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Quayle Munro Holdings Limited

Annual report and financial statements

Period ended 30 September 2014

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Quayle Munro Holdings Limited
Period ended 30 September 2014

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Quayle Munro Holdings Limited
Period ended 30 September 2014

Group strategic report

The directors present their strategic report on the Group for the period ended 30 September 2014.

Business review

Revenues for the fifteen month period ended 30 September 2014 were £8.7m (2013 - £10.3m) and pre-tax profits were £1.3m (2013 - £1.1m). Disappointing results from the advisory business were to some extent counterbalanced by better than expected results from our principal investments. Our strategy to build the advisory business is on track and we remain confident about the future.

Advisory business

Results were significantly below budget with revenues of £8.7m for the fifteen month period compared with £10.3m for the previous twelve months. We started the period with an excellent pipeline showing a significant increase in expected revenues over the previous year. However, despite the strong market in mergers and acquisitions generally, a number of our major transactions have extended into the current financial year or failed to complete. We have a rigorous process in taking on new clients, covering not only reputation and regulatory issues but also use of our resources, projected fees and the likelihood of deals completing, but the nature of our business makes it difficult to forecast accurately.

Profits have also been depressed by the expected time lag between the costs of hiring and employing new bankers and their reaching full revenue generation potential.

Our strategy to build out the media and technology franchise from our core data analytics advisory business by adding experienced bankers with strong client bases is on track. In addition to Simon Gluckstein, whose appointment was reported in last year's Annual Report, we hired Mark Fisher in March this year who brings a strong technology franchise. Both bankers have broadened our client base and have already brought in advisory mandates.

We have recently announced the recruitment of a financial services advisory team consisting of Lawrence Guthrie (Managing Director), Christian Kent (Director) and Paul Tracey (Assistant Director). They are a very experienced and productive team and, under Lawrence's leadership, have built an excellent franchise in financial services (FIG). Owing to the strict application of their respective notice periods by their previous employer, the team have been joining us in stages since August with Lawrence being the last to arrive in January 2015. In addition to their existing FIG franchise we are also excited by the opportunities to expand into contiguous areas such as fintech (technology that engages with or delivers financial services).

Total staff now number 38 of which 32 are involved in revenue generation.

While we will continue to look to add successful bankers with the requisite skills, particularly in related sectors, we believe now is a sensible moment to pause in our Managing Director recruitment so that we can assimilate our new hires and support them in maximising their potential.

Looking forward to our current financial year ending 30 September 2015, our pipeline of business is encouraging and it is gratifying to see that our new hires have already won a number of mandates for the firm. We have again set a demanding budget where we expect revenue generation to benefit from our broader base of sectors and client relationships. However, as always, our optimism is tempered by the risk of transactions failing to complete within the financial year and of course by unpredictable macro-economic events.

Principal investment business

While we shall remain a predominantly advisory business, we believe that there are opportunities to assist unquoted clients by providing additional equity to enable them to grow their businesses. After providing for a prudent liquidity reserve, our strategy is to invest in high growth unlisted companies with strong management teams, in sectors where we specialise on the advisory side and where we have, or expect to develop, a strong relationship with the company's management. Each investment is likely to be between £1m and £2m and our aim is to generate a return of at least twice our investment with an IRR of 25% over an average holding period of three years. All principal investment decisions are made by the Board, which has a majority of non-executive directors, several of whom have considerable experience in making successful private equity investments.

Quayle Munro Holdings Limited
Period ended 30 September 2014

Group strategic report (continued)

Morris Homes

Morris, in which we have a 26.9% shareholding and a seat on the Board, has traded very satisfactorily in its current financial year. Results for the six months to 30 September 2014 show that turnover was up strongly at £84m (2013 – £67m) as were operating profits at £9m (2013 – £7m). Volumes also increased significantly with 413 houses sold during the period compared with a total of 358 in the comparable period last year.

Trading conditions remain buoyant with a shortage of supply of new homes and all major political parties committed to increase available housing. In addition, Morris' geographical coverage and recent refinancing has enabled it to continue to buy land at advantageous prices as most of its competition are local, unlisted companies which are still struggling to obtain bank finance. However, house building is a cyclical sector and it is facing the uncertainties of a General Election next May and the prospect of rising mortgage interest rates.

Last year Morris completed a refinancing of its debt facilities with a £185m loan provided by affiliates of GSO Capital Partners LP ("GSO"). The new loan has limited covenants and entitles GSO to a warrant over 15% of Morris' equity, which, when exercised, will reduce the QM equity interest to 21.4%.

Your Board remains fully committed to retaining its Morris shareholding for the foreseeable future and there can be no certainty as to the timing or value we would obtain should this shareholding be realised. Your Board has reviewed its current valuation, adopting a 43% discount to tangible net assets and, taking into account the recent Morris results and its view of the housing market, has decided that there should be an uplift in the fair value of our equity interest to £6.7m (2013 – £6.5m). The fair value of our loan stock holding remains at £3.4m (2013 – £3.4m), giving a combined total value of £10.1m (2013 – £9.9m).

Other investments

We are pleased to report that, during the period, our investment in Moneybarn was sold to Provident Financial plc, delivering cash proceeds of £2.8m and a pre-tax profit of £2.5m. Our original investment was £0.3m in 2007 and the sale provided a money multiple of 9.3 times and an IRR of 36.9%.

As reported in our interim statement, during the period the fully impaired shareholding in the Nevis Range Development Company Limited was sold to its management shareholders for £44,000 in line with our policy to exit long standing underperforming legacy investments. In March 2014, we completed the sale of our remaining interest in Quayle Munro Project Finance LLP to its other partners at a cash value of £0.2m which, when combined with £0.2m received on the first part sale of our interest, was approximately the same as the cost of transferring the Edinburgh office lease to the new tenants.

We have made three new investments during the period. In April, we invested £1m for a 4% equity stake in Brightpearl Limited, a SaaS (software as a service) business which provides market leading accounting, inventory and sales software to mainly SME retailers. This was a fourth round financing to raise a total of \$10m which enabled the company to expand into the USA. In May, we also invested £0.5m for a 4% equity stake in Idio Limited, a SaaS content intelligence enterprise which enables retail and consumer businesses to maximise customer penetration through mobile telephony and the internet. This was a second round financing which raised a total of \$5m to expand the business further. In addition, in lieu of an advisory fee of £0.5m, we received a 5.3% equity stake in MVS in September 2013 which provides value-in-use pricing for differentiated commodities. We always aim to negotiate a Board seat/observation rights and an advisory role on exit as part of our investment although this is not always possible.

Quayle Munro Holdings Limited
Period ended 30 September 2014

Group strategic report (continued)

In order to encourage the advisory teams to introduce suitable investments, the Board has agreed a policy of providing the relevant bankers with a 5% carried interest in any investment which the Company makes. The carried interest is paid out on realisation of the investment and is calculated on the profit made after deducting an annual interest charge at the prevailing HMRC rate.

The on-line retail market has proved challenging for Soak & Sleep (previously Duvet and Pillow Warehouse). We are working closely with Sir Stuart Rose (its chairman) and the management team and are cautiously optimistic of future prospects. MLex continues to grow, revenues are up 23% in the second quarter compared to last year and operations now extend to China and Brazil. Of our other smaller investments, AMG is seeing signs of an upturn in orders and Vascular Flow Technologies has secured further loan funding from one of its shareholders to help it achieve its business plan.

Risk management

The Group's risk management process reviews risk within the constraints of the Group's risk appetite and is consistent with the prudent management inherent in the organisation. The risk management framework is based on the following principles:

- Risk management: Primary responsibility for strategy, performance and risk management lies with the Board.
- Risk oversight: Is provided by the Chief Executive, Chief Financial Officer/Compliance Director and the Finance Director & Group Company Secretary.

There are clear reporting lines and defined areas of responsibility at Board and business level. This structure is designed to ensure, amongst other things, that key issues and developments are escalated on a timely basis.

The Board considers the principal risks facing the Group are as follows:

Reputational risk

Loss of reputation is the most significant risk to a business operating in the professional services sector.

Strategic risk

Strategic risk could lead to a failure of the effectiveness of strategy of the Group. This is mitigated by an established reporting structure for agreeing strategy, risk appetite, planning and budgets.

Treasury policies

Activities are financed with a combination of cash and short term deposits. Other financial assets and liabilities such as trade receivables and trade payables arise directly from the Group's operating activities.

Financial instruments owned may give rise to interest rate, credit, liquidity and market risk. Information on how these risks arise is set out as follows:

Interest rate risk

The Group is not exposed to interest rate risk on bank loans. The Group's cash balances earn interest at a floating rate

Credit risk

Individual exposures are monitored by the Directors and historical exposure to bad debts is not significant. Group policies restrict the counterparties with which funds may be invested to those approved by the Board, comprising institutions with a high credit rating.

Quayle Munro Holdings Limited
Period ended 30 September 2014

Group strategic report (continued)

Risk management (continued)

Liquidity risk

The Group mitigates liquidity risk by conserving cash in its operations and minimising trade receivables. Investment is controlled and requires Group Board authorisation.

Regulatory compliance risk

Quayle Munro Limited, a wholly-owned subsidiary of Quayle Munro Holdings Limited, is authorised and regulated by the Financial Conduct Authority ("FCA"). The regulated business is monitored by the Chief Financial Officer/Compliance Director.

See also note 21.

Outlook

Our advisory pipeline for the year to 30 September 2015 is strong and we have again set a demanding budget which reflects the expansion of our investment banking resources. Subject to any change in macro-economic conditions and inevitably the timing of transaction completions, we are optimistic about the full year outcome.

Our principal investment portfolio is cautiously fair valued and we are confident that our major investment in Morris is benefiting from the increased demand for new houses.

Management and staff have worked as always extremely hard during the year and are very committed to growing the business. We would like to take this opportunity to thank them on behalf of the Board and shareholders.

Signed on behalf of the Directors by:

Christopher Kemball

Christopher Kemball
Chairman
29 October 2014

Andrew Adams

Andrew Adams
Chief Executive

Quayle Munro Holdings Limited
Period ended 30 September 2014

Directors' report

The Directors present their report and submit the audited consolidated financial statements of the Group for the period ended 30 September 2014.

In August 2013 Quayle Munro ceased trading the Company's ordinary shares on AIM and changed its name from Quayle Munro Holdings PLC to Quayle Munro Holdings Limited.

Company registration number
SC 72014

Registered office
Quatermile One
15 Lauriston Place
Edinburgh EH3 9EP

Directors

The Directors who held office during the period and up to the date of signing the financial statements were:

C R M Kemball (Chairman)
A D Adams (Chief Executive)
S F Woolton (Chief Financial Officer)
P M R Norris (Non-Executive Director)
D Fitzsimons (Non-Executive Director)
G S Lewy (Non-Executive Director)
P G Read (Non-Executive Director)
I T McLean (Non-Executive Director)

Appointed 13 November 2013

Retired 13 November 2013

Principal activities

The principal activities of the Group and its subsidiaries are the provision of professional advisory services including corporate finance, and the making of investments as principal in companies in the UK and elsewhere.

Net assets and liquidity

Net assets as at 30 September 2014 were £31.5m (2013: £30.9m) which is equivalent to 434p per share on the combined A and C ordinary shares in issue of 4.9m, and 221p per share on the 4.6m B ordinary shares in issue which reflects the Group's pro rata investment in Morris only. In aggregate, net assets per A/B and C share were 655p which compares with 678p as at 30 June 2013 on 10p nominal ordinary share capital of 4.6m. On a fully diluted basis it was 422p per A and C ordinary share. Tangible net asset value per A and C ordinary share was 316p (2013: 551p on 10p nominal ordinary share capital).

Dividend

As previously stated, your Board is committed to a progressive dividend policy which means that the dividend will only be reduced from its current level in exceptional circumstances and that dividends will rise in line with the growth in advisory profits.

Given the disappointing outcome of the advisory business in the period ended 30 September 2014, your Board is proposing to maintain the final dividend per A and C ordinary share (as adjusted for the extended fifteen month period) of 26p per share and the final dividend on the B ordinary shares will be 3p per share (being the income received from our investment in Morris during the period). The total dividend for the fifteen month period to 30 September 2014 per A and C ordinary share will be 35p and, per B share, will be 5p. In aggregate dividends will amount to £1.9m for the 15 month period (2013 12 months - £1.3m). Aggregate dividends per share for the year to 30 June 2013 were 28p per A and C share and 5p per B share.

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Directors' report (continued)

Subject to shareholder approval at the Annual General Meeting to be held on 19 November 2014, the final dividend will be paid on 26 November 2014 to shareholders on the register on 12 November 2014.

Shareholders should note that the additional payment this year is to take account of the one off effect of a fifteen month period caused by the decision to move our year end from 30 June to 30 September. Dividends will be calculated on a pro rata twelve month basis for future periods.

Annual share valuation and share shop

The Valuation Committee, which comprises a majority of non-executive directors, will be meeting PricewaterhouseCoopers, our independent valuers, in October and November. As with last year we expect to announce the new Valuation Price at the Annual General Meeting. At 18 November 2013, the Valuation Price (approved by the Valuation Committee and advised by PricewaterhouseCoopers) of the A and C shares was 253p; of the B shares was 263p and of the stapled A/B combined shares was 516p.

We will also write to all shareholders in November to notify them of the Valuation Price and to set out the timetable and arrangements for selling or buying shares. We apologise for the delays last year and, having revised the procedure with our Registrars, are confident that it will work smoothly this year.

In January this year, a total of 66,916 stapled A/B shares were tendered by shareholders in the Share Shop at the Valuation Price of 516p and were all purchased by existing shareholders at the same price. Peter Read, Non-Executive Director, purchased 65,916 of these shares.

Corporate governance

Your Board is committed to maintaining the same corporate governance standards as if Quayle Munro were a listed company. Accordingly, as stipulated in the Articles, the Company intends to maintain a minimum of four Non-Executive Directors on the Board. We shall also maintain Nomination, Remuneration, Valuation and Audit Committees.

Major interests in shares

As at 30 September 2014 the principal shareholders and connected parties holding three percent or more of the issued share capital were as follows:

	%
Ian Jones & connected parties	10.2
Jo Elliot & connected parties	10.1
Andrew Adams & connected parties	9.0
FE Special Investments Limited	7.7
Peter Norris & connected parties	5.8
The Waterloo Corporation	4.7
York Capital Limited	4.6
Quayle Munro Holdings Limited – Treasury	4.4
Kit van Tulleken & connected parties	4.0
Kleinwort Benson International Trustees Limited for Christopher Kemball	3.9
Simon Gluckstein	3.6
Glen Lewy	3.0
RBC Cees Trustees Limited, as trustee for the Quayle Munro Holdings Limited Employees' Share Trust	3.0

Quayle Munro Holdings Limited
Period ended 30 September 2014

Directors' report (continued)

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its Directors which were made during the year and remain in force at the date of this report.

Statement of Directors' responsibilities in relation to the Group and Company financial statements

The directors are responsible for preparing the Annual 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 group and parent company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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 group and the company and of the profit or loss of the group 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 IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the group will continue in business.

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 the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' statement as to disclosure of information to auditors

The Directors who were members of the Board at the time of approving the Directors' report are listed on page 6. Having made enquiries of fellow Directors, each of these Directors confirms that:

- to the best of each Director's knowledge and belief, there is no information (that is, information needed by the Company's auditors in connection with preparing their report) of which the Company's auditors are unaware; and
- each Director has taken all steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

Quayle Munro Holdings Limited
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Directors' report (continued)

Going concern

After making appropriate enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. The Group has considerable financial resources and no external debt. For this reason they adopt the going concern basis in preparing the annual report and financial statements.

Signed on behalf of the Directors by:

Christopher Kemball

Christopher Kemball
Chairman
29 October 2014

Andrew Adams

Andrew Adams
Chief Executive

Quayle Munro Holdings Limited
Period ended 30 September 2014

Directors' remuneration report

Quayle Munro Holdings Limited is a private limited company and does not have a statutory requirement to provide a Directors' Remuneration Report ("DRR") as described in Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. However, the Board has decided, where applicable, to adopt and apply certain core aspects of the DRR contained in Schedule 8.

Remuneration Committee

The Remuneration Committee is chaired by Glen Lewy, and its other members are Christopher Kemball, David Fitzsimons, Peter Norris and Peter Read.

The Committee meets at least twice a year. It is responsible for reviewing and endorsing the senior management and organisational structure, and being satisfied with the arrangements for succession planning and management development, determining the remuneration of the Executive Directors and other employees and reporting where appropriate to the Board.

Remuneration policy

The Group's policy is that the overall remuneration package should be sufficiently competitive to attract, retain and motivate high quality executives capable of achieving the Group's objectives and therefore enhancing shareholder value. As outlined in the 2013 Shareholder Circular, the Company introduced a more transparent cash bonus and share scheme via a new incentive plan through which senior management may purchase C shares in the business.

The Directors are implementing the strategy to grow the advisory business by hiring established corporate finance professionals with strong franchises: first, in media and technology and, secondly, in other sectors such as financial services which display similar characteristics. Additionally the investment strategy was aligned with the advisory focus. In this way, the Directors believe the business will grow and broaden substantially over the coming years.

Summary of the terms of the cash bonus scheme

Alongside the employee incentive share scheme, a discretionary cash bonus scheme operated from the beginning of the current financial period starting 1 July 2013. This scheme operates within two parameters: first, total employee cash bonuses should not exceed 60% of the advisory business operating profits (before bonus and tax) and, secondly, total employee costs (salary and bonus) should not exceed 60% of revenue in any one year. In order to enable us to invest in the business in the first three years after the adoption of the new strategy to 30 September 2016, the Remuneration Committee has discretion to increase these percentages, should it consider this necessary. To further align the interests of employees and shareholders, cash bonuses will be paid in two instalments: two-thirds in November (after completion of the year-end audit) and one third in the following April at the same time as dividends are paid to shareholders.

Bonuses

Total cash bonuses for the period, as approved by the Remuneration Committee, amounted to £2.2m (2013 - £3.6m). The Remuneration Committee has exercised its discretion, as explained at the date of the delisting from AIM in August 2013 and in the last annual report for the year ended 30 June 2013, to exceed the two parameters set out in the previous paragraph. The reason for making this decision is because the Committee felt it essential to invest in those of our existing bankers who have delivered their targets in this financial period as we build and broaden the business by hiring additional, experienced bankers with strong sector franchises.

Quayle Munro Holdings Limited
Period ended 30 September 2014

Directors' remuneration report (continued)

Directors' remuneration

The remuneration of the Directors for the period to 30 September 2014 was as follows:

	Short-term employee benefits £'000	Share based payment £'000	15 months Total 2014 £'000	Year Total 2013 £'000
Executive Directors:				
A.D. Adams	781	-	781	1,134
S. F. Woolton	223	-	223	169
A. M. L. Tuckey ¹	-	-	-	106
Non-Executive Directors:				
C.R.M. Kemball ²	150	12	162	94
D. Fitzsimons	41	-	41	25
P.M.R. Norris	41	-	41	25
G.S. Lewy ³	68	-	68	31
P.G. Read ⁴	35	-	35	-
I.T. McLean ⁵	21	-	21	30

¹ Retired from the Board on 13 November 2012.

² Salary reduced to £75,000 per annum as of 1 April 2014 reflecting reduction in time commitment.

³ Salary and fees includes a payment of £15,000 in respect of travel expenses.

⁴ Appointed to the Board on 13 November 2013.

⁵ Retired from the Board on 13 November 2013.

C share incentive plan

The incentive plan gives the Remuneration Committee the authority to issue up to 1,955,000 new C ordinary shares to senior management, being 30% of the enlarged, issued share capital of the Company. The allocation of C ordinary shares is determined by the Remuneration Committee. The C ordinary shares are subject to restrictions in the first 5 years after subscription. These include good leaver/bad leaver, transfer and compulsory acquisition provisions. C ordinary shares are entitled to participate in all of the activities of the business, exclusive of the Company's investment in Morris Homes, and (other than the restrictions described above) are equivalent to the A ordinary shares.

The C ordinary shares are issued at the Valuation Price approved annually by the Valuation Committee, which consists of a majority of non-executive directors, as advised by PricewaterhouseCoopers who have been appointed independent valuers. The shares may be subscribed in partly-paid form and up to 75 per cent of the subscription price may be funded by a loan from the Company. The loans are repayable in equal instalments over five years and bear interest at the HMRC official interest rate. Members of the senior management team who do not wish to acquire C ordinary shares are encouraged to acquire A ordinary shares and B ordinary shares, issued from treasury (if available) or through the share dealing market at the prevailing Valuation Price.

A total of 379,244 C ordinary shares were subscribed by senior management at the prevailing Valuation Price of 253p per share during the year as part of the share incentive scheme approved at the Extraordinary General Meeting in August 2013. Of this total, 291,048 C ordinary shares were issued as to 30 per cent partly paid and the Company has loaned a total of £0.8m to senior management on an arm's length basis to subscribe for these shares.

In addition, the Remuneration Committee has approved the subscription of a further 357,573 C ordinary shares at the prevailing Valuation Price of 253p.

During October the Remuneration Committee approved the subscription of up to a further 541,127 C ordinary shares by senior management at a Valuation Price to be determined by the Valuation Committee in November this year.

Quayle Munro Holdings Limited
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Directors' remuneration report (continued)

Approved and unapproved option schemes and Jointly Owned Equity ("JOE") scheme

The approved scheme has now lost its favourable tax status and, while both schemes continue in existence along with the JOE scheme, the Board does not intend to issue any more share options or participate in the JOE scheme. The Directors' interests at 30 September 2014, in options over ordinary 10p shares of the Company, were as follows:

Director share options

	Scheme	Options at 30.09.14	Options at 30.06.13	Date of grant	Option price (p)	Nominal exercise date	
						From	To
C.R.M. Kemball	Unapproved	48,109	48,109	14.11.12	410.0	14.11.13	13.11.23
	Total	48,109	48,109				
P.M.R. Norris	Unapproved	50,000	50,000	20.09.08	732.5	20.09.11	19.09.15
	Approved	1,963	1,963	20.09.07	1,528.0	20.09.10	19.09.17
	Total	51,963	51,963				

Under all share option schemes and the JOE scheme, at 30 September 2014, Director, employee and former employee interests are as follows:

Commitments under all option and share award schemes

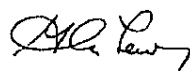
	Options		Shares	
	At 30 September 2014		At 30 September 2014	Total
	Approved option granted No.	Unapproved option granted No.	JOE ¹ share award granted No.	Options & Share awards No.
Directors	1,963	98,109	53,591	153,663
Employees	11,000	33,000	85,258	129,258
	12,963	131,109	138,849	282,921

¹2010 performance related bonus awarded in shares utilising the JOE structure. At 30 September 2014 all options fully vested.

Quayle Munro Holdings Limited and the Quayle Munro Holdings Limited Employee Benefit Trust 2008 held 218,664 A/B ordinary shares at 30 September 2014 (30 June 2013 – 166,020 ordinary shares).

The Quayle Munro Holdings Limited Employees' Share Trust held 138,849 A/B ordinary shares at 30 September 2014 (30 June 2013 – 205,719 ordinary shares). These shares were utilised to satisfy the 2010 JOE award.

Signed on behalf of the Directors by:



Glen Lewy
Chairman of the Remuneration Committee
 29 October 2014

Independent auditors' report to the members of Quayle Munro Holdings Limited

Report on the financial statements

Our opinion

In our opinion:

- the financial statements, defined below, give a true and fair view of the state of the group's and of the company's affairs as at 30 September 2014 and of the group's profit and the group's and the company's cash flows for the period then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the company financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The group financial statements and company financial statements (the "financial statements"), which are prepared by Quayle Munro Holdings Limited, comprise:

- the Group and Company statements of financial position as at 30 September 2014;
- the Group statement of comprehensive income for the period then ended;
- the Group and Company statements of cash flows for the period then ended;
- the Group and Company statement of changes in equity for the period 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 their preparation is applicable law and IFRSs as adopted by the European Union and, as regards the company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("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 group's and 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 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.

Independent auditors' report to the members of Quayle Munro Holdings Limited (continued)

Opinion on other matter prescribed by the Companies Act 2006

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

Other matters on which we are required to report by exception

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

We have no exceptions to report arising from this responsibility.

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.

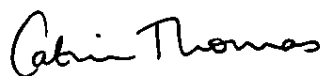
Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities in relation to the Group and Company financial statements set out on page 8, 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 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.



Catrin Thomas (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh
29 October 2014

Notes:

- The maintenance and integrity of the Quayle Munro Holdings Limited website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Quayle Munro Holdings Limited
Period ended 30 September 2014

Group statement of comprehensive income
For the period ended 30 September 2014

	Notes	Fifteen months 30 September 2014 £'000	Year 30 June 2013 £'000
Revenue	3	8,711	10,341
Administrative expenses		(10,302)	(9,079)
Impairment of investments held as available-for-sale	12	-	(58)
Gain on sale of available-for-sale investments		2,608	-
Exceptional expenses	4	-	(500)
Other operating expenses		(182)	(177)
		(7,876)	(9,814)
Group operating profit		835	527
Finance income	7	399	496
Other finance income – pensions	25	21	18
		420	514
Share of profit of associate accounted for using equity method	13	-	47
Profit on ordinary activities before tax		1,255	1,088
Tax expense	8	(235)	(52)
Profit on ordinary activities after tax		1,020	1,036
Profit for the period attributable to equity holders of the Company		1,020	1,036
Other comprehensive income			
Gain on valuation of available-for-sale financial assets	12	228	303
Actuarial gain on defined benefit pension scheme	25	4	43
Total comprehensive income for the period		1,252	1,382

Quayle Munro Holdings Limited
Period ended 30 September 2014

Group statement of financial position
At 30 September 2014

		30 September 2014 £'000	30 June 2013 £'000
	Notes		
Non-current assets			
Property, plant and equipment	10	517	380
Intangible assets	11	5,815	5,815
Financial assets	12	14,572	12,587
Investments in associate accounted for using equity method	13	-	422
Other receivables	14	848	-
Defined benefit pension scheme surplus	25	464	304
Deferred tax asset	8	114	193
		22,330	19,701
Current assets			
Trade and other receivables	15	1,646	886
Current tax asset		337	429
Cash and cash equivalents	16	10,144	15,516
		12,127	16,831
Total assets		34,457	36,532
Current liabilities			
Trade and other payables	17	2,727	5,056
Current tax liabilities		-	-
		2,727	5,056
Non-current liabilities			
Other non-current liabilities	19	185	196
Long-term provisions	18	-	340
		185	536
Total liabilities		2,912	5,592
Net assets		31,545	30,940
Capital and reserves			
Equity share capital	22	12,104	11,145
Revaluation reserve		9,928	9,809
Other reserves		2,113	2,097
Retained earnings		7,400	7,889
Total equity		31,545	30,940

The financial statements on pages 15 to 46 were approved by the Board of Directors on 29 October 2014 and signed on its behalf by:



Andrew Adams
Chief Executive



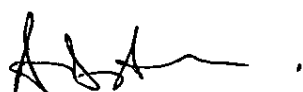
Simon Woolton
Chief Financial Officer

Quayle Munro Holdings Limited
Period ended 30 September 2014

Company statement of financial position
At 30 September 2014

	Notes	30 September 2014 £'000	30 June 2013 £'000
Non-current assets			
Financial assets – unlisted	12	14,572	12,962
Investments – subsidiary undertakings	13	8,124	8,124
Other receivables	14	848	-
		23,544	21,086
Current assets			
Trade and other receivables	15	99	169
Current tax asset		-	111
Amounts due from subsidiary undertakings	27	1,682	2,051
Cash and cash equivalents	16	9,917	14,911
		11,698	17,242
Total assets		35,242	38,328
Current liabilities			
Trade and other payables	17	77	501
Current tax liabilities		296	-
Amounts due to subsidiary undertakings	27	3,787	8,042
		4,160	8,543
Total liabilities		4,160	8,543
Net assets		31,082	29,785
Capital and reserves			
Equity share capital	22	12,104	11,145
Revaluation reserve		8,245	8,126
Other reserves		2,723	3,049
Retained earnings		8,010	7,465
Total equity		31,082	29,785

The financial statements on pages 15 to 46 were approved by the Board of Directors on 29 October 2014 and signed on its behalf by:



Andrew Adams
Chief Executive



Simon Woolton
Chief Financial Officer

Quayle Munro Holdings Limited
Period ended 30 September 2014

Group statement of changes in equity
For the period ended 30 September 2014

	Share capital £'000	Revaluation reserve £'000	Capital redemption reserve £'000	Merger reserve £'000	Share option expense reserve £'000	Own shares reserve £'000	Total other reserves £'000	Retained earnings £'000	Total equity £'000
Balance at 30 June 2012	11,145	9,493	155	1,229	4,814	(3,303)	2,895	8,228	31,761
Comprehensive income/ (expense)									
Profit for the year	—	—	—	—	—	—	—	1,036	1,036
Gain on revaluation of investments	—	303	—	—	—	—	—	—	303
Actuarial loss on defined benefit pension scheme	—	—	—	—	—	—	—	43	43
Total comprehensive income/ (expense)	—	303	—	—	—	—	—	1,079	1,382
Transactions with owners									
Share-based payments	—	—	—	—	(346)	—	(346)	—	(346)
Transfer between reserves	—	—	—	—	(793)	428	(365)	—	(365)
Reclassification of previous impairment	—	13	—	—	—	—	—	—	13
Movement of shares in Employee Benefit Trust	—	—	—	—	—	(87)	(87)	—	(87)
Equity dividends paid	—	—	—	—	—	—	—	(1,418)	(1,418)
Balance at 30 June 2013	11,145	9,809	155	1,229	3,675	(2,962)	2,097	7,889	30,940
Comprehensive income									
Profit for the period	—	—	—	—	—	—	—	1,020	1,020
Gain on revaluation of investments	—	228	—	—	—	—	—	—	228
Actuarial gain on defined benefit pension scheme	—	—	—	—	—	—	—	4	4
Total comprehensive income	—	228	—	—	—	—	—	1,024	1,252
Transactions with owners									
Share-based payments	—	—	—	—	15	—	15	—	15
Transfer between reserves	—	—	—	—	—	179	179	(179)	—
Realised on sale of investments	—	(109)	—	—	—	—	—	—	(109)
Issue of C shares	959	—	—	—	—	—	—	—	959
Movement of shares in Employee Benefit Trust	—	—	—	—	(43)	(135)	(178)	—	(178)
Equity dividends paid	—	—	—	—	—	—	—	(1,334)	(1,334)
Balance at 30 September 2014	12,104	9,928	155	1,229	3,647	(2,918)	2,113	7,400	31,545

Quayle Munro Holdings Limited
Period ended 30 September 2014

Company statement of changes in equity
For the period ended 30 September 2014

	Share capital £'000	Revaluation reserve £'000	Capital redemption reserve £'000	Merger reserve £'000	Own shares reserve £'000	Total other reserves £'000	Retained earnings £'000	Total equity £'000
Balance at 30 June 2012	11,145	7,810	155	3,804	(1,254)	2,705	7,343	29,003
Comprehensive income/(expense)								
Profit for the year	—	—	—	—	—	—	1,540	1,540
Gain on revaluation of investments	—	303	—	—	—	—	—	303
Total comprehensive income/ (expense)	—	303	—	—	—	—	1,540	1,843
Transactions with owners								
Movement of shares in Employee Benefit Trust	—	—	—	—	344	344	—	344
Reclassification of previous impairment	—	13	—	—	—	—	—	13
Equity dividends paid	—	—	—	—	—	—	(1,418)	(1,418)
Balance at 30 June 2013	11,145	8,126	155	3,804	(910)	3,049	7,465	29,785
Comprehensive income								
Profit for the period	—	—	—	—	—	—	2,058	2,058
Gain on revaluation of investments	—	228	—	—	—	—	—	228
Total comprehensive income	—	228	—	—	—	—	2,058	2,286
Transactions with owners								
Transfer between reserves	—	—	—	—	179	179	(179)	—
Realised on sale of investments	—	(109)	—	—	—	—	—	(109)
Issue of C shares	959	—	—	—	—	—	—	959
Movement of shares in Employee Benefit Trust	—	—	—	—	(505)	(505)	—	(505)
Equity dividends paid	—	—	—	—	—	—	(1,334)	(1,334)
Balance at 30 September 2014	12,104	8,245	155	3,804	(1,236)	2,723	8,010	31,082

Quayle Munro Holdings Limited
Period ended 30 September 2014

Group statement of cash flows
For the period ended 30 September 2014

		Period 30 September 2014 £'000	Year 30 June 2013 £'000
Notes			
Operating activities			
Profit before tax		1,255	1,088
Adjustments to reconcile profit before tax to net cash flow used in operating activities			
Finance income	7	(399)	(496)
Depreciation	10	167	122
Share-based payments		15	(462)
Share of profit of associate		-	(47)
(Gain)/Loss on disposal of property, plant and equipment		(17)	29
Gains on disposals of financial assets		(2,608)	-
Impairment of financial assets		-	58
Movement in pensions		(157)	(97)
(Increase)/Decrease in assets		(1,608)	756
(Decrease)/Increase in liabilities		(2,131)	2,282
Cash (used in)/generated from operations		(5,483)	3,232
Income taxes (paid)/received		(43)	127
Net cash flow (used in)/generated from operating activities		(5,526)	3,359
Investing activities			
Finance income received		425	649
Proceeds from sales of available-for-sale financial assets		3,242	-
Proceeds from sales of plant and equipment		35	14
Payments to acquire plant and equipment	10	(316)	(154)
Payments to acquire available-for-sale financial assets		(2,052)	(1,404)
Payments to acquire associates	13	-	(375)
Net cash flow generated from/(used in) investing activities		1,334	(1,270)
Financing activities			
Dividends paid to equity shareholders of the parent	9	(1,334)	(1,418)
Proceeds on issue of shares		111	-
Proceeds from sale of Treasury shares		3,319	-
Own shares purchased		(3,276)	(87)
Net cash flow used in financing activities		(1,180)	(1,505)
(Decrease)/Increase in cash and cash equivalents	24	(5,372)	584
Cash and cash equivalents at the beginning of the period	16	15,516	14,932
Cash and cash equivalents at the end of the period	16	10,144	15,516

Quayle Munro Holdings Limited
Period ended 30 September 2014

Company statement of cash flows
For the period ended 30 September 2014

	Notes	Period 30 September 2014 £'000	Year 30 June 2013 £'000
Operating activities			
Profit before tax		2,397	1,492
Adjustments to reconcile profit before tax to net cash flow generated from operating activities			
Finance income		(389)	(3,428)
(Gains)/Losses on disposal of financial assets		(2,608)	959
Impairment of financial assets		-	58
(Increase)/Decrease in assets		(408)	129
(Decrease)/Increase in liabilities		(4,668)	810
Write off of intercompany loans		-	1,683
Cash (used in)/generated from operations		(5,676)	1,703
Income taxes received/(paid)		86	(42)
Net cash flow (used in)/generated from operating activities		(5,590)	1,661
Investing activities			
Finance income received		420	1,745
Proceeds from sales of available-for-sale assets		3,243	-
Payments to acquire available-for-sale financial assets		(1,518)	(1,779)
Net cash flow generated from/(used in) investing activities		2,145	(34)
Financing activities			
Proceeds on issue of shares		111	-
Dividends paid to equity shareholders of the parent	9	(1,334)	(1,418)
Proceeds on sale of treasury shares		2,950	428
Own shares purchased		(3,276)	(87)
Net cash flow used in financing activities		(1,549)	(1,077)
(Decrease)/Increase in cash and cash equivalents	24	(4,994)	550
Cash and cash equivalents at the beginning of the period	16	14,911	14,361
Cash and cash equivalents at the end of the period	16	9,917	14,911

Notes to the Group and Company financial statements

1. Authorisation of financial statements and statement of compliance with IFRSs

The financial statements of Quayle Munro Holdings Limited and its subsidiaries (the "Group and Parent Company financial statements") for the 15 month period ended 30 September 2014 were authorised for issue by the Board of Directors on 29 October 2014 and the statement of financial position was signed on the Board's behalf by Andrew Adams and Simon Woolton. Quayle Munro Holdings Limited is incorporated and domiciled in Scotland.

The Group and Parent Company financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), as adopted by the European Union, and IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRSs. The financial statements have been prepared under the historical cost convention as modified by the revaluation of available-for-sale financial assets. The Company has taken advantage of the exemption provided under section 408 of the Companies Act 2006 not to publish its individual statement of comprehensive income and related notes. The Company's profit for the period after tax was £2.0m (2013 – £1.5m).

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

The principal accounting policies adopted by the Group are set out in note 2.

2. Accounting policies

Amounts are presented in sterling and all values are rounded to the nearest thousand pounds (£'000) unless otherwise stated.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements. Sterling is the Company's functional currency.

Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the period.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below.

Impairment of non-financial assets

The Group and Company assess whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill is tested for impairment annually and at other times when such indicators exist. Further details are given in note 11.

When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of available-for-sale financial assets

The Group and Company classify certain financial assets as available-for-sale and recognise movements in their fair value in equity. When the fair value declines, Management makes assessments about the decline in value to determine whether it is a permanent impairment that should be recognised in the statement of comprehensive income. At 30 September 2014 £nil was recognised as impairment losses on available-for-sale assets (2013 – £0.06m).

Pensions

The cost of defined benefit pension plans is ascertained using actuarial valuations. The actuarial valuation involved making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to uncertainty. Further details are given in note 25.

Notes to the Group and Company financial statements (continued)

2. Accounting policies (continued)

Share-based payments

The Group and Company measure the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Judgement is required in determining the most appropriate valuation model for a grant of equity instruments, depending on the terms and conditions of the grant. Management also requires the use of judgement in determining the most appropriate inputs to the valuation model including expected life of the option, volatility and dividend yield. The assumptions and models used are disclosed in note 23.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the holding company (Quayle Munro Holdings Limited) and entities controlled by the Group and Company (its subsidiaries). Control exists where the Group and Company have the power to govern the financial and operating policies of the entity.

Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group and Company obtain control, and continue to be consolidated until the date that such control ceases. The financial statements of subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting period as the Parent Company and are based on consistent accounting policies. All intragroup balances and transactions, including unrealised profits arising from them, are eliminated. Investment subsidiaries are accounted for at cost less impairment.

Unless otherwise stated, the purchase method of accounting has been adopted.

Interests in associates

The Group's interests in associates, being those entities over which it has significant influence, and which are neither subsidiaries nor joint ventures, are accounted for using the equity method of accounting.

Under the equity method, the investment in an associate is carried at the statement of financial position date at cost plus post-acquisition changes in the Group's share of net assets of the associate, less distributions received and less any impairment in value of individual investments. The Group statement of comprehensive income reflects the share of the associate's results after tax.

Any goodwill arising on the acquisition of an associate, representing the excess of the cost of the investment compared to the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities, is included in the carrying amount of the associate and is not amortised. To the extent that the net fair value of the associate's identifiable assets, liabilities and contingent liabilities is greater than the cost of the investment, a gain is recognised and added to the Group's share of the associate's profit or loss in the period in which the investment is acquired.

Financial statements of associates are prepared for the same accounting period as the Group. Where necessary, adjustments are made to bring the accounting policies into line with those of the Group, to take into account fair values assigned at the date of acquisition and to reflect impairment losses where appropriate. Adjustments are also made in the Group's financial statements to eliminate the Group's share of unrealised gains and losses on transactions between the Group and its associates.

Revenue recognition

Revenue comprises fee income from the provision of professional advisory services. Where fees are earned on the execution of a significant act, such as fees arising from negotiating or arranging a transaction for a third party, they are recognised as revenue when that act has been completed. Fees and corresponding expenses in respect of other services are recognised in the statement of comprehensive income as the right to consideration or payment accrues through performance of services. Revenue comprises the fair value of the consideration received or receivable for the sale of goods or services. Where Quayle Munro earns a fee in relation to negotiating and arranging a transaction and the transaction completes close to the year end, judgement is exercised to determine the point at which the transaction is 'substantially complete' and hence when it is appropriate to recognise the revenue in the income statement. Where a transaction completes shortly after the year end, income is recognised only if all key terms of the transaction were finalised by the balance sheet date.

Operating leases

Rental costs under operating leases are charged to the statement of comprehensive income in equal annual amounts over the period of the leases. The benefits of rent-free periods for both the London and Edinburgh offices are spread over the life of the leases.

Notes to the Group and Company financial statements (continued)

2. Accounting policies (continued)

Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is calculated on a straight-line basis over the expected useful lives of the assets as follows:

Land and buildings	10 years
Office equipment	3 to 5 years

The carrying values of property, plant and equipment are reviewed for impairment in periods when events or changes in circumstances indicate the carrying value may not be recoverable. The assets' residual values, useful lives and methods of depreciation are reviewed at each financial period end. Property disposals are recognised by reference to the date of sale which is taken as the date of exchanging legally binding missives. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within the statement of comprehensive income.

Trade and other payables

Trade and other payables are generally not interest bearing and are stated at amortised cost, which approximates to nominal value due to payables days being relatively low. Trade and other payables are initially recognised at fair value and subsequently held at amortised cost.

Trade and other receivables

Trade and other receivables are generally not interest bearing and are stated at amortised cost, less any impairment. Trade and other receivables are initially recognised at fair value and subsequently held at amortised cost.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the statement of financial position date, taking into account the risks and uncertainties surrounding the obligation.

A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the on-going activities of the entity.

Share capital and dividends

Ordinary shares are classified as equity.

Incremental external costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

Where the Company, its subsidiaries or employee share ownership trusts sponsored by the Company purchase ordinary shares in the Company, the consideration paid, including any attributable incremental external costs net of income taxes, is deducted from equity. Where such shares are subsequently sold or reissued, any consideration received is included in equity.

Dividends on ordinary shares are recorded in the Group's financial statements in the period in which they are approved by the Group's shareholders or, in the case of interim dividends, in the period in which they are paid.

Notes to the Group and Company financial statements (continued)

2. Accounting policies (continued)

Impairment of assets

The Group and Company assess at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group and Company make an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value-in-use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses on continuing operations are recognised in the statement of comprehensive income in those expense categories consistent with the function of the impaired asset. Impairments are not subsequently reversed.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at a re-valued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Finance income

Dividend income is recognised when the right to receive payment is established. Bank interest is recognised on an accruals basis.

Income taxes

Current taxation

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted at the statement of financial position date.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of comprehensive income.

Deferred taxation

Deferred taxation is provided in full on temporary differences (at the rates of taxation based on tax rates and laws enacted at the statement of financial position date) between the tax bases of the assets and liabilities and their carrying amounts in the financial statements.

Deferred taxation assets are recognised only to the extent that it is probable that sufficient taxable profits will be available against which temporary differences can be utilised.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes asset and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Notes to the Group and Company financial statements (continued)

2. Accounting policies (continued)

Goodwill

Goodwill arising on the acquisition of business assets before 1 July 1993, representing the excess of the purchase consideration over the fair value ascribed to the net assets has been written off to reserves. Goodwill is initially measured at cost, being the excess of the cost of the business combination over the Group and Company's share in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually.

For the purpose of impairment testing, goodwill is allocated to the related cash-generating units monitored by Management, usually at business segment level or statutory company level as the case may be. Where the recoverable amount of the cash-generating unit is less than its carrying amount, including goodwill, an impairment loss is recognised in the statement of comprehensive income. Impairments are not subsequently reversed.

Pensions

The Group operates one defined benefit scheme, which was closed to new entrants in 2000 and involved 11 deferred members at 30 September 2014. On 1 July 2009, all members became deferred and from this time membership to a defined contribution scheme is available.

The cost of providing benefits under the defined benefit scheme plan is determined on an actuarial basis using the projected credit method, which attributes entitlement to benefits in the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligation). The past service cost is recognised as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to, a pension plan, past service cost is recognised immediately.

The interest element of the defined benefit cost represents the change in present value of the scheme obligations resulting from the passage of time, and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the period. The expected return on plan assets is based on an assessment made at the beginning of the period of long-term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the period. The differences between the expected return on plan assets and the interest cost is recognised in the statement of comprehensive income as other finance income or cost.

The Group has applied the option under IAS 19 to recognise actuarial gains and losses in full in other comprehensive income in the period in which they occur.

The defined benefit asset comprises the fair value of the plan assets less the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds) after deducting past service costs. Fair value is based on market price information and in the case of quoted securities is the published bid price. The value of any asset is restricted to the sum of any past service cost not yet recognised and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

Contributions to the defined contribution scheme are recognised in the statement of comprehensive income in the period in which they become payable.

Share-based payments

The Group has operated a number of long term incentive arrangements. These comprise the Unapproved Share Option Scheme; the Inland Revenue approved Executive Share Option Scheme, the jointly owned equity ("JOE") scheme and the C share scheme, together "Incentive Schemes". The Group has applied IFRS 2 "Share-based Payments" to all grants of equity instruments under these incentive schemes after 7 November 2002. The expense for these incentive schemes is measured by reference to the fair value of the shares or share options granted on the date of grant. Such fair values are determined using option pricing models which take into account the exercise price of the option, the current share price, the risk free interest rate, the expected volatility of the Company's share price over the life of the option/award and other relevant factors. Vesting conditions not based on the share price of the Company are not taken into account when measuring fair value, but are reflected by adjusting the number of equity instruments included in the measurement of the transaction such that the amount recognised reflects the number that actually vest. The fair value is expensed in the statement of comprehensive income on a straight line basis over the vesting period.

Notes to the Group and Company financial statements (continued)

2. Accounting policies (continued)

Cash and cash equivalents

Cash and short term deposits in the statement of financial position comprise cash at banks and on hand, and short term deposits with an original maturity of three months or less.

Foreign currencies

In preparing the financial statements, transactions in currencies other than the Group's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each statement of financial position date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences are recognised in the statement of comprehensive income in the period in which they arise.

Financial assets

Financial assets are recognised when the Group and Company become party to the contracts that give rise to them and are classified as financial assets at fair value through profit and loss; loans and receivables; held-to-maturity investments; or as available-for-sale financial assets, as appropriate. The Group and Company determine the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluate this designation at each financial period-end. When financial assets are recognised initially they are measured at fair value, being the transaction price plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The subsequent measurement of financial assets depends on their classification, as follows:

Available-for-sale

Available-for-sale financial assets are equity shares and debt securities that are designated as such. After initial recognition, available-for-sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be permanently impaired at which time the cumulative gain or loss previously reported in equity is included in the statement of comprehensive income. Investments are fair valued at bid market values if listed and at Directors' valuation if unlisted.

A financial asset (or, where applicable a part of a financial asset or part of a Group and Company of similar financial assets) is derecognised when the rights to receive cash flows from the asset have expired and the Group and Company have transferred their rights to receive cash flows from the asset and either (a) have transferred substantially all the risks and rewards of the asset, or (b) have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, do not qualify as trading assets and have not been designated as either fair value through profit and loss or available-for-sale. Such assets are carried at amortised cost using the effective interest method if the time value of money is significant. Gains and losses are recognised in the statement of comprehensive income when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Impairment of financial assets

The Group assesses at each statement of financial position date whether a financial asset or group of financial assets is impaired.

In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the receivable) that the Group will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as irrecoverable.

Available-for-sale financial assets

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its fair value is transferred from equity to the statement of comprehensive income. Reversals of impairment losses on debt instruments are reversed through the statement of comprehensive income if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss it is recognised in profit or loss. Reversals in respect of equity instruments classified as available-for-sale are not recognised in the statement of comprehensive income.

Notes to the Group and Company financial statements (continued)

2. Accounting policies (continued)

Exceptional expenses

Items that are non-recurring and whose significance is sufficient to warrant separate disclosure and identification within the consolidated financial statements by virtue of their size or nature are referred to as exceptional expenses. Expenses that may give rise to classification as exceptional expenses include, but are not limited to, significant and material restructuring, closures and reorganisation programmes and asset impairments.

New standards and interpretations

a) New and amended standards, and interpretations mandatory for the first time for the financial period beginning 1 July 2013.

There have been two new standards effective during the period that are relevant to the Group:

International Accounting Standards (IAS/IFRS)	Effective date*
Amendment to IAS 32, 'Financial instruments: Presentation', on offsetting financial assets and financial liabilities	1 January 2014
IAS 19 (revised) Employee benefits	1 July 2014

b) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 October 2014, and not adopted early.

IASB and IFRIC have issued the following standards (which are relevant to the Group structure and may apply to future reporting periods of the Group and Company) and interpretations with an effective date after the date of these financial statements:

International Accounting Standards (IAS/IFRS)	Effective date*
IFRS 9, 'Financial instruments', on 'classification and measurement' of financial assets	1 January 2015

* The effective dates stated here are those given in the original IASB/IFRIC standards and interpretations. As the Group and Company has elected to prepare their financial statements in accordance with IFRS as adopted by the European Union, the application of new standards and interpretations will be subject to their having been endorsed for use in the EU via the EU Endorsement mechanism. In the majority of cases this will result in an effective date consistent with that given in the original standard or interpretation but the need for endorsement restricts the Group's and Company's discretion to early adopt standards.

3. Revenue

Revenue recognised in the statement of comprehensive income is analysed as follows:

	2014 £'000	2013 £'000
Rendering of professional advisory services	8,711	10,341

4. Exceptional expenses

Exceptional expenses incurred during the period totalled £Nil (2013 – £0.5m). These related to Company reorganisation costs in the prior year.

Notes to the Group and Company financial statements (continued)

5. Operating profit

Operating profit is stated after charging:

	2014 £'000	2013 £'000
Depreciation	167	122
Operating lease rentals	382	382
Audit of the Group financial statements	25	31
Other fees to auditors – auditing the accounts of subsidiaries	20	20
– other assurance services	2	14
– non-audit services	34	125

6. Staff costs and Directors' remuneration

(a) Staff and Directors' costs

	2014 £'000	2013 £'000
Wages and salaries	6,720	6,197
Social security costs	833	811
Other pension costs	102	103
Share-based and deferred cash payments	15	55
	7,670	7,166

The average number of employees during the period was as follows:

	2014 No.	2013 No.
Advisory services	27	23
Administration	7	7
	34	30

(b) Directors' emoluments

	2014 £'000	2013 £'000
Short-term employee benefits	1,360	1,564
Share-based payments	12	7
Other long-term benefits	-	89
Aggregate emoluments	1,372	1,660

During the period the aggregate amount of gains made by Directors on the exercise of share options was £nil (2013 – £0.09m).

The amounts in respect of the highest paid Director are as follows:

	2014 £'000	2013 £'000
Emoluments	781	1,134

Notes to the Group and Company financial statements (continued)

7. Finance income

	2014 £'000	2013 £'000
Bank interest receivable	82	284
Investment income received from available-for-sale investments	312	212
Other interest receivable	5	-
Total finance income	399	496

8. Taxation expense

a) Tax on profit on ordinary activities

	2014 £'000	2013 £'000
Tax expense in the statement of comprehensive income		
Current income tax:		
UK corporation tax	(339)	(135)
Adjustment in respect of prior years	183	-
Total current income tax	(156)	(135)
Deferred tax:		
Origination and reversal of temporary differences	(79)	83
Tax expense in the statement of comprehensive income	(235)	(52)

(b) Reconciliation of the total tax charge

The tax charge in the statement of comprehensive income for the period is lower than the effective rate of corporation tax in the UK of 21.6% (2013 – 23.75%). The differences are explained below:

	2014 £'000	2013 £'000
Accounting profit before tax	1,255	1,088
Accounting profit multiplied by the UK effective rate of corporation tax	(271)	(258)
UK dividends not taxable	4	-
Depreciation less than/(in excess of) capital allowances	25	12
Expenses not deductible for tax purposes	(7)	(78)
Trading losses carried back	(163)	-
Trading losses carried forward	(62)	-
Losses brought forward	(23)	-
Share-based payments	(3)	82
Share scheme deduction	38	111
Adjustment in respect of prior years	183	-
Short term timing differences	(65)	83
Group relief	(3)	-
Effect of long period and change of tax rate	(9)	3
Loss on non-current asset disposal	121	(7)
Total tax expense reported in the statement of comprehensive income	(235)	(52)

The standard rate of Corporation Tax in the UK changed from 23% to 21% with effect from 1 April 2014. Accordingly, the Group's profits for this accounting period are taxed at an effective rate of 21.6%.

Further changes to the UK Corporation Tax system were announced on 19 March 2014. The main rate of Corporation Tax will be reduced from 21% to 20% with effect from 1 April 2015. This reduction will be reflected in the financial statements for the period ended 30 September 2015.

Notes to the Group and Company financial statements (continued)

8. Taxation (expense)/credit (continued)

(c) Deferred tax*

The deferred tax included in the statement of financial position is as follows:

Group	2014 £'000	2013 £'000
Deferred tax asset:		
Share-based payments	180	222
Pension costs	-	1
Accelerated capital allowances	(66)	(30)
	114	193

* Deferred tax has been calculated using the rate effective from 1 April 2015 (20%).

9. Dividends paid and proposed

	2014 £'000	2013 £'000
Declared and paid during the period		
Equity dividends on ordinary shares:		
Final dividend paid November 2013/November 2012	843	957
Interim dividend paid May 2014/April 2013	491	461
Dividends paid	1,334	1,418

Proposed for approval by Board:

Final dividend	1,475	1,004
Total dividend paid per share	40p	33p
Ordinary 10p share	-	33p
A and C ordinary shares	35p	-
B ordinary shares	5p	-

Notes to the Group and Company financial statements (continued)

10. Property, plant and equipment

	Land and buildings £'000	Office equipment £'000	Total £'000
Group			
Cost or valuation:			
As at 1 July 2012	36	860	896
Additions	-	154	154
Disposals	(8)	(432)	(440)
At 1 July 2013	28	582	610
Additions	-	316	316
Disposals	-	(49)	(49)
At 30 September 2014	28	849	877
Accumulated depreciation and impairment:			
As at 1 July 2012	18	490	508
Provided during the year	3	119	122
Eliminated on disposals	(8)	(392)	(400)
At 1 July 2013	13	217	230
Provided during the period	2	165	167
Eliminated on disposals	-	(37)	(37)
At 30 September 2014	15	345	360
Net book value at 30 September 2014	13	504	517
Net book value at 30 June 2013	15	365	380
Net book value at 30 June 2012	18	370	388

Notes to the Group and Company financial statements (continued)

11. Intangible assets

	Goodwill £'000
Group	
Cost:	
As at 1 July 2012	11,630
Movements in the year	-
At 30 June 2013	11,630
Movements in the period	-
At 30 September 2014	11,630
Accumulated impairment:	
As at 1 July 2012	5,815
Provided during the year	-
At 30 June 2013	5,815
Provided during the period	-
At 30 September 2014	5,815
Net book value at 30 September 2014	5,815
Net book value at 30 June 2013	5,815
Net book value at 30 June 2012	5,815

The goodwill recognised relates to the acquisition of New Boathouse Capital Limited and The van Tulleken Company Limited. All statement of financial position goodwill is allocated to the advisory business cash generating unit ("CGU"), which represents the lowest level in the Group at which goodwill is monitored for internal management purposes.

Goodwill acquired in a business combination is allocated, at acquisition, to the CGUs that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill had been allocated as follows:

	2014 £'000	2013 £'000	2012 £'000
CGU – Advisory business	11,630	11,630	11,630

Impairment of goodwill

All goodwill impairment reviews are carried out at least annually at the operating business segment level. The discounted cash flow recoverable amount of the advisory business unit as calculated in accordance with IFRS and depending on the base case assumption (set out below) is £34m in excess of the net book value of intangible assets (worst case - £13m in excess of the net book value of intangible assets). The base case recoverable amount of the advisory business unit has been determined on a value-in-use calculation using cash flows based on the financial budget approved by the Board covering the financial year 2014/15 and a four year financial outlook thereafter (also including a terminal value calculation) and have taken account of past experience, adjusted to remove future investment and associated revenues.

In summary, the discount rate applied to the cash flow projections is 17.5% per annum and cash flows beyond the year 1 budget are extrapolated in the base case using increased managing director headcount and in the worst case scenario a nil % growth rate per annum. A key assumption is revenue growth, which is inherently difficult to predict for an advisory business. On both base and worst case models, revenue cash flows after year 5 are extrapolated using a nil % growth rate, which is a conservative growth rate for the advisory business. Assuming no growth to the base case revenue, the discounted cash flow of the recoverable amount of the advisory business is £13m in excess of the net book value of intangible assets.

Key assumptions used in value-in-use calculations

The calculation of value-in-use for the advisory business unit is most sensitive to the following assumptions:

- Revenue growth;
- Discount rates; and
- Growth rate estimates used to extrapolate cash flows beyond the budget period.

Notes to the Group and Company financial statements (continued)

11. Intangible assets (continued)

Discount rates reflect management's estimate of return on capital employed ("ROCE") required in each business. This is the benchmark used by management to assess operating performance and to evaluate future capital investment proposals.

Market share assumptions are important because, as well as using industry knowledge for growth rates (as noted below), Management assess how the unit's relative position to its competitors might change over the budget period.

Growth rate estimates are based on management's experience of the industry.

When considering the possibility of impairment, the Group has considered a number of factors including: client base, employee base and the current and future likely trading performance of these businesses and do not consider that at the statement of financial position date there is any impairment of goodwill.

Sensitivity to changes in assumptions

Management does not believe that a change in assumptions would cause an impairment of goodwill, without the change being accompanied by a significant loss of revenue as compared to the Strategic Plan figures.

12. Financial assets

	Group		Company	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Financial assets – non-current				
Available-for-sale financial assets	14,572	12,587	14,572	12,962
	14,572	12,587	14,572	12,962
	Group		Company	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Additional information in respect of movements during the period in available-for-sale financial assets is as follows:				
Balance at 1 July	12,587	10,925	12,962	10,925
Additions	2,052	1,404	2,052	1,779
Impairment previously recognised through reserves	-	13	-	13
Impairment through statement of comprehensive income	-	(58)	-	(58)
Change in revaluation	228	303	228	303
Realisations	(295)	-	(670)	-
Balance at 30 September / 30 June	14,572	12,587	14,572	12,962

Available-for-sale financial assets consist of investments in ordinary shares and loan stock.

In the opinion of the Directors the valuation of unquoted investments is fair and reasonable having regard to all the information available. The Directors have given due consideration to the factors which they consider appropriate for the unlisted investments in each case including:

- (a) Historic growth rate and potential for future growth in earnings;
- (b) The conditions and risks involved in the sector of the industry in which each company operates; and
- (c) All financial and management information available to them.

Morris Group Limited ("Morris") has been valued on a discounted net assets basis.

Quayle Munro Holdings Limited
Period ended 30 September 2014

Notes to the Group and Company financial statements (continued)

12. Financial assets (continued)

At 30 September 2014, the holdings of share capital, the percentage of each class of share held, the distributable profit and any reserves of companies in which more than 15% of the nominal value of any class of allotted share capital is held (excluding investments in associates and Group undertakings, see note 13), either directly or indirectly were as follows:

Name of company	Class of capital	Aggregate proportion of voting rights and shares held %	Share capital and reserves £'000	Deemed cost of investment £'000	Profit/(loss) for the period £'000
AMG Systems Limited (accounts to 31.12.13)	'A' Ordinary Shares of 1p each	19.75	2,040	723	384
Morris Group Limited (accounts to 31.3.14)	'A' Ordinary Shares of 10p each	26.89	55,072	501*	1,780

* Cumulative position reflecting movements occurring subsequent to the original investment in Morris

The carrying value of the Group's investment held in Morris is split between loan stock of £3.4m and shares £6.7m (2013 – £3.4m loan stock and £6.5m shares).

During the period the Company made new investments in MVS, Brightpearl Limited and Idio Limited.

13. Investments

	Group		Company	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Financial assets – non-current				
Investment in subsidiaries	–	–	8,124	8,124
Investment in Associates	–	422	–	–
	–	422	8,124	8,124

Details of Group undertakings

Details of the subsidiary undertakings are as follows:

Name of company	Holding	Proportion of voting rights and shares held	Nature of business
Subsidiary undertakings			
Quayle Munro Limited	Ordinary shares	100%	Corporate advisory services
East of Scotland Investments Limited	Ordinary shares	100%	Corporate Trustee

Quayle Munro Holdings Limited
Period ended 30 September 2014

Notes to the Group and Company financial statements (continued)

13. Investments (continued)

Investments in Associates

In September 2013 QMPF LLP purchased 50% of Quayle Munro's interest for £0.2m, and in March 2014 QMPF LLP purchased the remaining Quayle Munro interest for £0.2m.

	2014 £'000	2013 £'000
Group		
As at 1 July	422	-
Additions	-	375
IRR at 20%	-	47
Disposals	(422)	-
As at 30 September / 30 June	-	422

14. Non-current Other receivables

During the period certain loans were advanced to employees for part paid share capital issued under the C share incentive plan, see Directors' Remuneration Report for further detail. These loans are repayable in equal instalments over five years and bear interest at the HMRC official interest rate.

	2014 £'000	2013 £'000
Group		
Loans advanced in the period	848	-
As at 30 September / 30 June	848	-

	2014 £'000	2013 £'000
Company		
Loans advanced in the period	848	-
As at 30 September / 30 June	848	-

15. Trade and other receivables

	2014 £'000	2013 £'000
Group		
Trade receivables	279	569
Less: Allowance for doubtful debts	-	(113)
	279	456
Other receivables	58	76
Prepayments and accrued income	1,309	354
	1,646	886

Trade receivables are denominated in the following currencies:

	2014 £'000	2013 £'000
Sterling	261	409
US Dollar	18	36
Euro	-	11
	279	456

Trade receivables are non-interest bearing and are generally on 30-90 day terms.

Quayle Munro Holdings Limited
Period ended 30 September 2014

Notes to the Group and Company financial statements (continued)

15. Trade and other receivables (continued)

As at 30 September the analysis of trade receivables that were past due is as follows:

	2014 £'000	2013 £'000
91-120 days	50	151
Less: Allowance for doubtful debts	-	(113)
	50	38

All amounts fall due within one year. Trading is largely with major corporates. In general these are long term trading relationships with no prior history of default.

	2014 £'000	2013 £'000
Movement in the allowance for doubtful debts		
Balance at 1 July	113	216
Amounts written off during the period	(113)	(89)
Amounts received during the period	-	(14)
Balance at 30 September / 30 June	-	113

	2014 £'000	2013 £'000
Company		
VAT	6	40
Prepayments and accrued income	93	129
	99	169

16. Cash and cash equivalents

	2014 £'000	2013 £'000
Group		
Cash at bank and in hand	10,144	6,301
Short-term deposits	-	9,215
	10,144	15,516

	2014 £'000	2013 £'000
Company		
Cash at bank and in hand	9,917	5,696
Short-term deposits	-	9,215
	9,917	14,911

Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and twelve months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. There is no difference between book and fair value of cash and cash equivalents.

The Group deposits cash only with major banks of high quality credit standing.

Quayle Munro Holdings Limited
Period ended 30 September 2014

Notes to the Group and Company financial statements (continued)

17. Trade and other payables

	2014 £'000	2013 £'000
Group		
Trade payables	42	241
Other payables, including bonus accrual	2,330	4,129
Accruals	154	458
Other taxes and social security costs	201	228
	2,727	5,056

	2014 £'000	2013 £'000
Company		
Trade payables	-	129
Other payables	55	30
Accruals	16	334
Other taxes and social security costs	6	8
	77	501

18. Provisions

	2014 £'000	2013 £'000
Group		
Restructuring provision		
At 1 July	340	956
Provision made in the period	-	42
Provision used in the period	(340)	(658)
At 30 September / June	-	340
Current	-	-
Non-current	-	340
	-	340

The restructuring provision related to redundancy costs and property costs incurred on the disposal of the Edinburgh based advisory business. In December 2013 the Edinburgh property lease was cancelled.

19. Other non-current liabilities

	2014 £'000	2013 £'000
Group		
Non-current		
Social security contributions on share-based payments and deferred cash bonus scheme	185	196

20. Obligations under leases

Future minimum rentals payable under non-cancellable operating leases are as follows:

	2014 £'000	2013 £'000
<i>Not later than one year</i>	322	450
<i>After one year but not more than five years</i>	1,212	1,766
<i>After five years</i>	-	564
	1,534	2,780

The Group has entered into commercial leases on certain properties and items of office equipment. The equipment leases have an average duration of between 3 and 5 years. There are no restrictions placed on the lessee by entering into these leases.

Notes to the Group and Company financial statements (continued)

21. Financial instruments

Group and Parent Company

Interest rate risk

The Group and Company's cash balances are held in accounts that bear interest directly related to bank base rate. The sensitivity of the balance of cash at the period end to a 1% movement either way in bank base rate would equate to an annual effect of £0.1m (2013 – £0.2m) on profit before tax and equity (Company – £0.1m (2013 – £0.2m)). 1% is considered to be the highest expected movement in the short-term.

Liquidity risk

Liquidity risk reflects the risk that the Group and Company will have insufficient resources to meet its financial obligations as they fall due. The Group and Company's strategy to managing liquidity risk is to ensure that the Group and Company has sufficient liquid funds to meet all its potential liabilities as they fall due, including anticipated shareholder distributions. The Group and Company cash reserves at 30 September 2014 are considered sufficient to support the Group and Company within the current trading environment and to provide a strong base for future growth. The Group and Company did not carry any borrowings at 30 September 2014.

The table below summarises the maturity profile of the Group's financial liabilities at 30 September 2014 and 2013 based on contractual undiscounted payments.

Group	On demand	Less than 3	3 to 12	1 to 5	> 5	
Period ended 30 September 2014	£'000	months	months	years	years	Total
		£'000	£'000	£'000	£'000	£'000
Trade and other payables	196	1,142	110	–	–	1,448
<hr/>						
Year ended 30 June 2013	On demand	Less than 3	3 to 12	1 to 5	> 5	
	£'000	months	months	years	years	Total
		£'000	£'000	£'000	£'000	£'000
Trade and other payables	700	2,096	409	–	–	3,205
<hr/>						
Company	On demand	Less than 3	3 to 12	1 to 5	> 5	
Period ended 30 September 2014	£'000	months	months	years	years	Total
		£'000	£'000	£'000	£'000	£'000
Trade and other payables	16	–	–	–	–	16
<hr/>						
Year ended 30 June 2013	On demand	Less than 3	3 to 12	1 to 5	> 5	
	£'000	months	months	years	years	Total
		£'000	£'000	£'000	£'000	£'000
Trade and other payables	463	–	–	–	–	463

The Group and Company's policy on managing their liquidity risk is set out in the Directors' report.

Credit risk

There are no significant concentrations of credit risk within the Group and Company unless otherwise disclosed. The maximum credit risk exposure relating to financial assets is represented by carrying value as at the statement of financial position date.

The Group and Company have established procedures to minimise the risk of default by trade receivables including detailed acceptance checks undertaken before a client is accepted. Historically, these checks have proved effective in minimising the level of impaired and past due receivables.

Notes to the Group and Company financial statements (continued)

21. Financial instruments (continued)

Capital management

Group and Company policy is to be well capitalised and soundly financed whilst nonetheless maximising the return on capital. Capital management is driven by strategy and organisational requirements, while also taking into account the regulatory and commercial environments in which the Group and Company operate. The strong capital position is a core strength in the current market environment leaving the Group well placed for growth opportunities.

Quayle Munro Limited, the regulated subsidiary, is expected to maintain capital adequacy ratios well in excess of minimum regulatory requirements. Capital adequacy is monitored on a regular basis by the Group Compliance Director and any significant compliance matters are reported to the Parent Company Board. Excess capital is transferred to Group periodically by way of dividend.

Fair values of financial assets and financial liabilities

The Directors consider the carrying value of financial assets and liabilities to be a good approximation for fair value. For the valuation of unlisted available-for-sale assets see note 12. The Directors also consider that due to their short term nature, the carrying value of other financial assets and liabilities is a good approximation of fair value.

Set out below is a comparison by category of carrying amounts and fair values of all the Group and Parent Company financial instruments that are held in the financial statements.

Group					
At 30 September 2014		Available- for-sale financial assets	Amortised cost	Total book value	Total fair value
	Loans and receivables £'000	£'000	£'000	£'000	£'000
Financial assets					
Cash and cash equivalents	10,144	—	—	10,144	10,144
Available-for-sale investments	—	14,572	—	14,572	14,572
Trade and other receivables	1,646	—	—	1,646	1,646
Financial liabilities					
Trade and other payables	—	—	2,727	2,727	2,727
At 30 June 2013					
Financial assets					
Cash and cash equivalents	15,516	—	—	15,516	15,516
Available-for-sale investments	—	12,587	—	12,587	12,587
Investments in associate accounted for using equity method	—	422	—	422	422
Trade and other receivables	886	—	—	886	886
Financial liabilities					
Trade and other payables	—	—	5,056	5,056	5,056

Quayle Munro Holdings Limited
Period ended 30 September 2014

Notes to the Group and Company financial statements (continued)

21. Financial instruments (continued)

Company					
At 30 September 2014					
	Loans and receivables £'000	Available- for-sale financial assets £'000	Amortised cost £'000	Total book value £'000	Total fair value £'000
Financial assets					
Cash and cash equivalents	9,917	–	–	9,917	9,917
Available-for-sale investments	–	14,572	–	14,572	14,572
Trade and other receivables	99	–	–	99	99
Financial liabilities					
Trade and other payables	–	–	77	77	77
At 30 June 2013					
Financial assets					
Cash and cash equivalents	14,911	–	–	14,911	14,911
Available-for-sale investments	–	12,962	–	12,962	12,962
Trade and other receivables	169	–	–	169	169
Financial liabilities					
Trade and other payables	–	–	501	501	501

Fair value hierarchy

The table below analyses financial instruments carried at fair value. The different levels have been identified as follows:

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2:** inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- **Level 3:** inputs for the financial asset or financial liability that are not based on observable market data (unobservable inputs).

Group		Level 1	Level 2	Level 3	Total
At 30 September 2014		£'000	£'000	£'000	£'000
Financial assets					
Available-for-sale investments	–	14,572	–	14,572	
At 30 June 2013					
Financial assets					
Available-for-sale investments	–	12,587	–	12,587	
Company		Level 1	Level 2	Level 3	Total
At 30 September 2014		£'000	£'000	£'000	£'000
Financial assets					
Available-for-sale investments	–	14,572	–	14,572	
At 30 June 2013					
Financial assets					
Available-for-sale investments	–	12,962	–	12,962	

There have been no transfers between the fair value hierarchy levels (2013: no transfers).

Quayle Munro Holdings Limited
Period ended 30 September 2014

Notes to the Group and Company financial statements (continued)

22. Share capital

Allotted, called up and fully paid and part paid share capital Group and Company	2014 Number 000	2013 Number 000	2014 £'000	2013 £'000
At 1 July				
Ordinary shares of 10 pence each	4,560	4,560	456	456
On de-listing converted and re-issued as:				
A Ordinary shares of 5 pence each	4,560	-	228	-
B Ordinary shares of 5 pence each	4,560	-	228	-
Issued during the period:				
C Ordinary shares of 5 pence each	379	-	19	-
At 30 September	9,499	4,560	475	456

At 30 September 2014, the Company held 217,859 shares (2013 – 371,739) in the Quayle Munro Holdings Limited Employee Benefit Trust 2008 and the Quayle Munro Holdings Limited Employees' Share Trust.

Share premium – Group and Company	2014 £'000	2013 £'000
At 1 July	10,689	10,689
Premium arising on issue of shares	940	-
At 30 September / 30 June	11,629	10,689

In August 2013 the ordinary share capital of the Company was split into 4.6m ordinary A shares, nominal value 5p per share and 4.6m ordinary B shares, nominal value 5p per share. These are treated as stapled together for transfer purposes.

During the period 379,243 C ordinary shares were allotted, 88,196 of these were fully paid and 291,047 were partly paid. These shares were issued at a price of 253p.

23. Share-based payments

The share option and jointly owned equity schemes are now dormant, and there are no further charges in relation to these.

The expense recognised for share-based and deferred cash payments in respect of employee services received during the period to 30 September 2014 is £0.02m (2013 – £0.02m).

The following table illustrates the number and weighted average exercise prices ("WAEP") of, and movements in, share options during the period:

	2014 Number	2014 WAEP	2013 Number	2013 WAEP
Outstanding as at 1 July	232,576	£6.80	302,560	£5.11
Granted during the period	-	-	48,109	£4.10
Forfeited during the period	(74,665)	£10.78	(25,000)	£5.36
Exercised*	(13,839)	£0.00	(93,093)	£0.00
Outstanding at 30 September / 30 June	144,072	£5.66	232,576	£6.80
Exercisable at 30 September / 30 June	144,072	£3.19	184,467	£7.51

* The weighted average share price at the date of exercise for the options exercised is £5.57 (2013 – £4.06).

For the share options outstanding as at 30 September 2014, the weighted average remaining contractual life is 2.8 years (2013 – 3.2 years).

No un-approved options were granted during the period (2013: 48,109). The weighted average exercise price of options granted during the period was £nil (2013: £4.10). The range of exercise prices for options outstanding at the end of the period was £3.78 to £15.28 (2013 – £nil to £12.86).

Notes to the Group and Company financial statements (continued)

23. Share-based payments (continued)

The fair value of equity-settled share options granted is estimated as at the date of grant using a Black Scholes model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the periods ended 30 September 2014 and 30 June 2013.

	Awards in the period	
	2014 £'000	2013 £'000
Unapproved Company share option scheme:		
Fair value at measurement date	-	£0.75
Share price	-	£4.10
Weighted average exercise price	-	£4.10
Expected volatility	-	40%
Option life	-	5 years
Expected dividend yield	-	6.25%
Risk – free interest rate	-	1.50%

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

24. Additional cash flow information

	1 July 2013 £'000	Cash flow £'000	30 September 2014 £'000
Analysis of Group net cash			
Cash and cash equivalents	6,301	3,843	10,144
Deposits repayable after 24 hours	9,215	(9,215)	-
Total	15,516	(5,372)	10,144

	1 July 2012 £'000	Cash flow £'000	30 June 2013 £'000
Analysis of Group net cash			
Cash and cash equivalents	1,228	5,073	6,301
Deposits repayable after 24 hours	13,704	(4,489)	9,215
Total	14,932	584	15,516

	1 July 2013 £'000	Cash flow £'000	30 September 2014 £'000
Analysis of Company net cash			
Cash and cash equivalents	5,696	4,221	9,917
Deposits repayable after 24 hours	9,215	(9,215)	-
Total	14,911	(4,994)	9,917

	1 July 2012 £'000	Cash flow £'000	30 June 2013 £'000
Analysis of Company net cash			
Cash and cash equivalents	657	5,039	5,696
Deposits repayable after 24 hours	13,704	(4,489)	9,215
Total	14,361	550	14,911

Notes to the Group and Company financial statements (continued)

25. Pensions

The Group operates a defined benefits pension scheme which is funded by the payment of contributions to a separately administered trust fund. This scheme is now closed to new employees and in respect of future service. Instead, employees can elect to have a proportion of their remuneration paid to their personal defined contribution scheme. Under the projected unit credit method the current service cost will increase as the members of the scheme approach retirement.

	Value at 30 September 2014 £'000	Value at 30 June 2013 £'000
Scheme assets at fair value		
Cash	196	115
Property	9	–
Equities	969	812
Government issued bonds	96	88
Corporate issued bonds	51	62
Insurance contracts	1,076	1,076
Total market value of assets	2,397	2,153
Present value of scheme liabilities	(1,933)	(1,849)
Surplus in the scheme	464	304

The pension plan has not invested in any of the Group's own financial instruments nor in properties or other assets used by the Group.

The amounts recognised in the Group statement of comprehensive income for the period are analysed as follows:

	2014 £'000	2013 £'000
Analysis of the amount charged to other finance income		
Expected return on scheme assets	126	95
Interest cost on scheme liabilities	(105)	(77)
Other finance income	21	18

	2014 £'000	2013 £'000
Taken to other comprehensive income/(expense)		
Actual return	(17)	160
Less: expected return on the scheme assets	–	(95)
	(17)	65
Experience gains and losses arising on the scheme liabilities	32	1
Changes in assumptions underlying the present value of the scheme liabilities	(11)	(23)
Actuarial gains and losses recognised in other comprehensive income/(expense)	4	43

Pension contributions are determined with the advice of independent qualified actuaries, JLT Limited, on the basis of annual valuations using the projected unit credit method. The projected unit credit method is an accrued benefits valuation method in which the scheme assets/liabilities make allowance for future earnings. Scheme assets are stated at their market values at the respective statement of financial position dates and overall expected rates of return are established by applying published brokers' forecasts to each category of scheme assets.

Main assumptions:	2014 %	2013 %
Discount rate	3.8	4.5
Inflation rate (RPI)	3.3	3.3
Inflation rate (CPI)	2.3	2.6
Increase in pensions in payment for benefits accrued before 6 April 1997	0.0	0.0
Increase in pensions in payment for benefits accrued after 6 April 1997	3.1	3.1
Rate of increase in deferred pensions	2.3	2.6

Notes to the Group and Company financial statements (continued)

25. Pensions (continued)

Pre- and post-retirement mortality rates are in accordance with published PA92 tables, adjusted for long cohort improvement (calendar year 2020) with 1% underpin.

Changes in the present value of the defined benefit pension obligations are analysed as follows:

	2014 £'000	2013 £'000
As at 1 July	1,849	1,884
Interest cost	105	77
Benefits paid	-	(131)
Actuarial (gains)/losses	(21)	19
As at 30 September / 30 June	1,933	1,849

The defined benefit obligation arises from plans that are wholly funded.

The most recent completed actuarial valuation of the defined benefit pension scheme was carried out in July 2011. The valuation confirmed that the remaining payments per the recovery plan agreed by the Company in 2009 were sufficient to meet the required contribution schedule.

Changes in the fair value of plan assets are analysed as follows:

	2014 £'000	2013 £'000
As at 1 July	2,153	1,993
Expected return on scheme assets	126	95
Employer contributions	135	135
Benefits paid*	-	(132)
Actuarial (losses)/gains	(17)	62
As at 30 September / 30 June	2,397	2,153

* Represents transfer value requests and annuity purchases.

	2014 £'000	2013 £'000	2012 £'000	2011 £'000	2010 £'000
Fair value of scheme assets	2,397	2,153	1,993	3,652	2,998
Present value of defined benefit obligation	(1,933)	(1,849)	(1,884)	(2,867)	(2,733)
Surplus in the scheme	464	304	109	785	265
Experience adjustments arising on plan liabilities	32	1	(345)	(61)	(152)
Experience adjustments arising on plan assets	(17)	65	(370)	229	42

On 1 July 2009, all members became deferred and from this time membership of a defined contribution scheme is available.

26. Net asset value per share

The Group balance sheet as at 30 September 2014 showed net assets of £31.5m which is equivalent to 655p per share on the combined A/B and C 5p nominal share capital of 4.9m A and C shares and 4.6m redeemable B shares and this compares with 678p as at 30 June 2013 on 10p nominal ordinary share capital of 4.6m.

Notes to the Group and Company financial statements (continued)

27. Related party transactions

Group

All transactions between the Parent Company and its subsidiary undertakings are classified as related party transactions.

The following loans were due by Quayle Munro Holdings Limited to other Group subsidiaries:

	1 July 2013 £'000	Loans advanced/ (repaid) in the period £'000	30 September 2014 £'000
East of Scotland Investments Limited	100	—	100
Quayle Munro Limited	7,942	(4,255)	3,687
	8,042	(4,255)	3,787

The following loans were due by other Group subsidiaries to Quayle Munro Holdings Limited:

	1 July 2013 £'000	Loans advanced in the period £'000	30 September 2014 £'000
Quayle Munro Holdings Limited Employees' Share Trust	2,051	(369)	1,682

The following loans were due by Directors of the Company to Quayle Munro Holdings Limited:

	1 July 2013 £'000	Loans advanced in the period £'000	Interest accrued £'000	30 September 2014 £'000
A.D.Adams	—	291	2	293
S.F.Woolton	—	73	1	74
		364	3	367