

**Daniel Stewart & Company plc**  
**Annual report and financial statements**  
**Year ended 31 March 2015**

**Company registration number: 2354159**

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## Daniel Stewart & Company plc

### Strategic Report

This review contains several subjective and forward looking statements which have been made by the directors in good faith based upon the information available to them at the time. Any subjective or forward-looking statement should be considered by the user within the context of economic and business risk.

#### Financial review

The year to March 2015 has continued to be difficult. As a result of surrendering our Nomad Licence in December 2014, revenue has decreased year on year in our traditional corporate finance areas, however our private client desk has demonstrated continued growth. Reorganisation resulting from the changes in Corporate Finance and the closure of the Hong Kong office contribute to cost savings; accordingly overall costs have reduced significantly. We will continue to keep our cost-base under constant review and appropriate to the Group's business activities.

Revenue for the twelve months was £3.8 million, down from £4.3 million for the previous year, a decrease of 11% as compared to the 12.0% deterioration in the previous-year. Our Corporate Finance and Capital Markets saw a decline for the year of £0.7 million: this was generated by the completion of 15 placings totalling £19.0 million as compared to £32.0 million in the year ended 31 March 2014. Our private client activities improved by 29.1%. At the gross profit level, performance was down by 6.0%. Cost of sales has reduced from £3million in 2014 to £2.4 million in 2015. The group now only trades in equities acquired in relation to transactions, accordingly has generated a profit of £0.1 million in 2015. At the operating level, we reported a loss of £1.1 million compared to a loss of £0.8 million for 2014. Administrative costs increased in the year under review by £0.3 million. Staffing levels have continued to decline from 32 during the previous year to 29 at 31 March 2015. At 31 March 2015 we acted for 20 public market corporate clients as compared to 27 clients a year earlier. Much of this decline has been due to client companies ceasing to trade or de-listing.

Assets under administration were £56 million at 31 March 2015, down from £197 million in 2014, due significantly to the decline in the value of one holding in the portfolio.

Key financials	31 March 2015	31 March 2014	
Revenue	£	£	
Transaction	1,758,730	2,281,601	(22.9)%
Retainer	961,425	1,160,755	(17.2)%
Secondary commission	1,111,658	860,954	29.2%
	3,831,813	4,303,310	(11.0)%
Revenue - Share trading	895	-	170.77%
	3,832,708	4,303,310	(10.9)%
Operating costs	(4,909,298)	(5,159,333)	(4.8)%
EBITDA	(1,076,590)	(856,023)	(25.8)%
Other key performance indicators			
Funds placed on public markets (£million)	19.0	32.0	(40.6)%
Corporate clients	20	27	(25.93)%
Assets under administration (£million)	56	197	(71.6)%

#### Current trading and outlook

Following the restructuring plan referred to in the Directors' Report, the Directors look forward to the future with optimism, continuing to generate income in established fields.

#### Principal risks and uncertainties

The principal risk facing the business is the condition of the Stock Market. Adverse market conditions normally have a significant downward effect upon revenue and hence profitability. The group mitigates some of this risk by targeting revenues across a number of sectors and by control of overheads.

The other main risks facing the group are operational, credit, liquidity and to a lesser degree interest and currency rates.



Peter Shea

15/12/16.  
Date

Company registration number: 2354159

**Daniel Stewart & Company plc**  
**Directors' report**  
**Year ended 31 March 2015**

The directors have pleasure in presenting their report and the audited financial statements for the year to 31 March 2015.

Daniel Stewart & Company plc is a company registered in England and Wales under the Companies Acts. These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the company operates.

The company's registered office and principal place of business is Becket House, 36 Old Jewry, London EC2R 8DD. The registered number of the company is 2354159.

**Principal activities**

The principal activity of the company is the provision of financial advice to companies; significantly acting as nominated advisor and broker for AIM listed corporations.

**Dividends**

The directors do not recommend the payment of a dividend.

**Directors**

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

Peter Shea

John Whitwell (Resigned 7 July 2016)

Peter Ward (Appointed 22 November 2016)

**Significant shareholdings**

The entire issued share capital of the company is held by Daniel Stewart Securities plc, which is the ultimate parent company.

**Share capital**

The changes in the authorised share capital of the company during the year are reflected in note 15 to the financial statements.

**Employee Benefit Trust**

At 31 March 2015 the Old Jewry Employee Benefit Trust held 30,340,950 Daniel Stewart Securities plc ordinary shares.

**Charitable and political donations**

During the year the company made no political (2014: nil) or charitable donations (2014: nil).

**Supplier payment policy**

It is the company's policy to settle accounts payable in the month following invoice, or such longer periods as is agreed by the supplier.

**Directors' and officers' insurance**

The company purchases and maintains liability insurance for its directors and officers as permitted by the Companies Act 2006.

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## **Daniel Stewart & Company plc**

### **Directors' report**

### **Year ended 31 March 2015**

#### **Principal risks facing the business**

The directors consider the principal risks facing the business are as follows:

##### **Credit risk**

The Company extends credit to corporate clients.

The Company does not lend money to clients.

All accounts are subject to credit limits.

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

##### **Liquidity risk**

The Company seeks to manage liquidity risk, to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The Company deems there is sufficient liquidity for the near future.

##### **Operational Risk**

At the highest level Operational risk is managed through budgetary control. The Company will not enter into new markets, customer types or products without fully considering the operational aspects of such (including its impact on resources).

The Company will not enter into product structures or transactions, which incur significant operational risks. The Company makes appropriate investments in technology, capital and staff to ensure that its operational risks are adequately managed.

Insurance is used to limit operational exposure for a number of key risks. In quantitative terms, the insurance policy excesses approximate the boundary of risk appetite, although it is understood that in certain situations, insurance may only partially mitigate certain risks.

##### **Reputational risk**

Reputational risk is mitigated through regular meetings of the approval (new business) committee. This committee meets in order to approve all new clients and transactions prior to engagement. The committee seeks to approve only high quality organisations considering product and management.

##### **Regulatory capital requirements**

The Financial Conduct Authority require all regulated companies to maintain a level of capital which is sufficient to meet a formal internally assessed financial risk profile. This process is revisited annually through the Internal Capital Adequacy Assessment Process. Movements in the surplus capital are reported quarterly to the regulator.

The capital requirement has been met throughout the year ended 31 March 2015, and reported as such to the regulator on a quarterly basis. This is reported every six months at the group level.

##### **Future Developments**

The market conditions continue to be difficult, and accordingly the company is undergoing a restructuring programme in order to align our costs with our revenue expectations in order to return to profitability.

##### **Going Concern**

The company has again experienced losses in the year to March 2015 which inevitably have put pressure on the finances of the company, to which senior management have reacted accordingly.

The company's activities, together with the factors likely to affect its future development and performance, the financial position of the company, its cash flows and liquidity position have been considered by the directors, taking account of the current market conditions which in the opinion of the directors demonstrate that the company shall be able to continue to operate within its own resources.

The forecasts used for this exercise are based on various assumptions regarding expected levels of income and cost. Transaction related income is based, with reasonable expectation, on the mandated or identified potential customers in the pipeline, and seasonal historic expectation. Retainer income is projected at the current mandated level with no growth assumed in the year ended 31 March 2016. Income projections have been stress tested, taking into account the failure of specific identified transactions. One or more of these failures may have an impact on the company's ability to continue as a going concern without recourse to additional external finance or other parental support. Senior management are monitoring progress of these significant transactions daily and are actively pursuing further transactions in addition to those included in the forecast.

In April 2016 the Directors appointed external advisors to prepare a restructuring plan for the Group. The plan has resulted in significant cost cutting together with a commitment for financial support from Epsilon Investments PTE Limited (EIL). Funding provided subsequent to the plan being agreed has totalled £1.3million, all of which is repayable on demand. The Directors have undertaken measures to satisfy themselves of the intention and capability of Epsilon Investments PTE Limited (EIL) to provide the financial support in accordance with the plan. The directors have also received a letter of support from the directors of the parent, Daniel Stewart Securities PLC, though note that the latest financial statements of that company highlight the existence of a material uncertainty which may cast significant doubt about the ability of Daniel Stewart Securities plc to continue as a going concern. Accordingly, the Directors consider that the company will be able to maintain acceptable cash and regulatory capital levels for the foreseeable future.

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## **Daniel Stewart & Company plc**

### **Directors' report**

### **Year ended 31 March 2015**

The directors believe that the company will be able to manage its business risks successfully, and that the company has adequate resources to continue in operational existence for the foreseeable future. The directors consider it appropriate to adopt the going concern basis in preparing the Annual Report and Financial statements, although they consider that the conditions described above indicate the existence of a material uncertainty which may cast significant doubt about the company's abilities to continue as a going concern.

#### **Statement of directors' responsibilities**

The directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In preparing these financial statements, the directors have also elected to comply with IFRSs, issued by the International Accounting Standards Board (IASB). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union, and IFRSs as issued by the International Accounting Standards Board (IASB), have been followed, subject to any material departures disclosed and explained in the financial statements;

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

#### **Independent Auditors**

Each of the persons who are a director at the date of approval of this report confirms that:

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

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

PriceWaterhouseCoopers LLP has expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming annual general meeting.

On behalf of the Board



Peter Shea

Date

15/12/16,

Company registration number: 2354159

**Daniel Stewart & Company plc**  
**Independent auditors' report to the members of Daniel Stewart & Company plc**  
**Year ended 31 March 2015**

**Report on the financial statements**

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**Our opinion**

In our opinion, Daniel Stewart & Company plc's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 March 2015 and of its loss and cash flows for the year then ended;
  - have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
  - have been prepared in accordance with the requirements of the Companies Act 2006.
- 

**Emphasis of matter - Going concern**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the company's ability to continue as a going concern. The company incurred a net loss of £1,080,588 during the year ended 31 March 2015 and the going concern status of the company is dependent on the group and company being able to achieve management income forecasts or otherwise the raising of external finance in the short to medium term. These conditions, along with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

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**What we have audited**

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the statement of financial position as at 31 March 2015;
- the statement of comprehensive income for the year then ended;
- the cash flow statement for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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**Opinion on other matter prescribed by the Companies Act 2006**

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In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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**Other matters on which we are required to report by exception**

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**Adequacy of accounting records and information and explanations received**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

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**Daniel Stewart & Company plc**  
**Independent auditors' report to the members of Daniel Stewart & Company plc**

**Year ended 31 March 2015**

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**Directors' remuneration**

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

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**Responsibilities for the financial statements and the audit**

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**Our responsibilities and those of the directors**

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

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**What an audit of financial statements involves**

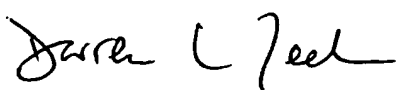
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Darren Meek (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London

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December 2016

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**Daniel Stewart & Company plc**  
**Statement of comprehensive income**  
**Year ended 31 March 2015**

Continuing operations	Note	31 March 2015 £	31 March 2014 £
Revenue – Fee and Commission Income	3	3,831,813	4,303,310
Revenue – Share Trading		895	-
Cost of sales	7	(2,442,408)	(2,952,760)
<b>Gross profit</b>		<b>1,390,300</b>	<b>1,350,550</b>
Administrative costs	7	(2,466,890)	(2,206,573)
Operating loss		(1,076,590)	(856,023)
Bank interest receivable and similar income	8	2,074	1,800
Interest payable	9	(6,072)	(2,770)
Loss before tax		(1,080,588)	(856,993)
Taxation	10	-	-
<b>Loss for the year and total comprehensive expense for the year</b>		<b>(1,080,588)</b>	<b>(856,993)</b>

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**Daniel Stewart & Company plc**  
**Statement of Financial Position**  
**As at 31 March 2015**

	Note	31 March 2015 £	31 March 2014 £
<b>Non-current assets</b>			
Plant and equipment	11	61,023	74,555
Loan		50,000	-
		<b>111,023</b>	<b>74,555</b>
<b>Current assets</b>			
Trade and other receivables	12	662,663	1,922,669
Cash and cash equivalents	13	64,039	209,340
		<b>726,702</b>	<b>2,132,009</b>
<b>Total assets</b>		<b>837,725</b>	<b>2,206,564</b>
<b>Current liabilities</b>			
Trade and other payables	14	(789,283)	(1,077,534)
<b>Total liabilities</b>		<b>(789,283)</b>	<b>(1,077,534)</b>
<b>Net assets</b>		<b>48,442</b>	<b>1,129,030</b>
<b>Equity</b>			
Capital and reserves attributable to equity shareholders			
Share capital	15	2,950,250	1,950,250
Shares issued in the year		-	1,000,000
Share premium		3,050,922	3,050,922
Accumulated losses		(5,977,730)	(4,897,142)
Capital redemption reserve fund		25,000	25,000
<b>Total equity</b>		<b>48,442</b>	<b>1,129,030</b>

The financial statements on pages 8 to 22 were approved by the Board of Directors on 15/12/16 and signed on its behalf by:



Peter Shea

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**Daniel Stewart & Company plc**  
**Statement of Changes in Equity**  
**For the year ended 31 March 2015**

	Balance at 1 April 2014	Loss for the year	Balance at 31 March 2015
	£	£	£
Share capital	2,950,250	-	2,950,250
Share premium	3,050,922	-	3,050,922
Accumulated losses	(4,897,142)	(1,080,588)	(5,977,730)
Capital redemption reserve fund	25,000	-	25,000
<b>Total equity</b>	<b>1,129,030</b>	<b>(1,080,588)</b>	<b>48,442</b>

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**Daniel Stewart & Company plc**  
**Cash flow statement**  
**For the year ended 31 March 2015**

	31 March 2015 £	31 March 2014 £
<b>Operating activities</b>		
Operating loss	(1,076,590)	(856,023)
Depreciation of fixtures and equipment	23,206	31,086
Loss from disposal of fixed assets	1,007	-
Interest payable	(6,072)	(2,770)
	(1,058,449)	(827,707)
<b>Movement in working capital</b>		
(Increase)/Decrease in receivables	705,591	459,545
Decrease in payables	(288,251)	(327,312)
	417,340	132,233
<b>Cash flow from operating activities</b>	(641,109)	(695,474)
<b>Investing activities</b>		
Expenditure on tangible fixed assets	(10,681)	(6,443)
Interest receivable	2,074	1,800
Loans	(50,000)	-
<b>Cash flow from investing activities</b>	(58,607)	(4,643)
<b>Financing</b>		
Loans made (to) / from group companies	554,415	(757,584)
Issue of Share Capital	-	1,000,000
<b>Cash flow from financing activities</b>	554,415	242,416
<b>Cash and cash equivalents at 1 April</b>	209,340	667,041
<b>Cash and cash equivalents at 31 March</b>	64,039	209,340
<b>Decrease in cash and cash equivalents</b>	(145,301)	(457,701)

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## **Daniel Stewart & Company plc**

### **Notes to the financial statements**

### **Year ended 31 March 2015**

#### **1. Accounting policies**

##### **General information**

Daniel Stewart & Company plc is a company incorporated in the United Kingdom under the Companies Act 2006 (Company Registration No. 2354159). These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Company operates.

##### **Basis of accounting**

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and International Financial Reporting Interpretations Committee ("IFRIC") interpretations as adopted and endorsed by the EU and as issued by the International Accounting Standards Board (IASB), and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS, with the prior period being presented on the same basis.

##### **Accounting Standards issued but not yet effective**

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

##### **IFRS 9 Financial Instruments**

In July 2014, the IASB issued the final version of IFRS9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: recognition and measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous version of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 January 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but no impact on the classification and measurement of the Company's financial liabilities.

The improvements to standards and interpretations which are effective from 1 July 2014 and are not expected to have a material impact on the Company include:

##### **IFRS 2 Share based payments**

This improvement is applied prospectively and clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including:

- A performance condition must contain a service condition;
- A performance target must be met while the counterparty is rendering service;
- A performance target may relate to the operations or activities of an entity, or those of another entity in the same group; and
- A performance condition may be a market or non-market condition.

If the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied.

##### **IFRS 15 Revenue from contracts with customers**

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

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## **Daniel Stewart & Company plc**

### **Notes to the financial statements**

### **Year ended 31 March 2015**

#### **Amendments to IAS 16 and IAS 38: Clarification of acceptable methods of depreciation and amortisation**

The amendments clarify the principle in IAS 16 and IAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact to the Company given that the Company has not used revenue-based method to depreciate its non-current assets.

#### **Going Concern**

The company has again experienced losses in the year to March 2015 which inevitably have put pressure on the finances of the company, to which senior management have reacted accordingly.

The company's activities, together with the factors likely to affect its future development and performance, the financial position of the company, its cash flows and liquidity position have been considered by the directors, taking account of the current market conditions which in the opinion of the directors demonstrate that the company shall be able to continue to operate within its own resources.

The forecasts used for this exercise are based on various assumptions regarding expected levels of income and cost. Transaction related income is based, with reasonable expectation, on the mandated or identified potential customers in the pipeline, and seasonal historic expectation. Retainer income is projected at the current mandated level with no growth assumed in the year ended 31 March 2016. Income projections have been stress tested, taking into account the failure of specific identified transactions. One or more of these failures may have an impact on the company's ability to continue as a going concern without recourse to additional external finance or other parental support. Senior management are monitoring progress of these significant transactions daily and are actively pursuing further transactions in addition to those included in the forecast.

In April 2016 the Directors appointed external advisors to prepare a restructuring plan for the Group. The plan has resulted in significant cost cutting together with a commitment for financial support from Epsilon Investments PTE Limited (EIL). Funding provided subsequent to the plan being agreed has totalled £1.3million, all of which is repayable on demand. The Directors have undertaken measures to satisfy themselves of the intention and capability of Epsilon Investments PTE Limited (EIL) to provide the financial support in accordance with the plan. The directors have also received a letter of support from the directors of the parent, Daniel Stewart Securities PLC, though note that the latest financial statements of that company highlight the existence of a material uncertainty which may cast significant doubt about the ability of Daniel Stewart Securities plc to continue as a going concern. Accordingly, the Directors consider that the company will be able to maintain acceptable cash and regulatory capital levels for the foreseeable future.

The directors believe that the company will be able to manage its business risks successfully, and that the company has adequate resources to continue in operational existence for the foreseeable future. The directors consider it appropriate to adopt the going concern basis in preparing the Annual Report and Financial statements, although they consider that the conditions described above indicate the existence of a material uncertainty which may cast significant doubt about the company's abilities to continue as a going concern.

#### **Financial Instruments**

##### **Trade and other receivables**

All receivables are measured at amortised cost. Appropriate allowance for estimated irrecoverable amounts is recognised in the profit or loss when there is substantial evidence that the asset is impaired. Any specific provision recognised is measured as the difference between the asset's historic cost and its net realisable value.

##### **Trade and other payables**

Trade and other payables are measured at fair value. It is the company's policy to remit in respect of trade payables in the month following invoice.

##### **Provisions**

Provisions are recognised when the Company has a financially measurable present legal or constructive obligation deriving from an earlier event.

##### **Foreign currencies**

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are reported at the rates of exchange prevailing at that date. Gains and losses arising during the period on transactions denominated in foreign currencies are treated as normal items of income and expenditure in the Statement of comprehensive income.

##### **Operating leases**

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

##### **Finance leases**

Assets held under finance leases are capitalised at their initial cost. Rentals are set against accounts payable on a straight line basis.

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## **Daniel Stewart & Company plc**

### **Notes to the financial statements**

### **Year ended 31 March 2015**

#### **Plant and equipment**

Plant and equipment are stated at cost, net of depreciation and any provision for impairment.

Depreciation is provided at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its estimated useful life as follows:

Computer equipment and software: Four years

Depreciation is provided at a rate of 25% on a written down value basis on Office equipment and furniture.

The carrying values of plant and equipment are subject to annual review and any impairment is charged to the Statement of comprehensive income.

Assets held under finance leases are subject to impairment over the period of the lease.

#### **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and uncharged deposits.

#### **Taxation**

The tax expense represents the sum of the tax currently payable and deferred tax.

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for taxable temporary differences taking account of accumulated losses from earlier periods. Deferred tax assets are recognised where it is anticipated that taxable profits will be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the Statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

#### **Revenue recognition**

Revenue represents amounts receivable for services provided in the normal course of business, net of discounts, VAT and other sales related taxes. Revenue is measured at the fair value of the consideration received or receivable in this company.

Revenue includes fees for corporate finance advisory services which are taken to the Statement of comprehensive income when the services are performed. The company's entitlement to transaction based fees occurs when the transaction becomes unconditional. Revenue also comprises commission income receivable.

Interest income is recognised when earned on cash deposits held.

#### **Segment reporting**

IFRS 8 requires that an entity disclose financial and descriptive information about its reportable segments. These operating segments have been identified on the basis of internal reports that are regularly reviewed by the Board of Directors to allocate resources and to assess performance. The reporting segments are set out in note 3.

#### **Share-based payments**

The company has applied the requirements of IFRS 2 Share-based payment. The parent company issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non-market-based vesting conditions) at the grant date. The fair value determined at the accounting reference date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the company's obligation to deliver shares to staff and adjusted for the effect of non-market-based vesting conditions.

#### **General information**

The company is regulated by the Financial Conducts Authority and is required to follow the Capital Adequacy Requirements of this regulator. The company recognises credit, operational and financial risk in this calculation and reports upon this to the regulator quarterly, at all times during the year the company complied with its capital requirement.

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**Daniel Stewart & Company plc**  
**Notes to the financial statements**  
**Year ended 31 March 2015**

**2. Critical accounting judgement and key sources of estimation uncertainty**

**Equity-settled share-based payments**

The fair value of share based payments is calculated by reference to a Black Scholes Monte Carlo simulation model. Inputs into the model are based on management's best estimates of appropriate volatility, discount rate and share price growth as referred to in note 17.

**Bad debt policy**

The company regularly reviews all outstanding balances and provides for amounts it considers irrecoverable.

**3. Business and Geographical Segments**

**Transaction Revenue**

This revenue derives from the placing of new shares and associated corporate advisory fees.

**Retainer Revenue**

This revenue derives from recurring advisory fees, predominately from our appointment as AIM nomad and broker.

**Secondary Commission**

This revenue derives from client share trading in existing shares.

**Management Charge**

Substantially all Daniel Stewart Group management staff are employed by Daniel Stewart and Co plc, this charge represents the services provided by the staff to the parent company.

**Sundry Income**

This is income that falls outside of the core activities of the company.

By Activity	31 March 2015	31 March 2014
	£	£
Transaction	1,758,730	2,281,601
Retainer	961,425	1,160,755
Secondary Commission	1,111,658	860,954
	<hr/> 3,831,813	<hr/> 4,303,310
By Geographical Segment	31 March 2015	31 March 2014
	£	£
Europe	3,600,799	4,046,409
Middle – East	22,888	34,721
Far – East	208,126	222,180
	<hr/> 3,831,813	<hr/> 4,303,310

The costs of Daniel Stewart and Co plc are predominantly of a fixed nature, therefore any allocation of these costs on a geographical or activity basis would involve utilisation of arbitrary proportions. The management consider that this exercise would not enhance the disclosure above.

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## **Daniel Stewart & Company plc**

### **Notes to the financial statements**

### **Year ended 31 March 2015**

#### **4. Financial Risk Management**

##### **Strategy**

The Company's Board is responsible for approving all risk management policies and for determining the overall risk appetite for the Company. The Company's Board receives a quarterly financial report detailing key credit risk exposures, operational risk incidents and losses.

Key credit risks are considered by the senior management on a formal basis, daily and subject to continuous rolling scrutiny, with reference to outside agencies every three months.

The Company's board monitor and assess all types of risk within the Company and ensure that internal controls are properly established so that the Company's risk exposure is maintained within the internally evaluated parameters.

##### **Equity Risk**

It is the Company's policy not to take up speculative positions.

The Company only holds short positions in the event of a timing difference on disposal of an established long position.

The Company is exposed to equity market risk in respect of trading portfolio assets that result from transactional revenue.

##### **Currency Risk**

The Company's activities are primarily denominated in Sterling and it therefore has minimal foreign exchange risk. Any significant transaction denominated in a foreign currency that would expose the Company to currency risk would be hedged immediately in the spot market.

##### **Interest Rate Risk**

The Company has interest bearing assets in mainly cash and cash equivalents. The Company has a policy of maintaining excess funds in cash and short-term deposits. The Company does not use any derivatives to hedge interest rate risk.

##### **Credit Risk**

The Company takes on exposure to credit risk, which is the risk that counterparty will cause a financial loss for the Company by failing to discharge an obligation. Credit risk exposure is generated primarily from the settlement risk on equities traded under an agency agreement with our clients or principally via market makers. The Company also extends credit to corporate clients.

The Company does not lend money to trading clients, nor does it trade in OTC derivatives and the longest dated transactions are limited to trade date plus ten business days.

All overdrawn balances are reviewed daily and actioned.

The compliance department undertakes a credit review of all new accounts and periodically reviews all existing counterparties. New accounts cannot begin to trade until the credit review has been completed.

All accounts are subject to credit limits.

At 31 March 2015 the Company's exposure to unsettled trades was £1,690,741, these have now all settled.

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers. Trade receivables at 31 March 2015 are £443,221 (2014: £893,523) the directors do not consider there is a need for any further provision against this amount.

##### **Liquidity Risk**

The Company seeks to manage liquidity risk, to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The Company deems there is sufficient liquidity for the near future.

##### **Operational Risk**

At the highest level Operational risk is managed through budgetary control. The Company will not enter into new markets, customer types or products without fully considering the operational aspects of such (including its impact on resources). The Company will not enter into product structures or transactions, which incur significant operational risks. The Company makes appropriate investments in technology, capital and staff to ensure that its operational risks are adequately managed.

The trade settlement function has been outsourced via a 'Model B' clearing and custody arrangement provided by Jarvis.

Operational risk is monitored to continually assess any upwards trends of processing errors, customer complaints and other events that can result in operational risk, so that they are identified, investigated and rectified at the earliest opportunity.

Insurance is used to limit operational exposure for a number of key risks. In quantitative terms, the insurance policy exceeds approximate the boundary of risk appetite, although it is understood that in certain situations, insurance may only partially mitigate certain risks.

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## **Daniel Stewart & Company plc**

### **Notes to the financial statements**

### **Year ended 31 March 2015**

#### **5. Capital Management**

The Company's approach to calculating its own internal capital requirements has been to take the minimum regulatory capital required for credit risk under Pillar 1 as the starting point, assess whether this is sufficient to cover credit risk, and then identify other risks and assess prudent levels of capital to meet them.

The risk assessment has been undertaken using an estimating method to measure the likelihood of occurrence and potential impact. Estimates have been further adjusted to take account of (a) the possible margin of error in assessing impact and (b) that in any one year the number of concurrent risks may well exceed the mathematical average.

The results have been collated into a central risk register to enable review and challenge by the Company's management team.

Capital levels are set with reference to the shareholder's funds and these are adjusted to reflect risk and liquidity. The excess ratio reported quarterly to the regulator throughout the past year has in the opinion of the directors been sufficient to not require review during the year. The level of surplus capital has been maintained through equity issues in accordance with the policy defined in the Internal Capital Adequacy Assessment Process.

Shareholder's funds of £48,442 at 31 March 2015 do not include any amount that may constitute a commitment or liability to any party other than a distribution to the equity shareholder.

The board has no intention of making any distribution to the equity shareholder.

#### **6. Staff costs**

Staff costs comprise:	31 March 2015	31 March 2014
	£	£
Wages and salaries	1,768,516	2,072,495
Social security costs	189,870	240,832
Other pension costs	103,072	102,707
	2,061,458	2,416,034

The company operates a contributory salary purchase pension scheme.

During the year the company had an average of 32 employees. The emoluments of the highest paid director were £253,019, (2014: £181,788).

#### **7. Result for the year**

The result for the year is stated after charging:	31 March 2015	31 March 2014
	£	£
Auditors' remuneration		
for audit services	66,000	82,000
non audit services : tax compliance	-	8,000
Operating lease rentals	102,238	224,690
Staff costs	2,061,458	2,416,034
Loss on disposal of fixed assets	922	-

The remuneration of the directors who are the key personnel of the Company, is set out below

Directors' remuneration including benefits in kind – included in staff costs above	369,110	370,960
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#### **8. Bank interest receivable and similar income**

	31 March 2015	31 March 2014
	£	£
On bank deposit	74	1,800
Lease interest	2,000	-
	2,074	1,800

Company registration number: 2354159

# **Daniel Stewart & Company plc** **Notes to the financial statements** **Year ended 31 March 2015**

## **9. Interest payable**

	31 March 2015	31 March 2014
	£	£
Other Interest	(6,072)	(2,770)

## **10. Taxation**

The tax charge comprises	31 March 2015	31 March 2014
	£	£
Mainstream UK corporation tax deriving from profits for the year at 21%: (2014-23%)	-	-
Adjustments in respect of prior years	-	-
<b>Total current tax</b>	-	-
<b>Deferred tax</b>		
Credit in respect of timing differences at 20%	-	-
Charge in respect of timing differences	-	-
<b>Total deferred tax</b>	-	-
<b>Total tax on loss from ordinary activities</b>	-	-

The tax charge for the year differs from that resulting from applying the standard rate of UK corporation tax of 24% to the profit before tax for the reasons set out in the following reconciliation.

	31 March 2015	31 March 2014
	£	£
Loss before tax	(1,080,588)	(824,391)
Disallowable items and timing differences	200,000	331,000
<b>Taxable loss</b>	<b>(880,588)</b>	<b>(493,391)</b>
<b>Tax at rate 21% (2014 23%)</b>	-	-
Adjustments in respect of prior years	-	-
<b>Tax expense for the year</b>	-	-

Disallowable items include such expenditure as entertaining which is not wholly and exclusively in the course of the business and timing differences are in respect of expenditure relating to share based payments. Total tax losses carried forward are £4,202,424 (2014: £3,321,836).

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**Daniel Stewart & Company plc**  
**Notes to the financial statements**  
**Year ended 31 March 2015**

**11. Plant and equipment**

As at 31 March 2015

	Plant and equipment £
Cost at 1 April 2014	793,382
Additions	10,681
Disposals	(229,477)
<b>Cost at 31 March 2015</b>	<b>574,586</b>
<b>Accumulated depreciation at 1 April 2014</b>	<b>718,827</b>
Provision for the year	23,206
Elimination on disposals	(228,470)
<b>Accumulated depreciation at 31 March 2015</b>	<b>513,563</b>
<b>Net book value at 31 March 2014</b>	<b>74,555</b>
<b>Net book value at 31 March 2015</b>	<b>61,023</b>
<b>As at 31 March 2014</b>	
Cost at 1 April 2013	786,939
Additions	6,443
<b>Cost at 31 March 2014</b>	<b>793,382</b>
<b>Accumulated depreciation at 1 April 2013</b>	<b>687,741</b>
Provision for the year	31,086
<b>Accumulated depreciation at 31 March 2014</b>	<b>718,827</b>
<b>Net book value at 31 March 2013</b>	<b>99,198</b>
<b>Net book value at 31 March 2014</b>	<b>74,555</b>

Included within the cost of plant and equipment is £321,694 of fully depreciated assets and £nil in respect of assets held under finance leases.

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## Daniel Stewart & Company plc

### Notes to the financial statements

### Year ended 31 March 2015

#### 12. Trade and other receivables

	2015 £	2014 £
Trade receivables	334,289	893,523
Due from group companies	213,232	767,647
Other debtors and prepayments	115,142	261,499
	<b>662,663</b>	<b>1,922,669</b>

The ageing of trade receivables at the reporting date was:

	2015 £	2014 £
Not past due	80,533	10,502
30 to 60 days	8,975	154,038
Over 60 days	244,781	728,983
	<b>334,289</b>	<b>893,523</b>

All debtors are receivable within one year of the reporting date, and are reported after taking impairment into account. An allowance has been made for estimated irrecoverable amounts of £nil (2014: £nil). The directors consider that the carrying amount of trade and other receivables approximates their fair value. All amounts considered uncollectible have been written off.

#### 13. Cash and cash equivalents

	2015 £	2014 £
Held at UK clearing banks directly	64,039	209,340

#### 14. Trade and other payables

	2015 £	2014 £
Trade payables	374,352	430,891
Other payables and accruals	294,742	214,492
Other taxes and social security	120,189	432,151
	<b>789,283</b>	<b>1,077,534</b>

All creditors are payable within one year of the reporting date.

#### 15. Share Capital

	2015 £	2014 £
<b>Authorised</b>		
611,550,000 (2014: 611,550,000) Ordinary shares of 0.5p each at 1 April	3,057,750	3,057,750
611,550,000 (2014: 611,550,000) Ordinary shares of 0.5p each at 31 March	<b>3,057,750</b>	<b>3,057,750</b>
<b>Issued and fully paid</b>		
590,049,900 (2014: 390,049,900) Ordinary shares of 0.5p each at 1 April	2,950,250	1,950,250
Nil (2014: 200,000,000) Issued during the year	-	1,000,000
590,049,900 (2014: 590,049,900) Ordinary shares of 0.5p each at 31 March 2015	<b>2,950,250</b>	<b>2,950,250</b>

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## Daniel Stewart & Company plc

### Notes to the financial statements

### Year ended 31 March 2015

#### 16. Operating leases

At the reporting date, the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2015	2014
	£	£
Within one year	176,350	224,690
In the second to fifth year inclusive	59,393	201,652
Five to ten years	-	794

#### 17. Share based payments

The company has two share option schemes for all employees of the company which provide employees with the option to acquire shares in the parent company. Options are exercisable at a price agreed upon in the share option agreement on the date of grant. The vesting period lies between immediate exercise and three years. If the options remain unexercised after a period of 10 years from the vesting date, or the option holder ceases to be an employee or office holder within the company before the options vest, the options will lapse on the date of such cessation.

The share options outstanding at 31 March are as follows:

	Date of grant	Vesting period	Exercise price	Number of shares	
				2015	2014
<b>Granted at start of period</b>					
Unapproved	16 February 2002	None	11.00p	40,000	40,000
Approved	19 August 2004	Three years	4.00p	2,250,000	2,550,000
Unapproved	14 February 2005	Three years employment	10.00p	335,000	335,000
Unapproved	13 June 2005	Three years employment	12.00p	500,000	500,000
Unapproved	22 May 2006	Three years employment	27.75p	4,000,000	4,000,000
Approved	29 March 2010	One year employment	2.00p	13,950,000	13,950,000
Approved	29 March 2010	One year employment	2.50p	8,800,000	8,800,000
<b>Surrendered or lapsed during the period</b>					
Unapproved	16 February 2002	None	11.00p	(40,000)	-
Approved	19 August 2004	Three Years	4.00p	(2,250,000)	-
Unapproved	14 February 2005	Three years employment	10.00p	(335,000)	-
Approved	19 August 2004	Three years	4.00p	-	(300,000)
Approved	29 March 2010	One year employment	2.00p	(4,000,000)	-
Approved	29 March 2010	One year employment	2.50p	(650,000)	-
				22,600,000	29,875,000

The options have been valued using a Black Sholes Monte Carlo model with reference to relevant vesting periods and actual share prices at the date of issue, exercise date and accounting reference date, historic share price volatility.

Historically the Old Jewry Employee Benefit Trust has acquired shares for the sole purpose of meeting the commitments of the options above.

#### 18. Events after the reporting year

In April 2016 the Directors appointed external advisors to prepare a restructuring plan for the Company. The plan has resulted in significant cost cutting together with a commitment for funding from Epsilon Investments PTE Limited (EIL). Funding to date has totalled £1 million.

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## Daniel Stewart & Company plc

### Notes to the financial statements

### Year ended 31 March 2015

#### 19. Related party transactions

Daniel Stewart Securities plc holds 100% of the issued share capital of Daniel Stewart & Co plc

Peter Shea and Adam Wilson are shareholders in The Confederacy Limited. Peter Shea is director of Daniel Stewart & Co plc.

Adam Richard Wilson has been paid £156,248 (2014 : £281,667) by Daniel Stewart & Co plc in respect of his consultancy agreement and employment contract with Daniel Stewart Securities plc. At 31 March 2014 £22,500 had been paid in advance to Adam Richard Wilson in respect of this agreement.

During the year Daniel Stewart & Co plc paid £8,134 in respect of health insurance for Stuart Lucas who is a director of Daniel Stewart Securities plc, the parent company.

During the year Daniel Stewart & Co plc paid £3,997 (2014 : £4,494) in respect of life and health insurance.

Daniel Stewart Securities plc, the parent company, holds the bulk of the group's cash in order to carry out treasury. From time to time cash will be transferred between group companies in order to meet the normal operating obligations of the subsidiary companies. In the year ending 31 March 2015, Daniel Stewart & Co plc transferred £465,697 (2014 : £675,099) into Daniel Stewart Securities plc.

Peter Shea has provided £10,000 personal guarantee in respect of credit cards from Adam & Co bank.

Stuart Lucas, a director of Daniel Stewart Securities plc, is a director and shareholder in Asset Match Limited. During the year Asset Match paid £28,353 (2014 : £7,275) commission to Daniel Stewart & Co plc.

#### Key management compensation

Key managers have been identified as the executive management teams of the company.

	2015	2014
	£	£
Salaries and short term benefits	357,914	277,444
Social security costs	44,952	33,794
Pension contributions	11,196	6,118
	<b>414,062</b>	<b>317,356</b>

The following Directors had interests in options over ordinary shares of Daniel Stewart Securities plc, the parent company as shown below:

Price	12p	2.5p	2p
Vesting date	14 Feb 2008	29 Mar 2011	29 Mar 2011
Peter Dicks		1,000,000	
Peter Shea	500,000	3,000,000	7,000,000
Stuart Lucas		1,000,000	
John Whitwell		250,000	500,000

None of the directors' exercised any options during the year ended 31 March 2015.

#### 20. Commitments and contingent liabilities

A contingent liability in respect of exposure to client share trading will exist at any given time. All unsettled trades at 31 March 2015 have now been fully satisfied. At 31 March 2015, the Company had an open position of £1,690,741 (2014 : £2,041,088).

#### 21. General information

The immediate parent undertaking is Daniel Stewart Securities plc.

The ultimate parent undertaking and controlling party is Daniel Stewart Securities plc, a company incorporated in the United Kingdom.

Daniel Stewart Securities plc is the parent undertaking of the largest group of undertakings to consolidate these financial statements at 31 March 2015. The consolidated financial statements of Daniel Stewart Securities plc are available from 33 Creechurch Lane, London EC3A 5EB.