refer to payments to employees in compensation for employer's National Insurance Contributions borne by them on the exercise of share options under the 2005 Employee Share Option Plan.

Where options have been granted with an exercise price of 4p or less, the fair value of options on the date of grant has been estimated at their intrinsic value. The fair value of all other options on the date of grant has been estimated using a Black-Scholes valuation model. The significant inputs to the model were:

(a) Share price on the date of grant;

(b) Exercise price (see below);

(c) Expected volatility (40% based on historic volatility) (2007: 40%);

(d) Risk free rate on the date of grant; and

(e) Expected dividend yield (nil).

The weighted average fair value of share-based payments granted during the period was 37.8p.

Notes to the financial statements

Over the 12 months to 31 December 2008 the following number and weighted average exercise price of options were recorded:

Group

	Number	Weighted average price
Outstanding at the beginning of the period	23,216,540	£0.36
Granted during the period	8,972,927	£0.06
Forfeited during the period	2,764,287	£0.68
Exercised during the period	1,642,478	£0.47
Expired during the period	-	-
Outstanding at the end of the period	27,782,702	£0.22
Exercisable at the end of the period	14,208,002	£0.19

Of the number of options outstanding at the end of the period, 13,551,124 relate to shares which are already in issue and which are held within EBT2.

Company

	Number	Weighted average price
Outstanding at the beginning of the period	9,102,206	£0.25
Granted during the period	-	-
Forfeited during the period	744,196	£1.11
Exercised during the period	441,632	£0.11
Expired during the period	-	-
Outstanding at the end of the period	7,916,378	£0.18
Exercisable at the end of the period	7,892,878	£0.18

5.1 Share-based payment charges arising from the acquisition of Panmure Gordon (UK) Limited

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
IFRS 2 share-based payment charges	**795**	2,964
Other related IFRS 2 share-based payment charges	**(930)**	1,185
Total IFRS 2 share-based payment charges relating to the acquisition of Panmure Gordon (UK) Limited	**(135)**	4,149

The above IFRS 2 share-based payment charges are derived from the following issues of options relating to the acquisition of Panmure Gordon (UK) Limited:

Type of scheme	Date of grant	No. of options granted less exercised or lapsed	Exercise price (p)	Vesting period (years)
2005 EBT (tranche 3)	26/04/2005	1,713,138	4	3
2005 EBT (tranche 3)	31/05/2005	675,959	4	2.9
2005 EBT (tranche 3)	31/05/2005	709,676	4	2.9
2005 EBT (tranche 3)	16/08/2005	61,666	4	2.7
2005 EBT (tranche 3)	16/08/2005	5,999	4	2.7
2005 EBT (tranche 3)	24/11/2005	10,000	4	2.42
2005 EBT (tranche 2)	10/03/2006	239,039	4	2.13
2005 EBT (tranche 3)	10/03/2006	215,708	4	3.13
2005 EBT (tranche 2)	15/05/2006	3,333	4	1.95
2005 EBT (tranche 3)	15/05/2006	20,000	4	2.95
2005 EBT (tranche 2)	17/07/2006	5,000	4	1.78
2005 EBT (tranche 3)	17/07/2006	5,000	4	2.78
2005 EBT (tranche 2)	14/09/2006	10,000	4	1.61
2005 EBT (tranche 3)	14/09/2006	10,000	4	2.61

5.2 Other share-based payment charges

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
IFRS 2 share-based payment charges	**2,727**	1,944
Other related IFRS 2 share-based payment charges	**(214)**	334
Total IFRS 2 share-based payment charges	**2,513**	**2,278**

Notes to the financial statements

The above IFRS 2 share-based payment charges are derived from the following issues of options unconnected with the acquisition of Panmure Gordon (UK) Limited:

Type of scheme	Date of grant	No. of options granted less exercised or lapsed	Exercise price (p)	Vesting period (years)
2005 EBT (tranche 1)	06/03/2007	61,667	4	1.14
2005 EBT (tranche 2)	06/03/2007	77,701	4	2.14
2005 EBT (tranche 3)	06/03/2007	78,332	4	3.14
Overseas Plan	30/03/2007	233,072	181.5	3
Matching Share Plan	31/03/2007	1,189,427	-	3
2005 EBT (tranche 1)	10/04/2007	110,333	4	1.04
2005 EBT (tranche 2)	10/04/2007	112,666	4	2.04
2005 EBT (tranche 3)	10/04/2007	108,334	4	3.04
2005 EBT	10/04/2007	155,000	4	3
2002 Approved	23/04/2007	18,750	160	3
2002 Approved	23/04/2007	17,964	167	3
2002 Unapproved	23/04/2007	156,250	160	4
2002 Unapproved	23/04/2007	7,036	167	4
Matching Share Plan	26/04/2007	200,000	-	3
Overseas Plan	16/05/2007	56,000	181.5	3
2005 EBT (tranche 1)	22/05/2007	15,833	4	0.93
2005 EBT (tranche 2)	22/05/2007	15,833	4	1.93
2005 EBT (tranche 3)	22/05/2007	15,834	4	2.93
2005 EBT	22/05/2007	20,000	4	2.88
2002 Approved	20/06/2007	47,045	176	3
2002 Unapproved	20/06/2007	157,955	160	4
2005 EBT (tranche 1)	05/07/2007	11,417	4	0.81
2005 EBT (tranche 2)	05/07/2007	11,417	4	1.81
2005 EBT (tranche 3)	05/07/2007	11,416	4	2.81
2005 EBT	05/07/2007	200,000	4	0.16
2005 EBT (tranche 1)	06/07/2007	187,749	4	0.81
2005 EBT (tranche 2)	06/07/2007	187,749	4	1.81
2005 EBT (tranche 3)	06/07/2007	187,752	4	2.81
Matching Share Plan	11/07/2007	264,000	-	3
2005 EBT (tranche 1)	17/08/2007	55,667	4	0.69
2005 EBT (tranche 2)	17/08/2007	35,667	4	1.69
2005 EBT (tranche 3)	17/08/2007	35,666	4	2.69
2002 Approved	19/09/2007	1,116,000	125	3

Type of scheme	Date of grant	No. of options granted less exercised or lapsed	Exercise price (p)	Vesting period (years)
2005 EBT (tranche 1)	12/10/2007	105,000	4	0.54
2005 EBT (tranche 2)	12/10/2007	35,000	4	1.54
2005 EBT (tranche 3)	12/10/2007	35,000	4	2.54
Matching Share Plan	19/10/2007	136,460	-	3
Matching Share Plan	30/10/2007	31,811	-	3
2005 EBT (tranche 1)	19/11/2007	14,999	4	0.43
2005 EBT (tranche 2)	19/11/2007	14,999	4	1.43
2005 EBT (tranche 3)	19/11/2007	15,002	4	2.43
Matching Share Plan	20/11/2007	50,000	-	3
2005 EBT (tranche 1)	18/12/2007	45,000	4	0.35
2005 EBT (tranche 2)	18/12/2007	45,000	4	1.35
2005 EBT (tranche 1)	18/02/2008	8,333	4	1.19
2005 EBT (tranche 2)	18/02/2008	8,333	4	2.19
2005 EBT (tranche 3)	18/02/2008	8,334	4	3.19
2005 EBT (tranche 1)	14/03/2008	20,000	4	0.12
2005 EBT (tranche 2)	14/03/2008	20,000	4	1.12
2005 EBT (tranche 3)	14/03/2008	20,000	4	2.12
Accrued Bonus Plan (tranche 2)	14/03/2008	64,255	-	1.04
Accrued Bonus Plan (tranche 3)	14/03/2008	64,246	-	2.04
2005 EBT (tranche 1)	27/05/2008	10,000	4	0.92
2005 EBT (tranche 2)	27/05/2008	10,000	4	1.92
2005 EBT (tranche 3)	27/05/2008	10,000	4	2.92
2005 EBT (tranche 1)	27/05/2008	41,667	4	0
2005 EBT (tranche 2)	27/05/2008	41,667	4	0.92
2005 EBT (tranche 3)	27/05/2008	41,666	4	1.92
2005 EBT (tranche 1)	14/07/2008	369,665	4	0.71
2005 EBT (tranche 2)	14/07/2008	355,762	4	1.71
2005 EBT (tranche 3)	14/07/2008	355,749	4	2.71
Performance Share Plan	22/07/2008	6,366,400	-	3
Performance Share Plan	06/10/2008	120,000	-	3
2005 EBT	11/11/2008	250,000	4	3
Accrued Bonus Plan (tranche 2)	01/12/2008	2,340	-	0.33
Accrued Bonus Plan (tranche 3)	01/12/2008	2,340	-	1.33

Notes to the financial statements

6 The operating profit for the Group before taxation is stated after charging

Auditor's remuneration

The following fees were payable by Panmure Gordon to the Group's principal auditor, KPMG Audit Plc and its associate in the US (together KPMG):

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Audit fees for statutory audit:		
Fees relating to current year	**90**	100
Fees payable to KPMG for other services provided to the Group		
Audit related services:		
Audit of subsidiaries	**84**	92
Other services pursuant to legislation	**48**	41
Tax services	**64**	90
Other services	**-**	120
Total fees payable	**286**	**443**

7 Net financial income

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Financial income		
Cash and money market deposits	**945**	1,884
Other	**-**	159
	945	**2,043**
Financial expense		
Bank loans and overdrafts	**(67)**	(30)
Subordinated loan	**(192)**	(192)
	(259)	**(222)**
Net financial income	**686**	**1,821**

8 Staff costs

Group	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Staff costs including Directors' emoluments		
Wages and salaries	**28,330**	35,366
Social security costs	**2,366**	2,901
Pensions (defined contribution scheme)	**1,274**	1,191
Total	**31,970**	**39,458**

The Group operates a defined contribution pension scheme. At the balance sheet date the Group had no outstanding pension contribution liabilities. The charge for the period to 31 December 2008 was £1,274,000 (2007: £1,191,000).

Average number of persons, including Directors, employed by the Group during the year:

	Group total 2008	UK 2008	US 2008	Group total 2007
Institutional equities	142	58	84	152
Corporate finance	67	26	41	91
Other	83	39	44	69
Total	**292**	**123**	**169**	**312**

As at 31 December 2008, the number of persons, including Directors, employed by the Group was:

	Group total 2008	UK 2008	US 2008	Group total 2007
Institutional equities	130	54	76	147
Corporate finance	52	22	30	96
Other	78	38	40	73
Total	**260**	**114**	**146**	**316**

Directors' emoluments

Emoluments paid to Directors were as follows:

	Emoluments 2008 £'000	Pension 2008 £'000	Share option gain 2008 £'000	Emoluments 2007 £'000	Pension 2007 £'000	Share option gain 2007 £'000
Aggregate	1,084	29	39	1,584	40	-
Highest paid Director	272	-	5	557	22	-

Two Directors are accruing benefits under the Group's defined contribution pension scheme. Three Directors (who at the date of this report are no longer on the Board) exercised share options or received vested share awards during the period, but no share options or awards have been granted to Directors.

The Directors are reimbursed all reasonable expenses incurred solely in relation to their duties as a Director.

Notes to the financial statements

9 Income tax expense

The analysis of the total income tax credit/(expense) is as follows:

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Analysis of current tax credit / (charge) in period		
UK current period corporation tax charge on current year profit	-	(2,501)
Tax credit on current year losses available for carry back	376	-
UK corporation tax credit in respect of prior year	119	492
Current tax on foreign currency translation reserve	1,060	-
Current tax credit / (charge)	1,555	(2,009)
Analysis of deferred tax (charge) / credit in period		
Arising on future exercise of share options	(2,500)	3,323
Fair value reserve	(5)	-
Recognition of the future tax benefit of US losses	1,767	890
Temporary difference on plant and equipment	93	280
Temporary difference on goodwill	(275)	(317)
Deferred tax (charge) / credit	(920)	4,176
Total income tax credit	635	2,167
Tax reconciliation		
(Loss)/profit on ordinary activities before tax	(28,779)	3,523
Taxation at UK corporation tax rate of 28.5% (2007: 30%)	8,202	(1,057)
Effects of:		
US losses at different rate	2,764	264
US losses not recognised	(1,866)	-
Deferred tax on future exercise of share options	(2,500)	3,323
Deferred tax on plant and equipment	93	280
Deferred tax on goodwill	(275)	(317)
Goodwill impairment	(5,476)	-
Tax on IFRS 2 share-based payment charges	(678)	(1,928)
Tax relief from exercise of share options	93	849
Prior year corporation tax over provision	119	492
Loss carry back at different tax rate	19	-
Sundry differences	145	261
Fair value reserve	(5)	-
	635	2,167

The effective tax rate for this reporting period was a credit of 2.2% (2007: credit of 61.5%).

10 Result of the Company

As permitted by section 230 of the Companies Act 1985, the Company's income statement is not presented as part of these financial statements. The Company's profit for the financial period was £0.2m (2007: profit of £4.8m).

11 Earnings per share

Earnings per share (EPS) are calculated on a net basis using the profit on ordinary activities after taxation divided by the weighted average number of shares detailed below.

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
(Loss)/profit on ordinary activities after taxation (PAT)	**(28,144)**	5,690
(Less)/add IFRS 2 charges re acquisition of Panmure Gordon (UK) Limited	**(135)**	4,149
Other IFRS 2 share-based payment charges	**2,513**	2,278
Tax relief from exercise of options	**(93)**	(849)
Prior year tax over provision	**(119)**	(492)
Deferred tax from the future exercise of share options	**2,500**	(3,323)
Deferred tax relating to goodwill	**275**	317
Redundancy and restructuring net of tax	**2,015**	250
Gain on sale of discontinued activities net of tax	**-**	(54)
Dividend equivalent bonus net of tax	**46**	106
Amortisation of intangibles	**218**	-
Impairment of goodwill	**13,688**	-
Deferred tax credit not recognised on US losses	**1,866**	-
Adjusted (loss)/profit after taxation (Adj PAT)	**(5,370)**	8,072

Weighted average number of shares in issue	**73,092,280**	69,102,942
Fully diluted weighted average number of shares in issue	**77,835,008**	70,649,835
Basic earnings per share (based on PAT)	**(38.50)p**	8.23p
Diluted earnings per share (based on PAT)	**(38.50)p**	8.05p
Adjusted (loss)/earnings per share (based on Adj PAT)	**(7.35)p**	11.68p

Notes to the financial statements

12 Goodwill and other intangibles

Cost	Goodwill UK £'000	Goodwill US £'000	Intangible US £'000	Total £'000
At 1 January 2008	13,201	26,790	554	**40,545**
Additions	**-**	-	-	**-**
Exchange differences	**-**	10,554	199	**10,753**
At 31 December 2008	**13,201**	**37,344**	**753**	**51,298**

Accumulated impairment and amortisation				
At 1 January 2008	-	-	-	-
Charge for the year	-	(13,688)	(218)	**(13,906)**
Additions	-	-	-	-
Exchange differences	-	(4,956)	(55)	**(5,011)**
At 31 December 2008	**-**	**(18,644)**	**(273)**	**(18,917)**
Net at 31 December 2008	**13,201**	**18,700**	**480**	**32,381**

	Goodwill UK £'000	Goodwill US Restated £'000	Intangible US £'000	Total £'000
At 1 January 2007	13,201	-	-	**13,201**
Additions	-	26,645	554	**27,199**
Exchange differences	-	(344)	-	**(344)**
At 31 December 2007 as previously stated	**13,201**	**26,301**	**554**	**40,056**
Restated (see note below)	-	489	-	**489**
At 31 December 2007 restated	**13,201**	**26,790**	**554**	**40,545**

Goodwill represents the excess of purchase price paid over net assets acquired, being:

(i) £13.2m in respect of the acquisition of Panmure Gordon (UK) Limited in April 2005.
(ii) £26.6m in respect of the acquisition of ThinkEquity in March 2007.
(iii) The intangible assets acquired amount to £554,000 and relate to customer relationships, the estimated useful life of which is five years.

Restatement of goodwill

In accordance with IFRS 3 *Business Combinations*, any subsequent revisions to provisional fair value balances within the first 12 months of an acquisition are made as at the date of acquisition, with a corresponding adjustment to goodwill.

In the consolidated balance sheet as at 31 December 2007, the fair value amounts in relation to the acquisition of ThinkEquity contained some provisional balances. During the year to 31 December 2008 these provisional balances were revised, increasing goodwill by £0.5m to £26.8m. The adjustment related to a reassessment of provisions for litigation which are classified as 'other payables' on the consolidated balance sheet. This adjustment does not impact the consolidated income statement for the periods ended 30 June 2007 and 31 December 2007.

	As reported at 31 December 2007 £'000	Adjustment to ThinkEquity £'000	Restated at 31 December 2007 £'000
Intangibles	40,056	489	40,545
Other payables	(19,730)	(489)	(20,219)

Goodwill impairment

Approach to goodwill impairment testing

The process of identifying and evaluating goodwill impairment is inherently uncertain because it requires significant management judgement in making a series of estimations, the results of which are highly sensitive to the assumptions used. The review of goodwill impairment represents management's best estimate of the factors below:

- The future cash flows of the Cash Generating Units ("CGUs") are sensitive to the cash flows projected for the periods for which detailed forecasts are available, and to assumptions regarding the long-term pattern of sustainable cash flows thereafter. Forecasts are compared with actual performance and verifiable economic data in future years; however, the cash flow forecasts necessarily and appropriately reflect management's view of future business prospects at the time of the assessment; and
- The discount rate used to discount the future expected cash flows is based on the cost of capital assigned to an individual CGU, and can have a significant effect on the CGU's valuation. The cost of capital percentage is generally derived from a Capital Asset Pricing Model, which incorporates inputs reflecting a number of financial and economic variables, including the risk-free interest rate in the country concerned and a premium to reflect the inherent risk of the business being evaluated. These variables are subject to fluctuations in external market rates and economic conditions outside of management's control and are therefore established on the basis of significant management judgement and are subject to uncertainty.

When this exercise demonstrates that the expected cash flows of a CGU have declined and/or that its cost of capital has increased, the effect is to reduce the CGU's estimated recoverable amount. If this results in an estimated recoverable amount that is lower than the carrying value of the CGU, a charge for impairment of goodwill will be recognised in the Group's income statement for the year.

All recoverable amounts were measured based on value in use. The key assumptions and approach to determine value in use calculations are solely estimates for the purpose of assessing impairment on acquired goodwill. The calculation uses cash flow projections based on budgets and forecasts approved by management covering three years. These projections are then extrapolated using a nominal long-term growth rate appropriate for the CGU.

Key assumptions

The three key assumptions upon which management has based its determination of the recoverable amount of a CGU are three-year cash flow forecasts, the discount rate and the long-term growth rate. The results of sensitivity analyses performed on these assumptions are discussed below.

Goodwill following the acquisition of ThinkEquity

As a result of the continued deterioration in global economic and market conditions in 2008 and the resulting restructuring of ThinkEquity, an impairment test was performed on this CGU at 30 June 2008. This involved comparing the recoverable amount of the CGU to its carrying value including goodwill as outlined above. The test confirmed that goodwill for the CGU was impaired and an impairment charge of £13.7m was recognised in the income statement. There was no prior impairment recognised on this CGU.

A further impairment review has been carried out at 31 December 2008. This has determined that no further impairment is necessary at this stage.

The discount rate and the long-term growth rate used in the impairment testing of ThinkEquity at 31 December 2008 were 14.9% and 2% respectively (31 December 2007: 13.1% and 2% respectively). The discount rate on a pre-tax basis amounts to 22.4% (2007: 19.7%).

A 100 basis point increase in the discount rate, assuming no effects on other variables, would not have resulted in any further impairment of the goodwill. In terms of cash flow forecasts, a drop of 10% in cash flow estimates, assuming no effects on other variables, would not result in any further goodwill impairment.

The goodwill impairment testing performed for ThinkEquity is highly sensitive to the assumptions and estimates used, and it is possible that the outcomes in 2009 could be different from the assumptions and estimates made as at 31 December 2008. In the event of further significant deterioration in the economic and market conditions beyond the levels already reflected by management in the cash flow forecasts for the CGU, a further special review would be made. If this review indicated that a further deterioration in economic and market conditions and future outlook was sufficiently severe, this could result in a further material impairment to the carrying amount of goodwill.

Goodwill following the acquisition of Panmure Gordon (UK) Limited

Management consider that the business and cash flows emanating from Panmure Gordon (UK) Limited are integral to the operations of the Group in the UK. As such management have reviewed forecast cash flows in the UK and is satisfied that the present value of these cash flows is considerably in excess of £13.2m at 31 December 2008.

The discount rate and the long-term growth rate used in the impairment testing of Panmure Gordon (UK) Limited at 31 December 2008 was 18.8% and 2% respectively (30 December 2007: 17.2% and 2% respectively). The discount rate on a pre-tax basis amounts to 24.8% (2007: 22.8%).

A 100 basis point increase in the discount rate, assuming no effects on other variables, would not lead to any impairment of the goodwill. In terms of cash flow forecasts, a drop of 10% in cash flow estimates, assuming no effects on other variables, would not lead to any impairment of the goodwill.

Notes to the financial statements

13 Plant & equipment

Group 2008

	Furniture and office equipment	Fittings	Computer and telephone equipment	Total
Cost	**£'000**	**£'000**	**£'000**	**£'000**
At 1 January 2008	854	2,688	1,743	5,285
Additions	19	504	120	643
Disposals	-	(1)	(151)	(152)
Reclassifications	255	467	(722)	-
Foreign exchange	259	462	146	867
At 31 December 2008	**1,387**	**4,120**	**1,136**	**6,643**
Accumulated depreciation				
At 1 January 2008	(259)	(1,274)	(464)	(1,997)
Charge for the year	(212)	(856)	(411)	(1,479)
Disposals	-	-	151	151
Foreign exchange	(66)	(115)	(108)	(289)
At 31 December 2008	**(537)**	**(2,245)**	**(832)**	**(3,614)**
Net book value				
At 31 December 2008	**850**	**1,875**	**304**	**3,029**
At 31 December 2007	595	1,414	1,279	3,288

Company 2008

	Furniture and office equipment	Fittings	Computer and telephone equipment	Total
Cost				
At 1 January 2008	402	2,168	676	3,246
Additions	-	51	75	126
Disposals	-	(1)	(150)	(151)
At 31 December 2008	**402**	**2,218**	**601**	**3,221**
Accumulated depreciation				
At 1 January 2008	(178)	(1,137)	(304)	(1,619)
Charge for the year	(63)	(550)	(208)	(821)
Disposals	-	1	150	151
At 31 December 2008	**(241)**	**(1,686)**	**(362)**	**(2,289)**
Net book value				
At 31 December 2008	**161**	**532**	**239**	**932**
At 31 December 2007	224	1,031	372	1,627

Group 2007

	Furniture and office equipment	Fittings	Computer and telephone equipment	Total
Cost	**£'000**	**£'000**	**£'000**	**£'000**
At 1 January 2007	341	1,831	452	2,624
Fair value at acquisition 1 April 2007	404	424	427	1,255
Additions	111	450	886	1,447
Disposals	(2)	(17)	(22)	(41)
At 31 December 2007	**854**	**2,688**	**1,743**	**5,285**
Accumulated depreciation				
At 1 January 2007	(120)	(741)	(135)	(996)
Charge for the year	(138)	(549)	(331)	(1,018)
Disposals	2	17	22	41
FX translation	(3)	(1)	(20)	(24)
At 31 December 2007	**(259)**	**(1,274)**	**(464)**	**(1,997)**
Net book value				
At 31 December 2007	**595**	**1,414**	**1,279**	**3,288**
At 31 December 2006	221	1,090	317	1,628

Company 2007

	Furniture and office equipment	Fittings	Computer and telephone equipment	Total
Cost				
At 1 January 2007	341	1,831	452	2,624
Additions	63	354	246	663
Disposals	(2)	(17)	(22)	(41)
At 31 December 2007	**402**	**2,168**	**676**	**3,246**
Accumulated depreciation				
At 1 January 2007	(120)	(741)	(135)	(996)
Charge for the year	(60)	(413)	(191)	(664)
Disposals	2	17	22	41
At 31 December 2007	**(178)**	**(1,137)**	**(304)**	**(1,619)**
Net book value				
At 31 December 2007	**224**	**1,031**	**372**	**1,627**
At 31 December 2006	221	1,090	317	1,628

Notes to the financial statements

14 Investments & amounts owed by Group undertakings

Available for sale investments

Group	31 December 2008 £'000	31 December 2007 £'000
Available for sale investments - quoted	**3,711**	6,004
Available for sale investments - unquoted	**365**	347
Total	**4,076**	**6,351**

Company		
Available for sale investments - quoted	**3,711**	5,991
Available for sale investments - unquoted	**347**	347
Total	**4,058**	**6,338**

Company

Investment in subsidiary undertakings

At 1 January 2008	47,811
Investment in subsidiary	2,000
Share-based payments on behalf of subsidiaries	3,239
Impairment of investment	(13,688)
At 31 December 2008	**39,362**
At 1 January 2007	20,107
Investment in subsidiary	24,559
Share-based payments on behalf of subsidiaries	3,145
At 31 December 2007	**47,811**

Amounts owed by subsidiary undertakings

At 1 January 2008	8,999
Movement in period	7,360
Foreign exchange gain	3,721
At 31 December 2008	**20,080**

In 2007, these amounts were shown under Trade and Other Receivables. Management believes that these amounts will be repaid more than 12 months after the reporting date.

Additional information on subsidiary undertakings

At 31 December 2008 the Company owned 100% of the ordinary share capital of the following subsidiary undertakings other than those indicated.

Name	Country of incorporation	Nature of business
Panmure Gordon (UK) Limited	United Kingdom	Stockbroking, corporate finance and market making
Panmure Gordon (Broking) Limited	United Kingdom	Stockbroking, corporate finance and market making
Durlacher Corporate Finance Limited	United Kingdom	Dormant
Durlacher Fund Management Limited	United Kingdom	Dormant
Durlacher Research Limited	United Kingdom	Dormant
Durlacher Ventures Limited	United Kingdom	Dormant
Life Capital Limited	United Kingdom	Dormant
Panmure General Partner Limited	United Kingdom	General partner
Rotherfield Nominees Limited[1]	United Kingdom	Dormant
web-angel Limited	United Kingdom	Dormant
web-angel Services Limited[2]	United Kingdom	Dormant
United Energy Limited[2]	United Kingdom	Dormant
United Energy Property Limited[2]	United Kingdom	Dormant
Moorfields GP Limited (33%)	United Kingdom	General partner
Panmure Gordon Holdings US LLC	United States	Holding company
ThinkEquity LLC[3]	United States	FINRA/SEC registered broker dealer
ThinkEquity Capital LLC[3]	United States	Investment adviser
ThinkEquity Capital Advisors LLC[3]	United States	Investment adviser
Brantwood Management LLC (50%)[3]	United States	General partner

[1] Direct subsidiary of Panmure Gordon (Broking) Limited.

[2] Direct subsidiaries of web-angel Limited.

[3] Direct subsidiaries of Panmure Gordon Holdings US LLC.

The composition of securities held for trading at 31 December was as follows:

	Group		Company	
	31 December 2008 £'000	31 December 2007 £'000	31 December 2008 £'000	31 December 2007 £'000
Shares traded on the London Stock Exchange	**724**	1,487	**-**	-
Shares traded on AIM	**2,409**	3,835	**-**	-
Other	**-**	155	**-**	-
Total	**3,133**	**5,477**	**-**	**-**

Trading losses for the year were £2.8m (2007: gain of £0.9m).

Notes to the financial statements

15 Trade & other receivables

	Group 31 December 2008 £'000	Group 31 December 2007 £'000	Company 31 December 2008 £'000	Company 31 December 2007 Restated[2] £'000
Due within one year:				
Trade receivables	**1,296**	2,449	**-**	103
Stock borrow[1]	**-**	764	**-**	-
Market receivables	**17,222**	29,978	**-**	-
Corporation tax receivable	**562**	-	-	-
Other receivables	**5,183**	5,117	**2,780**	3,078
Prepayments and accrued income	**1,541**	1,422	**759**	756
Total	**25,804**	**39,730**	**3,539**	**3,937**

[1] Stock borrow reflects collateral placed against the value of stock borrowed.

[2] Amounts owed by ThinkEquity are now shown under non-current assets, whereas in 2007 £9.0m was shown under trade and other receivables (see note 14).

16 Trade & other payables

	Group 31 December 2008 £'000	Group 31 December 2007 Restated[2] £'000	Company 31 December 2008 £'000	Company 31 December 2007 £'000
Trade payables	**(2,101)**	(2,210)	**(395)**	(209)
Market payables	**(15,011)**	(28,566)	**-**	-
Total trade payables	**(17,112)**	**(30,776)**	**(395)**	**(209)**
Other payables[1]	**(2,459)**	(2,398)	**(3,666)**	(12,212)
Accruals and deferred income[3]	**(8,350)**	(17,821)	**(2,313)**	(1,741)
Total other payables	**(10,809)**	**(20,219)**	**(5,979)**	**(13,953)**

[1] Included within other payables within the Company's balance sheet is an intragroup payable of £3.3m (2007: £11.2m).
[2] In accordance with IFRS 3 *Business Combinations*, a provisional balance for litigation, taken at the time of the aquisition of ThinkEquity, was increased by £0.5m. See restatment section on note 12.
[3] Included within Accruals are onerous lease provisions of £1.3m (2007: £nil)

17 Interest bearing loans and borrowings

	Group 31 December 2008 £'000	Group 31 December 2007 £'000	Company 31 December 2008 £'000	Company 31 December 2007 £'000
Subordinated loan	**(3,000)**	(3,000)	**-**	-
Total	**(3,000)**	**(3,000)**	**-**	**-**

The subordinated loan is repayable on 17 February 2011 at £3m and bears an interest rate of 6.4% payable quarterly.

18 Provisions

Group	Total £'000
Provisions at 1 January 2008	(488)
Utilised/reversed during the period	-
Charged during the period	-
As at 31 December 2008	**(488)**

Provisions represent estimated amounts which may fall due to the tax authorities regarding gains on options by ex-employees.

19 Deferred tax asset and liabilities

Group

Deferred tax asset

	Share-based payments £'000	US losses £'000	Plant and equipment £'000	Fair value reserve £'000	Total £'000
Balance as at 1 January 2008	3,323	905	280	33	4,541
Movement during year	(2,500)	1,767	93	(33)	(673)
Foreign exchange	-	954	-	-	954
Balance at 31 December 2008	**823**	**3,626**	**373**	**-**	**4,822**

A deferred tax asset of £4.8m (2007: £4.5m) has been established to reflect the tax benefit which is expected to arise from the future exercise of share options, items of plant and equipment and the use of accumulated trading losses of the US subsidiary. The recognition of the deferred tax assets in respect of Panmure's US operations mainly relies on the projection of future taxable profits. Management's forecasts support the assumption that it is probable that the results of future operations will generate sufficient taxable income to utilise the deferred tax assets.

At 31 December 2008, the Group had a potential deferred tax asset of £2.0m and £5.5m relating to US trading losses made in the second half of 2008 and the US goodwill impairment charge respectively. These assets have not been recognised in the balance sheet due to the uncertainty over timing and extent of future taxable profits beyond the levels that would support the value of the deferred tax asset already recognised.

The Group also had a potential deferred tax asset of £6.8m (2007: £6.8m) relating to UK losses brought forward. These assets have also not been recognised in the balance sheet due to the uncertainty over the extent and timing of their recoverability.

Deferred tax liability

	Goodwill £'000	Fair value reserve £'000	Total £'000
Balance as at 1 January 2008	(317)	(28)	(345)
Movement during year	(275)	28	(247)
Balance at 31 December 2008	**(592)**	**-**	**(592)**

A deferred tax liability of £0.6m (2007: £0.3m) has been established to reflect the difference between the carrying value and the tax value of goodwill generated following the acquisition of Panmure Gordon (UK) Limited in 2005.

Notes to the financial statements

Company

Deferred tax asset

	Share-based payments £'000	Plant and equipment £'000	Fair value reserve £'000	Total £'000
Balance as at 1 January 2008	1,749	280	33	2,062
Movement during year	(1,363)	(3)	(33)	(1,399)
Balance at 31 December 2008	**386**	**277**	**–**	**663**

Deferred tax liability

	Fair value reserve £'000
Balance as at 1 January 2008	28
Movement during year	(28)
Balance at 31 December 2008	**–**

A deferred tax asset of £0.7m (2007: £2.1m) has been established to reflect the tax benefit which is expected to arise from the future exercise of share options and items of plant and equipment.

20 Financial instruments & risk profile

The Group and Company's financial instruments comprise cash and cash equivalents, trading positions, available for sale investments, trade receivables and payables arising from operations and subordinated debt. The Group and Company have recognised the following risks arising from these financial instruments:

- Market risk
- Credit risk
- Liquidity risk
- Operational risk

The Group and Company do not trade in financial instruments other than marketable securities, which are traded as part of market making activities.

20.1 Market risk

Equity price risk

Market risk is the risk that changes in market prices such as equity prices, interest rates and exchange rates will affect the Group and Company's income or the value of its holdings in financial instruments. The Group and Company manages these risks within pre-approved parameters, while seeking to optimise the return on risk. Market risk is monitored by means of:

Single stock limits are calculated by applying an agreed set of formulas to a set of risk metrics derived from the average traded volume, historical returns and market capitalisation of the specific stock. The trading system holds the market value of each trading position along with the holding value limit attributed to it. An embedded alarm within the trading system visually alerts management when the value of the individual trading positions breaches 90% of the calculated limit. The calculated limits are updated periodically to reflect changes in the risk metrics used to calculate the limits.

Segregation of the static data, input and amend functionality, within the trading system ensures that traders and order takers have no ability to amend stock limits. Amendments which reflect changes in the calculated limits can only be made upon instruction from Risk Management. Any request to amend a limit to a value that falls outside that of the calculated limit are put to the Risk Committee for approval.

Position reporting – the largest held for trading positions are reported to, and reviewed by, management on a daily basis and to the Risk Committee every two weeks. The Risk Committee establishes an acceptable level of maximum net long position based on current market conditions.

A proprietary valuation model is used to gauge potential future losses to individual securities within the trading portfolio. The model looks at historic average 10 day returns, derived from the historical daily closing prices for each investment held within the trading book. The average returns are then compared to the current 10 day return. The model calculates an approximate valuation of potential future losses based on the positions' current value and the deviation of the current return from the historical average return. The resultant valuation figure is made available to management as an indicative valuation of the market risk exposure attributable to uncharacteristic period returns for securities held within the book. Management then makes the decision as to whether any action should be taken in respect of positions whose current period return differs significantly from the average historical period return. There are reviews of intraday investment values and intraday revenue by the Chief Executive, Chief Financial Officer and Chief Operating Officer.

Available for sale investments are those investments which are not held for short term trading. All investments are held at fair value and reported to the Board on a monthly basis. The Board reviews the suitability of all available for sale investments considering current market conditions and instructs as necessary to the Chief Executive, Chief Financial Officer and Chief Operating Officer.

Notes to the financial statements

Equity sensitivity analysis

Group

A 10% increase or decrease in the underlying share price of held for trading investment assets / liabilities and available for sale investments, of the Group, at the reporting date would have increased / decreased equity by £699,000 (2007: £1,114,200) and would have impacted the income statement by £292,000 (2007: £479,100).

Company

A 10% increase or decrease in the underlying share price of available for sale investments of the Company, at the reporting date, would have increased / decreased equity by £408,000 (2007: £633,800).

Interest rate risk

Financial income arises primarily from cash and cash equivalents and will fluctuate depending on cash movements and market interest rate movements. All cash and cash equivalents mature within three months. Financial income in the period is disclosed in note 7.

The subordinated loan of £3m is repayable on 17 February 2011 and bears a fixed interest rate of 6.4%, payable quarterly. Financial income and expense is recognised using the effective interest rate method.

Sensitivity analysis on interest rate risk

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) the income statement, net of income tax, by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss	
	100bp increase	100bp decrease
	£'000	£'000
31 December 2008		
Subordinated loan	-	-
Cash and cash equivalents	137	(137)
Cash flow sensitivity (net)	137	(137)
31 December 2007		
Subordinated loan	-	-
Cash and cash equivalents	270	(272)
Cash flow sensitivity (net)	270	(272)

Sensitivity analysis on currency risk

A 10% strengthening of GBP against USD at 31 December 2008 would have decreased equity by £2.9m (2007: £2.5m), assuming that all other variables, in particular interest rates, remain constant. The following table shows the Group's exposure to foreign currency risk at the balance sheet date.

Exposure to currency risk

The Group's exposure to foreign currency risk was as follows:

	As at 31 December 2008				As at 31 December 2007			
	GBP £'000	USD £'000	Other £'000	Total £'000	GBP £'000	USD £'000 Restated	Other £'000	Total £'000 Restated
Assets								
Intangibles	13,201	19,180	-	**32,381**	13,201	27,344	-	**40,545**
Plant and equipment	932	2,097	-	**3,029**	1,627	1,661	-	**3,288**
Available for sale investments	4,058	18	-	**4,076**	6,338	13	-	**6,351**
Deferred tax asset	1,196	3,626	-	**4,822**	3,636	905	-	**4,541**
Total non-current assets	19,387	24,921	-	**44,308**	24,802	29,923	-	**54,725**
Investment securities held for trading	2,775	14	344	**3,133**	5,322	155	-	**5,477**
Trade and other receivables	21,373	4,177	254	**25,804**	28,496	4,899	6,335	**39,730**
Cash and cash equivalents	13,720	7,295	91	**21,106**	30,285	4,228	380	**34,893**
Total current assets	37,868	11,486	689	**50,043**	64,103	9,282	6,715	**80,100**
Current liabilities								
Bank overdraft	-	-	-	**-**	-	(459)	-	**(459)**
Trade and other payables	(15,767)	(1,072)	(273)	**(17,112)**	(21,976)	(2,689)	(6,111)	**(30,776)**
Tax and social security	(343)	(263)	-	**(606)**	(470)	-	-	**(470)**
Corporation tax liabilities	-	-	-	**-**	(774)	-	-	**(774)**
Provisions and other payables	(4,517)	(6,292)	-	**(10,809)**	(11,839)	(8,380)	-	**(20,219)**
Held for trading liabilities	(212)	-	-	**(212)**	(686)	-	-	**(686)**
Total current liabilities	(20,839)	(7,627)	(273)	**(28,739)**	(35,745)	(11,528)	(6,111)	**(53,384)**
Net current assets	17,029	3,859	416	**21,304**	28,358	(2,246)	604	**26,716**
Interest bearing loans and borrowings	(3,000)	-	-	**(3,000)**	(3,000)	-	-	**(3,000)**
Provisions	(488)	-	-	**(488)**	(488)	-	-	**(488)**
Deferred tax liability	(592)	-	-	**(592)**	(345)	-	-	**(345)**
Total non-current liabilities	(4,080)	-	-	**(4,080)**	(3,833)	-	-	**(3,833)**
Net assets	32,336	28,780	416	**61,532**	**49,327**	**27,677**	**604**	**77,608**
Equity								
Issued share capital	3,167	-	-	**3,167**	2,831	-	-	**2,831**
Shares to be issued (inc. share premium)	611	-	-	**611**	3,147	-	-	**3,147**
Share premium account	16,058	-	-	**16,058**	12,676	-	-	**12,676**
Merger reserve	21,200	-	-	**21,200**	32,818	-	-	**32,818**
Special reserve	9,595	-	-	**9,595**	9,595	-	-	**9,595**
Fair value reserve	-	-	-	**-**	(12)	-	-	**(12)**
Other reserve	(566)	-	-	**(566)**	(636)	-	-	**(636)**
Foreign currency translation reserve	5,850	-	-	**5,850**	(356)	-	-	**(356)**
Treasury shares	(5,187)	-	-	**(5,187)**	(4,972)	-	-	**(4,972)**
Retained earnings	10,804	-	-	**10,804**	22,517	-	-	**22,517**
Total equity	61,532	-	-	**61,532**	77,608	-	-	**77,608**

Notes to the financial statements

20.2 Credit risk

Credit risk represents the possibility that the Group will suffer a financial loss resulting from a counterparty failing to meet its contractual obligations. This risk arises principally from the Group's market and trading receivables. Credit risk is managed in a number of ways, namely:

- new client account opening procedures which include approval of all clients by the Chief Executive, Chief Operating Officer and Compliance;
- the general policy of dealing only with counterparties authorised by the FSA (or equivalent overseas regulators) or listed on a recognised investment exchange.

Credit limits are not established for each counterparty. Given that all trades are settled on a delivery versus payment basis and the vast majority of counterparties are financial institutions, the risk of non-settlement of trades is not considered to be high enough to warrant the establishment and monitoring of individual credit limits. The risk to the Group of non-settlement is based on the stock price movement between trade date and settlement date and is monitored daily.

There is a risk of non-payment of retainers by corporate clients; again this is considered a low risk as the amounts involved are relatively small and overdue amounts are actively pursued.

All new corporate clients are reviewed at the New Business Committee and then subjected to a due diligence test. Upon an equity transaction where new funds are raised, the Group's fees are held back from the client to eliminate any possible credit risk that may occur.

Stock borrow

The Group's stock borrow reflects collateral placed against the value of stock borrowed. The cash is placed with one bank that has an investment grade credit rating. The balance at the reporting date was £nil (2007: £764,000).

Other receivables

The Group actively monitors other receivables, and where there is evidence of impairment, management estimates the recoverable amount. Impairment losses are recognised in the income statement. No collateral is taken against other receivables.

Exposure to credit risk

The carrying value of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Trade receivables	**1,296**	2,449	**-**	103
Stock borrow	**-**	764	**-**	-
Market receivables	**199**	352	**-**	-
Other receivables	**5,183**	5,177	**2,780**	3,678

As at 31 December 2008, all cash and cash equivalents were held at AA rated financial institutions or AA rated money funds.

The ageing of trade receivables at the reporting date was:

Group	Carrying amount 31 December 2008 £'000	31 December 2007 £'000
Not past due	**953**	2,314
Past due 31-60 days	**584**	159
Past due 61-90 days	**402**	502
Past due 91-120 days	**-**	88
Past due 121+ days	**1,304**	141
Provisions	**(1,947)**	(755)
Total	**1,296**	**2,449**

Provisions at 1 January 2008	**(755)**
Bad debts written off	**410**
Provisions made during period	**(1,602)**
Provision at 31 December 2008	**(1,947)**

The Company's trade receivables amounted to £nil (2007: £103,418).

20.3 Liquidity risk

Liquidity risk is the risk that the Group and Company is unable to raise sufficient funding to enable it to meet its obligations without incurring a large cost, if at all.

The Group and Company's policy with regard to liquidity risk is to manage funding liquidity risk, with a full analysis of cash-flows, and constant monitoring of the Group and Company's balance sheet structure, borrowing limit, buffer assets, and cost of maintaining liquidity, in order to ensure the diversity and availability of funding sources. Contingency plans are established in preparation for funding liquidity risk scenarios such as widespread credit uncertainty in the market; or the occurrence of war, civil unrest, accidents, natural disasters, or other incidents.

The Group and Company manages its funding liquidity risk through the following tools:

- monitoring of cash positions on a daily basis;
- control over ensuring timely settlement by trade debtors; and
- control over timely settlement of market debtors and creditors.

Liquidity risk is controlled by a process that is designed to ensure that cumulative financing requirements are considered for the next one year. A key operating requirement of the finance function is to ensure that the Group's long-term assets and one year's annual operating expenses are covered by long-term equity and existing credit lines.

The Group holds its cash and cash equivalents with a number of highly rated financial institutions and money funds. All cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash without penalty.

The contractual maturity of the Group's financial liabilities are all within one to six months except for:

- the subordinated loan, where the contractual maturity is 17 February 2011. This is consistent with the prior year; and
- provisions, where there is no contractual liability but are expected to be settled within two years of the balance sheet date (2007: two years).

The contractual maturity of the Company's financial liabilities are all within one to six months.

Notes to the financial statements

20.4 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external causes, whether deliberate, accidental or natural. Operational risk is not just limited to the processes relating to the Group's business activities but is inherent in all of the Group's activities by virtue of the fact that the Group is a business – because it is an employer and it occupies (and is responsible for) property along with its contents including (but not limited to) assets and information not only belonging to the Group but to our clients.

An established Operational Risk Committee (comprised of senior management from all operational business areas) meets regularly not only to discuss current issues but to look to pre-empt future risks that arise as the Group grows. The Committee is also responsible for updating and reviewing the risk framework in which all conceived risk events, ranging from everyday reconciliation problems to potentially severe events such as fraud, are recorded and scored depending on their likely frequency of occurrence and potential impact on the Group. Also contained within the risk framework are details of mitigation strategies and controls in place around each of the risks recorded as the Group recognises that not all risks can be eliminated (errors and accidents will always occur) and is aware that even where risk can be eliminated it is not always cost effective to do so. Where risks are judged to be severe, the Group concentrates primarily on putting stringent controls and mitigation strategies in place to reduce the likelihood of occurrence and impact magnitude of the risk event to a minimum. Severe events include both those that are reasonably foreseeable and those that, while not predictable, are thought to be reasonably possible. For lower impact risks the Group concentrates on management and monitoring.

Capital management

The Group and Company's policy on capital management is to maintain a strong capital base so as to retain investor, creditor and market confidence and to sustain future development of the business. The Group and Company has adopted the Capital Requirement Directive (CRD) which requires the daily monitoring of the excess of the Capital Resources over the Capital Resources Requirement. The Group and Company's capital report is reviewed by the Board on a monthly basis.

The Group's capital resources consist of three tiers:

- Tier One – equity capital;
- Tier Two – subordinated debt with more than five years to maturity; and
- Tier Three – unaudited profit and loss figure.

The Group manages its risk profile and its capital resources with the objective of maintaining a regulatory ratio comfortably in excess of the Capital Resources Requirement for all its regulated subsidiaries. Based on submissions to the respective regulators of the Group's subsidiaries, this objective was achieved at all times throughout the financial year. The management of the Group's capital is carried out under the principle that it should not unexpectedly need to raise new capital or significantly reduce its risk taking in order to meet its capital management objectives.

During 2008, both Panmure Gordon (UK) Limited and Panmure Gordon (Broking) Limited were authorised and regulated by the Financial Services Authority.

ThinkEquity is a member of the Financial Industry Regulatory Authority (FINRA) and the Securities Investor Protection Corporation and is an SEC registered broker-dealer and investment adviser.

Treasury shares

From time to time the Group and Company may purchase its own shares, referred to as Treasury Shares in these financial statements, the timing of each purchase is governed by prevailing market prices. The Board approves an overall purchase policy; each individual purchase is transacted by management and then reported to the Board.

21 Fair value

The carrying value of financial assets and liabilities of the Group and Company approximate its fair value except for the Group's subordinated loan of £3.0m (2007: £3.0m) which has a fair value of £2.9m (2007: £2.9m).

22 Other financial commitments

At 31 December 2008, the Group and Company were committed to making the following payments under non-cancellable operating leases:

	Group		Company	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Land & building annual commitments which expire:				
Within 1 year	**613**	52	**-**	-
Within 1 to 2 years	**209**	546	**209**	-
Within 2 to 5 years	**687**	416	**-**	209
Over 5 years	**2,011**	1,519	**615**	717
Total	**3,520**	**2,533**	**824**	**926**

The group has recognised £1.3m in respect of provisions for onerous leases as at 31 December 2008. These amounts are included in the future cash payments set out above.

23 Share capital

On 18 August 2008, the Company issued 6,732,675 ordinary shares to EFG-Hermes Regional Investments Ltd by way of a placing. The Company also issued 1,388,742 shares on 9 October 2008 as the final element of consideration for ThinkEquity. During the year 273,450 shares were allotted to satisfy the vesting of share awards.

The Company has continued its programme to purchase its own shares into treasury at times when the shares were perceived by the Board to be under-valued. 14,672 shares were transferred out of treasury during the year to satisfy the vesting of awards under an employee share scheme. As at 31 December 2008, the number of shares in issue was 79,174,683 (2007: 70,779,816), of which 3,470,531 were held in treasury (2007: 3,210,203). The fully diluted share capital was 85,807,712 (2007: 75,969,086).

The 'other reserve' section of the balance sheet reflects the nominal value of share capital owned by the Panmure Gordon & Co. plc No. 2 Employee Benefit Trust. At the balance sheet date the Trust held 14,158,410 shares (2007: 15,389,961 shares).

Notes to the financial statements

24 Reserves

Group	Issued share capital £'000	Shares to be issued £'000	Share premium £'000	Merger reserve £'000	Special reserve £'000	Fair value reserve £'000	Other reserve £'000	Foreign currency translation reserve £'000	Treasury shares £'000	Retained earnings £'000
At 1 January 2008	2,831	3,147	12,676	32,818	9,595	(12)	(636)	(356)	(4,972)	22,517
Shares issued re exercise of options	-	-	-	-	-	-	-	-	-	-
Repayment of loan by EBT	-	-	-	-	-	-	70	-	-	-
Shares issued to EFG	269	-	2,895	-	-	-	-	-	-	-
Shares issued re ThinkEquity	67	(2,536)	487	2,070	-	-	-	-	-	-
Fair value reserve net of tax	-	-	-	-	-	12	-	-	-	-
Foreign currency translation reserve net of tax	-	-	-	-	-	-	-	6,206	-	-
Treasury shares purchased	-	-	-	-	-	-	-	-	(237)	-
Treasury shares issued	-	-	-	-	-	-	-	-	22	-
Loss for the year	-	-	-	-	-	-	-	-	-	(28,144)
2007 dividends paid	-	-	-	-	-	-	-	-	-	(779)
IFRS 2 share-based payment charges	-	-	-	-	-	-	-	-	-	3,522
Goodwill impairment	-	-	-	(13,688)	-	-	-	-	-	13,688
At 31 December 2008	**3,167**	**611**	**16,058**	**21,200**	**9,595**	**-**	**(566)**	**5,850**	**(5,187)**	**10,804**

Company	Issued share capital	Shares to be issued	Share premium	Merger reserve	Special reserve	Fair value reserve	Other reserve	Treasury shares	Retained earnings
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January 2008	2,831	3,147	12,676	12,723	9,595	(12)	(636)	(4,972)	21,385
Shares issued re exercise of options	-	-	-	-	-	-	-	-	-
Repayment of loan by EBT	-	-	-	-	-	-	70	-	-
Shares issued to EFG	269	-	2,895	-	-	-	-	-	-
Shares issued re ThinkEquity	67	(2,536)	487	2,070	-	-	-	-	-
Fair value reserve	-	-	-	-	-	12	-	-	-
Impairment of investment in subsidiary	-	-	-	(13,688)	-	-	-	-	13,688
Foreign currency translation reserve	-	-	-	-	-	-	-	-	-
Treasury shares purchased	-	-	-	-	-	-	-	(237)	-
Treasury shares issued	-	-	-	-	-	-	-	22	-
Profit for the year	-	-	-	-	-	-	-	-	242
2007 dividends paid	-	-	-	-	-	-	-	-	(779)
IFRS 2 share-based payment charges	-	-	-	-	-	-	-	-	3,522
At 31 December 2008	**3,167**	**611**	**16,058**	**1,105**	**9,595**	**-**	**(566)**	**(5,187)**	**38,058**

Shares to be issued

This component of equity reflects the market value of shares at the time of acquisition of ThinkEquity which are still unissued at the balance sheet date. This relates to unvested shares within the Accrued Bonus Plan.

Merger reserve

Shares issued in regard to ThinkEquity during the period reflect the difference between the market value of shares issued to purchase ThinkEquity and their nominal value. The reserve has been reduced by the impairment of goodwill in ThinkEquity as set out in Note 12 in accordance with section 131 of the Companies Act 1985.

Special reserve

Following the resolution passed at the Extraordinary General Meeting on 22 April 2005, a Court Order dated 12 October 2005 confirmed that the share premium account and deferred share capital were cancelled and extinguished. After eliminating the brought forward deficit on the Company's income statement, the surplus standing to the credit of the share premium account and deferred share capital, amounting to £9,595,000, has been transferred to a special reserve. This reserve is to be treated as undistributable until such time as any debts or claims against the Company existing at 12 October 2005 have been paid off.

Fair value reserve

The fair value reserve reflects unrealised gains and losses on available for sale investments being the difference between acquisition cost and fair value at the balance sheet date. The reserve is presented net of deferred tax, which is disclosed in note 19.

Other reserve

The other reserve represents the nominal value of share capital owned by the Panmure Gordon & Co. plc No. 2 Employee Benefit Trust. Since this Trust is consolidated within the Group and Company accounts, the nominal value of the share capital is deducted from reserves.

Foreign currency translation reserve

Foreign exchange differences arising on the retranslation of assets and liabilities of foreign operations are recognised directly in this component of equity. When a foreign operation is disposed of, the relevant amount in the foreign currency translation reserve is transferred to the income statement.

Notes to the financial statements

25 Dividends

	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 December 2007 of 1.5p per share	**779**	-
Interim dividend for the year ended 31 December 2007 of 1.5p per share	**-**	761
Total	**779**	**761**

The Board has not recommended the payment of a dividend for the year ended 31 December 2008 (2007: 3p).

Under an arrangement dated 22 April 2005, Praxis Trustees Limited, as Trustee of the Panmure Gordon & Co. plc No. 2 Employee Benefit Trust, which at 31 December 2008 held 14,158,410 ordinary shares representing 18.7% of the Company's called up share capital, has agreed to waive all dividends due on the shares held.

26 Reconciliation of movements in total equity

Group	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
(Loss)/profit for the period after taxation	(28,144)	5,690
Fair value reserve	12	(12)
Foreign currency translation reserve net of tax	6,206	(356)
IFRS 2 share-based payments	3,522	4,908
Shares issued re exercise of options	-	382
Other shares issued	3,252	11,008
Shares to be issued	-	3,147
Reduction in shares held by EBT	70	76
Treasury shares	(215)	(2,162)
Dividend paid	(779)	(761)
Opening total equity	77,608	55,688
Closing total equity	**61,532**	**77,608**

Company	Year ended 31 December 2008 £'000	Year ended 31 December 2007 £'000
Profit for the period	242	4,793
Fair value reserve	12	(12)
IFRS 2 share-based payments	3,522	4,908
Shares issued	3,252	11,390
Shares to be issued	-	3,147
Reduction in shares held by EBT	70	76
Treasury shares	(215)	(2,162)
Dividend paid	(779)	(761)
Opening total equity	56,737	35,358
Closing total equity	**62,841**	**56,737**

Notes to the financial statements

27 Analysis of changes in net funds

Group	31 December 2007 £'000	Cash flow £'000	31 December 2008 £'000
Cash and cash equivalents	34,893	(13,787)	**21,106**
Bank overdraft	(459)	459	**-**
Cash and cash equivalents as per cash flow statement	34,434	(13,328)	**21,106**
Subordinated loans	(3,000)	-	**(3,000)**
Net funds	31,434	(13,328)	**18,106**

Company	31 December 2007 £'000	Cash flow £'000	31 December 2008 £'000
Cash and cash equivalents	153	428	**581**
Bank overdraft	-	-	**-**
Cash and cash equivalents as per cash flow statement	153	428	**581**

28 Accounting estimates and judgements

The preparation of financial statements in conformity with adopted IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period.

Although these estimates are based on management's best knowledge of the amount, actual results ultimately may differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below:

Provisions
The Group/Company receives legal claims against it in the normal course of business. Management has made judgements as to the likelihood of any claim succeeding in making provisions. The time of concluding legal claims is uncertain, as is the amount of possible outflow of economic benefits. Timing and cost ultimately depends on the due process in respective legal jurisdictions.

Share-based payments
The Group has adopted the provisions of IFRS 2 as regards share-based payment charges. These provisions require a calculation of the fair value at the date of grant of share options granted to Directors and employees. This fair value is then charged to the income statement over the vesting period of the options, and is based on an expected number of employees leaving before their options vest.

Currently the expected lapse rate is estimated at 15% per annum. If this amount increased to 20% the Group's IFRS 2 charge for the year to 31 December 2008 would have decreased by £237,000 (Company: £1,000).

If the lapse rate dropped to 10% the Group's IFRS 2 charge for the year to 31 December 2008 would have increased by £243,000 (Company: £1,000).

Deferred tax
Deferred tax is calculated on a basis of a taxable benefit arising for the firm based on an estimated number of share options being exercised, brought forward taxable losses and plant and equipment tax cost versus accounting cost. The assessment of the recoverability of deferred tax assets is based mainly on the premise that the Group will generate sufficient profits in the future to realise the deferred tax assets. This is reviewed at each reporting date.

The amount of US deferred tax assets recognised is based on the evidence available about conditions at the balance sheet date, and requires significant judgements to be made by management, especially those based on management's projections of the timing of recovery in the US markets and economy in general. Management's judgement takes into consideration the impact of both positive and negative evidence, including historical financial performance, the anticipated benefits resulting from the significant reduction in the US cost base, projections of future taxable income and the availability of loss carrybacks.

Notes to the financial statements

29 Related party transactions

During the year the Group and Company reported the following related party transactions.

Intragroup transactions

Transactions between Group entities have been eliminated on consolidation and, as per the provisions of IAS 24, are not disclosed in this note. The Company's intragroup balances are reflected within trade and other receivables/payables respectively and within investments in respect of the loan to ThinkEquity. The nominal value of shares held by the EBT is reflected within the 'other reserve' line on the Group and Company balance sheets. At the balance sheet date the Company had lent £20m (2007: £8m) to ThinkEquity, the interest on which is charged at an arm's length rate.

Transactions with key management personnel

The compensation paid to the Group and Company's Directors is disclosed in the Directors' remuneration report. In addition the total compensation paid to the Group and Company's key management personnel is disclosed in the table below.

	2008		2007	
	Group £'000	Company £'000	Group £'000	Company £'000
Short-term employee benefits	**1,252**	698	**1,885**	1,211
Post employment benefits	**43**	30	**46**	40
Other long-term benefits	**3**	2	**1**	1
Share-based payments	**46**	29	**-**	-
Termination payments	**203**	-	**-**	-
Total	**1,547**	759	**1,932**	1,252

Significant shareholders

The Group and Company has disclosed all significant shareholders within the Report of the Directors. The Group does not have any transactions with significant shareholders to report.

30 General

The report was approved by the Board of Directors on 14 April 2009.

This report will be sent to shareholders and will be made available to the public, upon request, at the registered office of Panmure Gordon & Co. plc, Moorgate Hall, 155 Moorgate, London EC2M 6XB or from the Company's website: www.panmure.com.

31 Subsequent events

On 14 April 2009, the Company conditionally raised approximately £15.3m before expenses in a placing with BlueGem LP through its subsidiary BlueGem Water Holding B.V. of 63.65m new ordinary shares in the Company at a price of 24p per Ordinary Share. The Company will seek shareholder approval of the placing at a General Meeting.

Directors:	Tony Caplin	Chairman
	Tim Linacre	Chief Executive
	David Liddell	Chief Financial Officer
	Anthony Cann	Non-executive Director
	Paul Gismondi	Non-executive Director
	Simon Heale	Non-executive Director

Secretary: Sarah Wigley

Registered Office:
155 Moorgate
London
EC2M 6XB

Registered Number: 2700769

Auditors:
KPMG Audit Plc
8 Salisbury Square
London
EC4Y 8BB

Registrars:
Computershare Investor Services PLC
PO Box 82
The Pavilions
Bridgwater Road
Bristol
BS99 7NH

Nominated Adviser:
Grant Thornton UK LLP
Grant Thornton House
Melton Street
Euston Square
London
NW1 2EP

Solicitors:
Berwin Leighton Paisner LLP
Adelaide House
London Bridge
London
EC4R 9HA

Bankers:
Barclays Bank Plc
Financial Markets Team
PO Box 544
54 Lombard Street
London
EC3V 9EX

Panmure Gordon & Co. plc

155 Moorgate, London EC2M 6XB
T: 020 7459 3600 F: 020 7459 3609
W: www.panmure.com