Daniel Stewart & Company plc
Annual report and financial statements
Year ended 31 March 2013

Company registration number: 2354159

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Company registration number 2354159

Daniel Stewart & Company plc
Director's report
Year ended 31 March 2013

The directors have pleasure in presenting their report and the financial statements for the year to 31 March 2013

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 activity

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

Review of the business

The financial performance is reported in the Statement of comprehensive income

The reduction in turnover reflects the deteriorating market conditions The major contributing factor is the decline in transaction revenue from £4 9million to £3 4million in 2013, for further detail please see note 3 to the financial statements In the year ended 31 March 2013 we acted on admission of £37million this is compared to £107million in the previous year

In 2012 there was a significant placing in the Far-East which generated over £800k of revenue This has not been repeated in the year under review although the same client s stock has generated £500k of revenue in the post balance sheet period from vendor placings Generally share prices of Far-East companies have not performed well on AIM This has resulted in reluctance on the part of investors and reduced activity in that market

Dividends

The directors do not recommend the payment of a dividend

Directors

The directors who served during the year are as follows
Peter Shea
John Whitwell

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 16 to the financial statements

Employee Benefit Trust

At 31 March 2013 the Old Jewry Employee Benefit Trust held 30 340 950 Daniel Stewart Securities plc ordinary shares

Employment policy

The company is an equal opportunities employer

Charitable and political donations

During the year the company made no political or charitable donations

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 The average creditor days are 45

Directors' and officers' insurance

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

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 Services 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 2013, 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 been subject to delays in significant transactions in the normal course of business, significant reductions in both the expected and actually realised value of assets and the failure of debtors to continue trading These factors have resulted in a both an adverse effect on these financial statements and deterioration of the cash-flow of the company since year-end, 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 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 based income is identified with reasonable expectation to the mandated or potential customer for up to six months ahead Subsequent transaction revenue is projected based upon seasonal historic expectation Retainer income is projected at the current mandated level with no growth in the year ended 31 March 2014 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 Companys ability to continue as a going concern without recourse to additional finance Senior management are monitoring progress of these significant transactions daily and are actively pursuing further transactions in addition to those projected in the forecast

In September2012 the Company restructured removing approximately £1million per annum from its cost base These benefits will be fully reflected in the year ended 31 March 2014 because of the contractual obligations of the Company In order to achieve its forecasts the Company needs to maintain the cost base at this level

Given the above the Company is expected to maintain acceptable cash levels

As a result the directors believe that the company is placed to manage its business risks successfully, and that the company has adequate resources to continue in operational existence for the foreseeable future Accordingly they consider it appropriate to adopt the going concern basis in preparing the Annual Report and Accounts

Company registration number 2354159

Daniel Stewart & Company plc

Director's report
Year ended 31 March 2013

Directors' responsibilities

The directors are responsible for preparing the annual 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 The directors elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union

The financial statements are also required by law to be properly prepared in accordance with the Companies Act 2006

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Company s financial position, financial performance and cash flows This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities income and expenses set out in the International Accounting Standards Board s 'framework for the preparation and presentation of financial statements' In virtually all circumstances a fair presentation will be achieved by compliance with all applicable IFRSs

However directors are also required to

- properly select and apply accounting policies,
- present information, including accounting policies, in a manner that provides relevant reliable, comparable and understandable information, and
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance
- Make an assessment of the company s ability to continue as a going concern

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 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

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

Keelings Limited 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

By order of the Board

John Whitwell
30 September 2013

Company registration number 2354159

Daniel Stewart & Company plc
Independent auditors' report to the members of Daniel Stewart & Company plc
Year ended 31 March 2013

We have audited the financial statements of Daniel Stewart & Co Plc for the year ended 31st March 2013 on pages 7 to 22 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted for use in the European Union

This report is made solely to the company's member as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's member those matters we are required to state to them in a Report of the Auditors 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 member as a body, for our audit work for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 4 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) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

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

In addition we read all the financial and non-financial information in the financial statements to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

Separate opinion in relation to IFRSs as issued by the IASB

As explained in note 1 to the financial statements, the company in addition to applying IFRSs as adopted by the European Union has also applied IFRSs as issued by the International Accounting Standards Board (IASB)

In our opinion the financial statements comply with IFRSs as issued by the IASB

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 March 2013 and of its loss for the year then ended,
- have been properly prepared in accordance with International Financial Reporting Standards , 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 £1,743 439 during the year ended 31 March 2013 and subsequent to the year-end incurred further losses The going concern status of the company is dependent on the company being able to substantially achieve management's forecast of income to be generated or the raising of funds in the immediate to short 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

Company registration number 2354159

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if in our opinion

- 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 or
- certain disclosures of directors remuneration specified by law are not made or
- We have not received all the information and explanations we require for our audit

Christopher Wright

Christopher Wright (Senior Statutory Auditor)
For and on behalf of Keelings Limited (Statutory Auditor)
Chartered Accountants and Registered Auditors
Broad House
The Broadway
Old Hatfield
Hertfordshire
AL9 5BG

30 September 2013

Company registration number. 2354159

Daniel Stewart & Company plc
Statement of comprehensive income
Year ended 31 March 2013

Continuing operations	Notes	31 March 2013	31 March 2012
Revenue – Fee and Commission Income	3	5 198,772	6 085,710
Cost of sales	6-7	(4 478 980)	(4 165 405)
Gross profit		719,792	1 920,305
Administrative costs	6-7	(2 464,052)	(3 409 640)
Operating loss		(1 744 260)	(1,489,335)
Bank interest receivable and similar income	8	1,348	4,562
Interest payable	9	(527)	(7,795)
Loss before tax		(1 743 439)	(1,492 568)
Taxation	10	-	-
Total comprehensive income for the year net of tax		(1 743,439)	(1 492 568)

Company registration number 2354159

Daniel Stewart & Company plc
Statement of Financial Position
As at 31 March 2013

	Notes	31 March 2013	31 March 2012
Non current assets			
Plant and equipment	11	99,198	126,009
		99 198	126,009
Current assets			
Trade and other receivables	12	1,624 630	3,372 628
Cash and cash equivalents	13	667,041	258 335
		2,291,671	3 630,963
Total assets		2 390 869	3 756,972
Current liabilities			
Trade and other payables	14	(1 404,846)	(1 027,510)
Corporation tax		-	-
Total liabilities		(1,404 846)	(1 027 510)
Net assets		986 023	2 729 462
Equity			
Capital and reserves attributable to equity shareholders			
Share capital	15	1,950 250	1,942,750
Shares issued in the period		-	7,500
Share premium		3 050,922	3,050,922
Retained earnings		(4 040,149)	(2,296,710)
Capital redemption reserve fund		25 000	25,000
		986,023	2,729 462

The financial statements were approved by the board of directors and authorised for issue on September 2013
They were signed on its behalf by

JGR Whitwell
30 September 2013

Company registration number 2354159

Daniel Stewart & Company plc
Statement of Changes in Equity
For the year ended 31 March 2013

	Balance at 1 April 2012	Result for the year	Total
Share capital	1 950 250		1 950,250
Share premium	3,050,922		3,050,922
Retained earnings	(2,296 710)	(1,743 439)	(4,040,149)
Capital redemption reserve fund	25,000		25,000
	2 729,462	(1,743,439)	986 023

Company registration number 2354159

Daniel Stewart & Company plc
Cash flow statement
For the year ended 31 March 2013

	31 March 2013	31 March 2012
Operating activities		
Operating loss	(1 744,260)	(1,489 335)
Depreciation of fixtures and equipment	64,095	99,543
Profit from disposal of fixed assets	(735)	-
	(1 680,900)	(1,389,792)
Movement in working capital		
Decrease / (increase) in receivables	262,501	(924,161)
Increase in payables	377 336	58,601
	639,837	(865,560)
Operating cash flow	(1,041,063)	(2,255,352)
Investing activities		
Expenditure on tangible fixed assets	(64,994)	(21,811)
Proceeds of disposal of fixed assets	28 445	-
Interest receivable	1 348	4,562
Cash flow from investing activities	(35 201)	(17,249)
Financing		
Loans made (to) / from group companies	1,485,495	628,862
Issue of Share Capital	-	1,500,000
Interest payable	(527)	(7,795)
Cash flow from financing activities	1,484 970	2 121 067
Cash and cash equivalents at 1 April 2012	258,335	409 869
Cash and cash equivalents at 31 March 2013	667,041	258,335
Increase / (decrease) in cash and cash equivalents	408 706	(151 534)

Company registration number 2354159

Daniel Stewart & Company plc
Notes to the financial statements
Year ended 31 March 2013

1. Accounting policies

Basis of accounting

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and IFRIC interpretation as adopted and endorsed by the EU and as issued by the International Accounting Standards Board (IASB), and the Companies Act 2006 applicable to companies reporting under IFRS with the priorperiod being presented on the same basis

Adoption of standards

Standards affecting the financial statements

The same accounting policies, presentation and methods of computation are followed in these financial statements as applied in the Company's financial statements for the year ended 31 March 2012 except as described below

The Company has adopted the following new and revised Standards and Interpretations in the current year

IAS 12 Income Taxes (Amendment) – Deferred Taxes Recovery of underlying assets

Endorsed and available for early adoption

None

A number of new standards and interpretations have been issued with effective dates after the date of these financial statements These changes are currently being assessed and the directors do not anticipate that the adoption of these standards and interpretations will materially impact the Company s financial statements in the period of initial application although there could be revised and additional disclosures The Company plans to apply these standards once endorsed in the first reporting period that commences after the effective date

International Accounting Standards (IAS / IFRSs)		*Effective date for accounting periods starting after*
IAS 32 (revised)	Financial Instruments Presentation on Offsetting Financial Assets and Financial Liabilities	1 January 2014
IFRS 7	Financial Instruments Disclosures	1 January 2013
IFRS 7	Financial Instruments Disclosures (Amendment) – Initial Application of IFRS 9	1 January 2015
IFRS 9	Financial Instruments Classification and Measurement	1 January 2015
IFRS 10	Consolidated Financial Statements	1 January 2014
IFRS 11	Joint Arrangements	1 January 2014
IFRS 12	Disclosure of Interests in Other Entities	1 January 2014
IFRS 13	Fair Value Measurement	1 January 2013
IAS 1	Presentation of Items of Other Comprehensive Income (Amendment)	1 July 2012
IAS 19 (revised)	Employee Benefits	1 January 2013
IAS 27 (revised)	Separate Financial Statements	1 January 2013
IAS 28 (revised)	Investments in Associates and Joint Ventures	1 January 2013
IAS 36 (revised)	Impairment of assets	1 January 2014
IFRS	May 2012 Annual Improvements	1 January 2013

Daniel Stewart & Company plc
Notes to the financial statements
Year ended 31 March 2013

Going Concern

The company has been subject to delays in significant transactions in the normal course of business, significant reductions in both the expected and actually realised value of assets and the failure of debtors to continue trading These factors have resulted in a both an adverse effect on these financial statements and deterioration of the cash-flow of the company since year-end, 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 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 based income is identified with reasonable expectation, to the mandated or potential customer for up to six months ahead Subsequent transaction revenue is projected based upon seasonal historic expectation Retainer income is projected at the current mandated level with no growth in the year ended 31 March 2014 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 Companys ability to continue as a going concern without recourse to additional finance Senior management are monitoring progress of these significant transactions daily and are actively pursuing further transactions in addition to those projected in the forecast

In September2012 the Company restructured removing approximately £1 million per annum from its cost base These benefits will be fully reflected in the year ended 31 March 2014 because of the contractual obligations of the Company In order to achieve its forecasts, the Company needs to maintain the cost base at this level

Given the above, the Company is expected to maintain acceptable cash levels

As a result the directors believe that the company is placed to manage its business risks successfully, and that the company has adequate resources to continue in operational existence for the foreseeable future Accordingly, they consider it appropriate to adopt the going concern basis in preparing the Annual Report and Accounts

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

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 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 Services 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

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 18

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 2013	31 March 2012
Transaction	2,792,444	3,439,732
Retainer	1,682,328	1,749,161
Secondary Commission	724,000	796,817
Management Charge	-	100,000
	5,198,772	6,085,710

By Geographical Segment	31 March 2013	31 March 2012
Europe	4 782,469	4 503,267
Middle – East	50,109	28,527
America	17 759	410,555
Africa	-	25 000
Far – East	348,435	1,049,003
Australia	-	69,358
	5,198,772	6,085,710

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

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 2013 the Company s exposure to unsettled trades was £4,000 000, 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 2013 are £1,170,209 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 excesses approximate the boundary of risk appetite, although it is understood that in certain situations, insurance may only partially mitigate certain risks

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 £986,023 at 31 March 2013 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

Daniel Stewart & Company plc
Notes to the financial statements
Year ended 31 March 2013

6 Staff costs

Staff costs comprise	31 March 2013	31 March 2012
Wages and salaries	2,804 438	2 777 553
Social security costs	358 679	518 955
Pension costs	173 054	234 599
Equity Settled share based payment adjustment	-	(60,888)
	3 336,171	3,470 219

The company operates a contributory salary purchase pension scheme
During the year the company had an average of 39 employees The emoluments of the highest paid director were £170,000, (2012 £462,307)

7. Result for the year

The result for the year is stated after charging		31 March 2013	31 March 2012
Auditors remuneration	for audit services	29,,734	27,500
	non audit services tax compliance	2,000	5 000
Operating lease rentals		240 611	71 185
Staff costs		3 336 171	4,372 592
Profit on disposal of fixed assets		(735)	-
Other operating costs		3 329 251	3 098 768
		6 943 032	7 575,045

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	329 401	602,418

8. Bank interest receivable and similar income

	31 March 2013	31 March 2012
On bank deposit	1 348	4 562

9. Interest payable

	31 March 2013	31 March 2012
Other Interest	(527)	(7 795)

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10. Tax

The tax charge comprises	31 March 2013	31 March 2012
Mainstream UK corporation tax deriving from profits for the year at 24% (2012-26%)	-	-
Adjustment for earlier year	-	-
Total current tax	-	-
Deferred tax		
Credit in respect of timing differences at 20%	-	-
Charge in respect of timing differences	-	-
Total deferred tax	-	-
Total tax on loss from ordinary activities	-	-

The tax charge for the period 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 2013	31 March 2012
Loss per financial statements	(1 743 439)	(1,492 568)
Disallowable items and timing differences	200 000	200 000
Taxable loss	(1 543,439)	(1 292 568)
Tax at rate nil (2012 nil)	-	-
Adjustment for earlier years	-	-
Tax expense for the year	-	-

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 £2 600 000

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11. Plant and equipment

As at 31 March 2013

	Plant and equipment
Cost at 1 April 2012	801 254
Disposals	(79 309)
Additions	64,994
	786 939
Accumulated depreciation at 1 April 2012	675 245
Provided re Disposals	(51 599)
Provision for the year	64,095
	687 741
Net book value at 31 March 2012	126 009
Net book value at 31 March 2013	99 198

As at 31 March 2012

	Plant and equipment
Cost at 1 April 2011	779,443
Additions	21,811
	801 254
Accumulated depreciation at 1 April 2011	575 702
Provision for the year	99,543
	675 245
Net book value at 31 March 2011	
	203 741
Net book value at 31 March 2012	

Included within the cost of plant and equipment is £506 820 of fully depreciated assets and £nil in respect of assets held under finance leases

12. Trade and other receivables

	2013	2012
Trade receivables	1 170 209	1,333 570
Due from group companies	10,063	1,495,560
Other debtors and prepayments	444,358	543 498
	1,624,630	3 372 628

The ageing of trade receivables at the reporting date was

	2013	2012
Not past due	908,350	777 766
30 to 60 days	102,873	489,877
Over 60 days	158,986	65,927
	1,170,209	1,333,570

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 (2012 £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

	2013	2012
Held at UK clearing banks directly	667,041	258,335

14. Trade and other payables

	2013	2012
Trade payables	423,663	395,137
Other payables and accruals	220,841	426 691
Other taxes and social security	760,342	205,682
	1 404,846	1,027,510

All creditors are payable within one year of the reporting date

15. Share Capital

	2013	2012
Authorised		
611,550,000 Ordinary shares of 0 5p each at 1 April 2012	3,057 750	3 057,750
611 550 000 Ordinary shares of 0 5p each at 31 March 2013	3,057,750	3,057,750
Issued and fully paid		
390,049,900Ordinary shares of 0 5p each at 1 April 2012	1,950 250	1,942 750
1 500 000 Ordinary shares of 0 5p each	-	7,500
390,049,900 Ordinary shares of 0 5p each at 31 March 2013	1 950,250	1,950 250

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

	2013	2012
Within one year	107,721	53 698
In the second to fifth year inclusive	23 171	116,136
Five to ten years	-	-

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 group before the options vest the options will lapse on the date of such cessation

The options have been valued using a Black Scholes model with reference to relevant vesting periods and actual share prices at the date of issue exercise date and expected volatility Historic share price volatility applied has been 53 91%, an attrition rate of 14 21% and a risk free interest rate of 1% as applied during the historic period to which these options apply The weighted average price used in the valuation model is 4p

No options were granted in 2012 or 2013 and there was no share based payment charge in either period

The share options outstanding at 31 March 2013 are as follows

The share options outstanding at 31 March are as follows

	Date of grant	Vesting period	Exercise price	Number of shares	
				2013	2012
Granted at start of period					
Unapproved	16 February 2002	None	11 00p	40,000	40 000
Approved	19 August 2004	Three years	4 00p	2,550,000	2,550,000
Unapproved	14 February 2005	Three years employment	10 00p	360,000	360,000
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 2012	One years employment	2 00p	17,500 000	17,800 000
Approved	29 March 2012	One years employment	2 50p	17,150 000	23,625,000
Approved	Various	One years employment	0 25p	-	100 000
Approved	Various	Two years employment	0 25p	-	100,000
Surrendered or lapsed during the period					
Unapproved	14 February 2005	Three years employment	10 00p	(25 000)	-
Approved	29 March 2012	One years employment	2 00p	(3,300,000)	(300,000)
Unapproved	29 March 2012	One years employment	2 50p	(1,350,000)	(6,475 000)
Approved	Various	One years employment	0 25p	-	(100,000)
Approved	Various	Two years employment	0 25p	-	(100,000)
				37,425,000	42,100 000

18. Related party transactions

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

Daniel Stewart & Co plc received £15 000 (2012 £20,000) in fees from Private and Commercial Finance Plc during the year Peter Shea a director of Daniel Stewart & Co plc resigned as a non executive director of Private and Commercial Finance Plc on 30 June 2012

Daniel Stewart & Co plc received £134,000 (2012 £326 575) in fees from Sportingbet plc during the year Peter Dicks is a non executive director of Sportingbet plc and Daniel Stewart Securities plc the parent company Daniel Stewart & Co plc advised GVC Holdings plc in their acquisition of Sportingbet plc Fees received from GVC Holdings plc in the year ended 31 March 2013 totalled £830 000 (2012 £nil)

Adam Richard Wilson a major shareholder of Daniel Stewart Securities plc has been paid £570 000 (2012 £521 828) by Daniel Stewart & Co plc in respect of his consultancy agreement with Daniel Stewart Securities plc At 31 March 2013 £21,666 (2012 £24,000) had been paid in advance to Adam Richard Wilson in respect of this agreement

Adam Richard Wilson holds options over 7 000,000 (2012 7 000,000) ordinary shares of Daniel Stewart Securities plc The exercise price of these shares is 2p In order to exercise 50% of the total when the Volume Weighted Average Price ('VWAP") of the Shares is at or above 3p for any 30 days, and 50% of the total when the VWAP is 6p or more for any 30 days

Daniel Stewart & Co plc received £10 122 (2012 £28 168) in fees from Atlantic Coal plc during the year Adam Richard Wilson, a major shareholder of Daniel Stewart Securities plc, the parent company, is a non executive director of Atlantic Coal plc

During the year Daniel Stewart & Co plc paid £6 925 (2012 £5 774) 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 £4 517 (2012 £2,889) in respect of health insurance for Adam Wilson who is a significant shareholder in Daniel Stewart Securities plc the parent company

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 2013 Daniel Stewart & co Plc transferred £1 180 145 (2012 £628 862) into Daniel Stewart Securities plc

There has been no management charge from Daniel Stewart & co plc to Daniel Stewart Securities plc in the year (2012 £100,000)

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

Key management compensation

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

	2013	2012
Salaries and short term benefits	318,409	574 328
Social security costs	39 718	48,852
Pension contributions	10,992	14 167
	369,119	637,347

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

Price	**11p**	**10p**	**4p**	**2 5p**	**2p**
Vesting date	**16 Feb 2005**	**14 Feb 2008**	**19 Aug 2007**	**29 Mar 2012**	**29 Mar 2012**
Peter Dicks	40,000			1 000 000	
Peter Shea	750,000		500 000	3 000 000	7 000 000
Stuart Lucas				1 000 000	
John Whitwell		75,000	400 000	250 000	500 000

None of the directors' exercised any options during the year ended 31 March 2013

19 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 2013 have now been fully satisfied At 31 March 2013 the Company had an open position of £3,900 000

20. General information

The ultimate parent company of the Company is Daniel Stewart Securities plc a company registered in England and Wales under the Companies Act 2006, whose registered office and principal place of business is Becket House 36 Old Jewry, London EC2R 8DD Copies of their financial statements may be obtained from this address