

Daniel Stewart Securities plc

Report and accounts

31 March 2003



Financial highlights

Daniel Stewart & Company plc

APPROVED BY THE BOARD 18 AUGUST 2003

Years ended 31 March

<i>£'000</i>	2000	2001	2002	2003
Turnover	1,753	2,397	875	1,219
Profit / (loss) on ordinary activities before tax	931	1,015	(527)	(159)
Profit / (loss) for the period	659	695	(452)	(142)
Dividends	(209)	(260)	(50)	-
Tangible fixed assets	219	345	227	3,930*
Current assets	1,172	1,246	424	2,431*
Net assets	604	1,024	522	6,201*

*Group

Investment portfolio

Company Name	Cost of Investment	Closing Mid Market Price or Directors valuation	% of total portfolio
	£	£	
Aquilo Plc	98,250	56,143	3%
Associated Network Solutions Plc	500,000	155,000	8%
First Artist Corporation Plc	493,400	67,282	3%
Flying Scotsman Railways	250,000	354,554	19%
Lo-Q Plc	250,000	7,528	1%
Mean Fiddler Music Group Plc	296,593	48,726	3%
Red Squared Plc	450,000	112,500	6%
Sportingbet Plc	502,199	43,103	2%
Checkout Holdings Limited	450,063	450,063	24%
Lilestone Plc	350,000	350,000	18%
Fotolec Technologies Limited	250,008	250,008	13%

Consolidated financial statements and annual report for the period ended 31 March 2003

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Chairman's statement

Letter to our shareholders

We are pleased to report that we have come through the fiscal year safely having witnessed the worst market conditions that any of us have ever experienced. We have successfully completed a number of transactions evidencing our ability to navigate through all market environments. Our flexibility and consistency has served to strengthen our growing franchise.

Reflecting these poor market conditions, our results for the first half of the year were basically break even but, with a market full of investor and issuer uncertainty the second half has seen a further deterioration resulting in a loss for the full year.

The completion in December 2002 of the merger of Ectwo plc to form Daniel Stewart Securities plc has strengthened our balance sheet providing us with an enviable platform for the future development of the business. We continue to enjoy substantial liquidity and are debt free, which in today's environment is a success in itself.

Our focus remains on the small cap market. During the year we were appointed as broker to five AIM companies and we will continue to selectively grow this area of our business. The two major capital markets for us, AIM and OFEX, have suffered from the market downturn with new IPO's being few and far between. We did however successfully complete the listing and associated fund raising on AIM for Centurion plc and with our support its share price has flourished.

Our strategy going forward is to continue our focus on small cap companies, we are confident that the underlying strength of the firm will enable us to make further inroads into the AIM market and we expect to add substantially to our growing list of brokerships.

The outlook for the year ahead is showing signs of improvement and we are confident that if this trend continues the firm will show a return to profitability in the near future.

You will see from the AGM notice that Mr Galgey is not seeking re-appointment as an executive director. Mr Galgey has been an integral part of the firm for many years and his insight, encouragement and diligence have greatly assisted the growth of the business.

Peter Dicks

Chairman

The year in review

Merger of ECTWO plc and Daniel Stewart & Company plc.

On 11 December 2002 we completed the merger of Ectwo plc and Daniel Stewart & Company plc. The terms of the merger were that Ectwo would acquire Daniel Stewart in a share for share exchange. The enlarged group was renamed Daniel Stewart Securities plc. The merger gives all shareholders the opportunity to participate in market improvements as they unfold over the coming months.

Capital Markets, IPO's and Private Placements

During the year Daniel Stewart successfully completed the Initial Public Offering of Centurion plc, listing the company on AIM. We raised £3.6 million in new capital and this has been utilised to further develop the company. We also successfully completed the transition of Lo-q from OFEX to AIM raising a further £3.6m for them. Within this division we also completed two AIM advisory transactions for Thornaby plc and Alexander Holdings. Within the portfolio of companies that we advise that are private we completed the second round financing for XN Corporation and a small Private Placing for Myla, (Lilestone plc).

Banking

We established formally our banking services during the year under review. We have assisted for some years two of the leading Moscow based ex Comecon international banks working under the auspices of the EEC and this programme is expected to continue through the majority of 2003. We also successfully completed a loan based transaction for a private mortgage company placing a total of £6.9 million of loans on their behalf.

Asset Management

The company continues to develop its high net worth client base. We intend to expand this business and have undertaken a review of acquisition opportunities in this area.

Equity Research

We established our equity research service just over a year ago and we now provide research coverage on a growing group of companies. In addition to providing service to our AIM and OFEX clients we also provide coverage to a small group of non-client companies that we believe represent future value opportunities. We now distribute our research to some 75 institutions.

Investment Portfolio

The market for smaller companies deteriorated during the year under review and unfortunately a number of the companies in which we had invested have either ceased to trade or have had the underlying value severely reduced. The portfolio of public companies held presently consists of eight companies with a market value of £891,000. Additionally we hold investments in five private companies the book value of these investments being £1,125,000.

Board of Directors

PF Dicks - chairman

Peter Dicks was a founder and director of Abingworth plc, which between 1973 and 1991 specialised in making venture capital investments in the USA and the UK. Peter is currently a director of a number of companies including Polar Capital Technology Trust plc, Graphite Enterprise Trust plc (which are listed on the Official List) and Standard Microsystems Inc, which is traded on NASDAQ.

MR Cumming

Michael Cumming has 34 years experience on investing in, and being a non-executive director of, unquoted companies. He was the managing director of Barclays Private Equity for 14 years, retiring in 1996. Michael is currently chairman of Mercia Fund Management Limited and Matrix Venture Fund VCT plc and a non-executive director of Graphite Enterprise Trust plc, The East German Investment Trust plc, Themis FTSE All-Small Index Trust plc and Enterprise Capital plc.

DW Quysner

David Quysner is chairman of Abingworth Management Limited, a company which specialises in technology investments and provides management and investment advice to a number of venture capital funds. He has been a non-executive director of numerous companies in which funds advised by Abingworth Management Limited have invested and is currently non-executive chairman of Comino Group plc. His other non-executive directorships include Enterprise Capital plc and Quester VCT3 plc, of which he is chairman. David was chairman of the British Venture Capital Association between 1996 and 1997.

PD Shea

Peter Shea founded Daniel Stewart & Company plc in March 1989. Prior to this, Peter was a director of Bear Stearns International from 1986 to 1989, where he was responsible for establishing the Bear Stearns London corporate finance and capital markets divisions. Before this, Peter was a vice president of Midland Bank plc, where his primary responsibilities were coordinating the corporate and merchant banking services to US corporations in Europe. Peter spent 10 years with Chase Manhattan Bank where he was responsible for developing country loans and both chemical and aerospace sectors at various times.

AAB Cade

Appointed on 11 December 2002

Alastair Cade joined Daniel Stewart & Company plc upon completion of his degree. He assisted in the establishment of Daniel Stewart's Asset Management team from 1995 until 1998. In 1998 he began working with Daniel Stewart's Corporate Finance team. Alastair is now responsible for Daniel Stewart's sales team.

TG Galgey

Appointed on 11 December 2002

Terry Galgey is a member of the Securities Institute and has spent most of his working life in the City of London. He became a member of the London Stock Exchange in 1976. Terry has held prominent positions at Nomura and Donaldson Lufkin and started his own eurobond and stock-broking operation in 1983, which he ran for 10 years. He joined Daniel Stewart & Company plc in 1996 and has been instrumental in the development of the business relating to smaller companies raising finance via OFEX.

Extract from the audited financial statements of Daniel Stewart & Company plc

Profit and loss account

for the year ended 31 March 2003

	2003		2002	
	£	£	£	£
Turnover		1,219,136		874,917
Administration costs		(1401,995)		(1,455,739)
Operating loss		(182,859)		(580,822)
Gain on investment disposals	15,597		21,762	
Interest receivable	8,722		32,173	
Interest payable	(172)		(118)	
		24,147		53,817
Loss on ordinary activities before taxation		(158,712)		(527,005)
Tax on loss on ordinary activities		16,592		75,050
Loss on ordinary activities after taxation		(142,120)		(451,955)
Dividends		-		(50,073)
Retained deficit for the year		(142,120)		(502,028)
Accumulated profits bought forward		245,765		747,793
Accumulated profits carried forward		103,645		245,765

Management discussion

Business Environment

After a ten-year bull market we have seen a prolonged bear market that has adversely affected our business for the last two years. Many brokerage firms have seen substantial reduction in their business volumes and several firms have come close to collapse. Redundancies within the city have been close to all time highs. Industry growth at all levels has been impaired leading to reduced demand for capital which in turn has seen fierce competition amongst brokerage firms for those transactions that have gone ahead. Valuation expectations for prospective new listings have remained high and these have been difficult to manage in the face of reduced values placed upon new issues by institutional investors further exacerbating the difficulty in completing transactions.

Current accepted accounting practice requires that where entities merge they are required to report consolidated results on an acquisition accounting basis these are laid out from page 13 onwards. In order however to better present the financial performance of the group we have incorporated a pro-forma profit and loss account on Daniel Stewart & Company plc in this section. The analysis of the results for the period below are accordingly for Daniel Stewart & Company plc on a 12 month adjusted for comparison basis.

Results of Operations

Within the operating company Daniel Stewart & Co Plc, on an adjusted basis comparing 12 months to 12 months, turnover rose by 39% to £1.2 million. We reduced staffing and administrative costs by 3.5% to £1.4 million leaving us with an operating loss of £182,859. This is an improvement of some £397,000 on last year. After interest and tax we reported a loss for the year of £142,120 compared to a loss of £451,955 in 2002. It should be noted however that within these numbers we have provided against certain investments in an amount of £101,228. If we add these back the year ended close to break even.

Liquidity and Capital Resources

The Company finances its business from its own cash flows and remains debt free. Cash balances remain in excess of one year's costs and shareholders funds although depleted by write-offs remain strong. The control of risk and liquidity is a high priority for management and cash flows are monitored on a continuous basis. Cash balances are maintained at sufficient levels to ensure that all liabilities can be met on a timely basis. Excess balances are invested in short-term time deposits.

Daniel Stewart Securities plc

Consolidated financial statements and annual report for the period ended 31 March 2003

Directors' report

The directors have pleasure in presenting their report and the consolidated financial statements for the fifteen-month period to 31 March 2003.

Principal activity

The principal activities of the group are the provision of financial advice to companies and trading in financial instruments.

Review of the business

The results of the group are reported in the consolidated profit and loss account on page 13 of these financial statements.

On 11 December 2002 the company acquired the entire share capital of Daniel Stewart and Company plc. The issue of 109,566,297 ordinary shares satisfied consideration for the acquisition.

On 10 December 2002 the company changed its name from ECTWO Investments plc to Daniel Stewart Securities plc.

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- ◆ select suitable accounting policies and then apply them consistently;
- ◆ make judgements and estimates that are reasonable and prudent;
- ◆ follow applicable accounting standards, 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 will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Fixed assets

The movement on fixed assets during the year is set out in notes 7 to 9 of the financial statements.

Dividends

The directors do not recommend the payment of a dividend:

Directorate

The directors' beneficial interests in the shares of the company were as stated below.

	Ordinary shares of 0.25p each	
	31 March 2003	31 December 2001
PF Dicks - chairman	40,000	40,000
MR Cumming	40,000	40,000
DW Quysner	80,000	80,000
PD Shea	78,551,051	-
AAB Cade (Appointed 11 December 2002)	9,896,067	-
TG Galgey (Appointed 11 December 2002)	32,767,457	-

The direct beneficial interest of PD Shea is held by Adam & Company Nominees Limited. A further 11,489,653 shares are held by members of his immediate family.

The direct beneficial interest of TG Galgey is held by St Helens Place Investments Limited.

PD Shea and TG Galgey and AAB Cade are directors of Daniel Stewart and Company plc.

At 31 December 2001, Daniel Stewart and Company plc, held 17,097,330 ordinary shares in the company and 2,901,870 deferred shares. The company redeemed these shares, at par, on 11 December 2002.

Directors' report

(Continued)

On 16 February 2002, under the rules of the ECTWO investments plc unapproved share option scheme, the company granted an option to each of Messrs Dicks, Cumming and Quysner, exercisable at any time between the second and tenth anniversary of grant to subscribe for 250,000 ordinary shares at 11p per share.

PD Shea, AAB Cade and TG Galgey hold service contracts with the company, which may be terminated by either party by twelve months written notice.

Significant holdings

Other than the directors reported above, the significant interest in the company reported in the register of members at 31 March 2003 was as follows:

	Ordinary shares of 0.25p each	
	31 March 2003	%
P and P Curtis	7,625,000	3.8

Creditor payment policy

It is the company's policy to settle investment transactions according to the settlement periods operating for the relevant market. It is the group's policy to pay all other creditors as they fall due.

Political and charitable donations

During the year the group made no political or charitable donations.

Auditors

On 21 January 2003 Jeffreys Henry resigned as auditors, Keelings Limited were appointed in their place.

A resolution to re-appoint Keelings Limited, as registered auditors will be proposed at the forthcoming annual general meeting.

Approved by the Directors

PD Shea

Corporate Governance

Companies traded on OFEX are not required to adopt the Combined Code. However, the directors of Daniel Stewart Securities plc are committed to the application of requirements under the Code, where they are considered to be appropriate.

Board of directors

The board of directors is responsible for corporate governance.

The board of directors consists of three executive and three non-executive directors. The non-executive directors' role is to bring independent judgement to board discussions and decisions.

The board of directors is composed as follows:

PF Dicks	Non-executive
MR Cumming	Non-executive
DW Quysner	Non-executive
PD Shea	
AAB Cade	
TG Galgey	

The board meets regularly throughout the year.

Remuneration committee

The remuneration committee comprises the three non-executive directors. The committee provides independent review of the executive directors' remuneration and the group remuneration policy.

Internal financial control

The directors are responsible for ensuring that the group's system of internal control enables them to report financial information with reasonable accuracy and safeguard the assets of the group. At the time of approving the financial statements the directors found the financial control system to be appropriate for a group of this nature and size. The key elements of this system are described below:

Defined procedures

Major and recurrent transactions are carried out in accordance with defined procedure.

Organisational structure

The group's structure is documented and understood. Individual responsibilities and performance are defined and monitored.

Risk management

The directors have responsibility for identification and management of the business risks facing the group. Significant areas of business risk are identified and the management approach is defined and controlled through adoption of key control objectives.

Information systems

The group has adopted budgetary control. A budget is prepared annually and actual results are compared with budget on a quarterly basis. Variances from budget are analysed and reviewed.

Going concern

In establishing the applicability of the going concern basis, the directors have made enquiries as to the financial resources of the group and the company. The directors consider that the group have adequate resources to continue operations for the foreseeable future and therefore will continue to adopt the going concern basis in the preparation of the financial statements.

Report of the independent auditors to the shareholders

We have audited the consolidated financial statements of Daniel Stewart Securities plc for the period ended 31 March 2003 on pages 13 to 25. These financial statements have been prepared in accordance with the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

As described on page 9, the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Report of the directors is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Report of the directors and consider the implications for our report if we become aware of any apparent mis-statements within it.

Basis of opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion, the financial statements give a true and fair view of the state of the company and group's affairs as at 31 March 2003 and of the group's loss and cash flows for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Keelings Limited

Registered Auditors and Chartered Accountants

18 August 2003

Consolidated profit and loss account

for the period ended 31 March 2003

Note	Fifteen months 31 March 2003			Twelve months 31 December 2001	
	£	£	£	£	
	Acquisition	Normal activities	Total continuing		
	Turnover	205,257	233,164	438,421	-
	Cost of sales	-	(236,402)	(236,402)	-
	Gross profit / (loss)	205,257	(3,238)	202,019	-
	Administration costs	(387,197)	(219,929)	(607,126)	(191,504)
2	Operating loss	(181,940)	(223,167)	(405,107)	(191,504)
	Amortisation of goodwill	-	(133,517)	(133,517)	-
	Depreciation	(7,395)	-	(7,395)	-
	Loss on investment disposals	561	(1,196)	(635)	46,593
3	Interest receivable	1,837	127,868	129,705	272,879
	Amount written off investments	(9,915)	(16,294)	(26,209)	(250,000)
4	Interest payable	(161)	(33)	(194)	-
	Loss on ordinary activities before taxation	(197,013)	(246,339)	(443,352)	(122,032)
5	Tax on loss on ordinary activities	-	-	-	509
	Loss on ordinary activities after taxation	(197,013)	(246,339)	(443,352)	(121,523)

The accounting policies and notes on pages 17 to 25 form an integral part of these financial statements.

for the period ended 31 March 2003

Total recognised gains and losses

	Fifteen months 31 March 2003		Twelve months 31 December 2001
	£	£	£
	Acquisition	Normal activities	Total continuing
Loss for the period	(197,013)	(246,339)	(443,352)
Creation of capital redemption reserve	-	(49,998)	(49,998)
Revaluation of fixed asset investments	-	(3,081,560)	(3,081,560)
	<u>(197,013)</u>	<u>(3,377,897)</u>	<u>(3,574,910)</u>
	<u><u>(197,013)</u></u>	<u><u>(3,377,897)</u></u>	<u><u>(4,271,329)</u></u>

The accounting policies and notes on pages 17 to 25 form an integral part of these financial statements.

Consolidated balance sheet

As at 31 March 2003

Note		31 March 2003		31 December 2001
		Group £	Company £	Company £
	<i>Fixed assets</i>			
7	Tangible	47,457	-	-
8	Investments	1,945,647	4,292,831	5,497,292
9	Goodwill	1,937,578	-	-
		<hr/>	<hr/>	<hr/>
		3,930,682	4,292,831	5,497,292
	<i>Current assets</i>			
	Investments	66,800	66,800	-
10	Debtors	788,760	956,038	62,476
	Cash at bank and in hand	1,575,869	1,234,776	2,071,700
		<hr/>	<hr/>	<hr/>
		2,431,429	2,257,614	2,134,176
11	<i>Creditors – amounts falling due within one year</i>	(160,403)	(268,208)	(46,176)
		<hr/>	<hr/>	<hr/>
	Net current assets	2,271,026	1,989,406	2,088,000
		<hr/>	<hr/>	<hr/>
	Net assets	6,201,708	6,282,237	7,585,292
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
	<i>Capital and reserves</i>			
12	Called up share capital	456,526	456,526	232,608
13	Share premium account	1,917,410	1,917,410	8,727,642
13	Capital redemption reserve fund	49,998	49,998	-
13	Revaluation reserve	(2,587,973)	(2,587,973)	(1,354,447)
13	Capital reserve	8,524,235	8,524,435	(203,407)
13	Profit and loss account	(2,158,488)	(2,077,959)	182,896
		<hr/>	<hr/>	<hr/>
14	Shareholders' funds	6,201,708	6,282,237	7,585,292
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Approved on behalf of the Directors

18 August 2003

PD Shea

The accounting policies and notes on pages 17 to 25 form an integral part of these financial statements.

Consolidated cash flow statement

for the period ended 31 March 2003

Note	Fifteen months		Twelve months	
	31 March		31 December	
	2003		2001	
	£	£	£	£
17	<i>Net cash outflow from operating activities</i>		(202,678)	
	<i>Returns on investments and servicing of finance</i>			
	Interest received	129,705	213,031	
	Interest paid	(194)	-	
		<hr/>	<hr/>	
		129,511	213,031	
	Taxation recovered	-	(25,384)	
	<i>Capital expenditure and financial investment</i>			
	Tangible fixed asset acquisitions	(66,175)	-	
	Tangible fixed asset disposals	11,323	-	
	Subsidiary	120,231	-	
	Purchase of investments	(142,438)	(3,349,627)	
	Proceeds of disposal of investment	101,973	296,593	
		<hr/>	<hr/>	
		24,914	(3,053,034)	
	Redemption of share capital	(49,998)	-	
		<hr/>	<hr/>	
18	Decrease in cash	(495,831)	(3,068,065)	
		<hr/> <hr/>	<hr/> <hr/>	

The accounting policies and notes on pages 17 to 25 form an integral part of these financial statements.

Accounting policies

Period ended 31 March 2003

These financial statements have been prepared in accordance with applicable law and United Kingdom accounting standards.

Accounting convention

The financial statements are prepared under the historical cost convention modified to include the revaluation of investments.

Turnover

Turnover comprises sales of shares and fees and commissions receivable.

Basis of consolidation

The consolidated financial statements include the subsidiary company reported in note 8. Subsidiaries are bought into the consolidation at the time of acquisition on the basis of the fair value of the assets.

In accordance with the concession granted under section 230(2) of the Companies Act 1985, the company's profit and loss account for the period ending 31 March 2003 has not been presented separately in these financial statements.

Deferred taxation

Deferred tax is provided at anticipated tax rates on differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

Tangible fixed assets

Depreciation is provided at the rate of 25% per annum on a written down value basis on office equipment and furniture in order to reduce to estimated realisable values over useful working lives.

Fixed asset Investments

Quoted investments are valued at mid-market price on the relevant stock exchange. The market value of certain securities may be discounted where there are restrictions on their disposal or whether other special factors apply.

Unlisted investments are valued by the directors on the basis of all the information available to them at the time. In the cases of companies which are in an early stage, valuation will normally be at cost unless, in the directors' opinion there has been a permanent diminution in value or a change of valuation is justified by reference to subsequent issues of capital or dealings between third parties at a different price.

Unrealised gains or losses are recognised in the revaluation reserve

Realised profits or losses on disposal and provisions for permanent diminution in value of investments are transferred to the profit and loss account from the revaluation reserve.

Current asset investments

Current asset investments are valued at the lower of cost or net realisable value. Any unrealised loss is recognised in the profit and loss account.

Goodwill and amortisation

Goodwill, which represents the excess of the fair value of consideration given over the fair value of the separable net assets of the subsidiary undertaking, is capitalised and written off over its estimated useful economic life, which in the opinion of the directors is five years.

Notes to the financial statements

Period ended 31 March 2003

1 *Staff costs*

Total staff costs for the period ending 31 March 2003 were £275,686, (2002, £33,066).

During the year the group had an average of fifteen employees, three of whom were employed by Daniel Stewart Securities plc, (2002, 3).

At 31 March 2003 the company had six directors. AAB Cade and TG Galgey were appointed directors of the company on 11 December 2002.

Director's emoluments are as follows:

	Fifteen months 31 March 2003	Twelve months 31 December 2001
	Group	Company
	£	£
PD Shea	36,452	-
TG Galgey	25,820	-
AAB Cade	24,301	-
D Quysner	26,250	11,750
M Cummings	13,750	10,000
P Dicks	15,000	10,000
	<hr/>	<hr/>
	141,573	31,750
	<hr/> <hr/>	<hr/> <hr/>

PD Shea, AAB Cade and TG Galgey are remunerated through Daniel Stewart and Company plc.

2 *Operating profit (loss)*

Is stated after charging:

	Fifteen months 31 March 2003	Twelve months 31 December 2001
	Total	Company
	£	£
Auditors remuneration – for audit services	3,705	2,000
- for non audit services	28,277	5,096
Directors' remuneration including benefits in kind	142,025	31,750
Operating lease rentals	32,792	-
	<hr/>	<hr/>

3 *Interest receivable*

	Fifteen months 31 March 2003	Twelve months 31 December 2001
	Total £	Company £
On bank deposit	82,824	188,030
Loan stock interest receivable	46,881	84,849
	<u>129,705</u>	<u>272,879</u>

4 *Interest payable*

	Fifteen months 31 March 2003	Twelve months 31 December 2001
	£	£
On bank overdraft	194	-
	<u>194</u>	<u>-</u>

5 *Tax on loss on ordinary activities*

The tax credit on the loss on ordinary activities for the year was as follows:

	Fifteen months 31 March 2003	Twelve months 31 December 2001
	£	£
UK corporation tax recoverable	-	509
	<u>-</u>	<u>509</u>

No provision has been considered necessary for deferred taxation.

These financial statements remain subject to Inland Revenue agreement.

Notes to the financial statements
(continued)

Period ended 31 March 2003

6 *Earnings per share*

The weighted average number of ordinary shares in issue during the period was 112,496,663, (2001, 90,141,528).

	Group	Company	Company
	31 March	31 March	31 December
	2003	2003	2001
	pence	pence	pence
Including amortisation of goodwill	(4.32)	(3.53)	(1.36)
Excluding amortisation of goodwill	(3.01)	(3.53)	(1.36)
<hr/>			
7 <i>Tangible fixed assets - group only</i>			Office equipment and furniture
<i>Cost</i>			£
Additions in period			66,175
Disposals in period			(11,323)
			<hr/>
At 31 st March 2003			54,852
			<hr/> <hr/>
<i>Accumulated depreciation</i>			
Charged for the period			7,395
			<hr/>
At 31 March 2003			7,395
			<hr/> <hr/>
<i>Net book value – 31 March 2003</i>			47,457
			<hr/> <hr/>

Notes to the financial statements
(continued)

Period ended 31 March 2003

8 *Fixed asset investments*

	Group	Company	Company
	31 March 2003	31 March 2003	31 December 2001
	£	£	£
Valuation at 1 January 2002	5,497,292	5,497,292	7,995,482
Additions in period, at cost	142,438	-	3,349,627
Reclassification	(500,000)	(500,000)	-
Disposals in period, at net book value	(102,608)	(20,825)	-
Revaluation	(3,081,560)	(3,081,560)	(5,597,817)
Amounts provided in profit and loss account	(9,915)	-	(250,000)
	<hr/>	<hr/>	<hr/>
	1,945,647	1,894,907	5,497,292
Investment in subsidiary	-	2,397,924	-
	<hr/>	<hr/>	<hr/>
Valuation at 31 March 2003	1,945,647	4,292,831	5,497,292
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

On 11 December 2002 The company acquired the entire issued share Capital of Daniel Stewart & Company plc, a company registered in England and Wales which has the principal activity of the provision of financial advice to companies.

Proceeds of disposal of investments amounted to £101,973.

The company has acquired certain Ofex and Aim quoted shares. The directors intend to retain the holdings for the foreseeable future. The market value of the quoted investments at 31st March 2003 amounted to £891,705 (2001 - £3,092,702).

9 *Goodwill*

	Group	Company
	31 March 2003	31 December 2001
	£	£
Arising on acquisition	2,071,095	-
Amortisation in period	(133,517)	-
	<hr/>	<hr/>
Net book value	1,937,578	-
	<hr/> <hr/>	<hr/> <hr/>

Goodwill arising on acquisition represents the excess of purchase consideration (£2,397,924) over the book value of net assets (£326,829) acquired in Daniel Stewart & Co plc on 11 December 2002, and is being amortized over a five year period.

The issue of ordinary share capital satisfied consideration for the purchase.

The directors consider that in the period since acquisition there has been no permanent diminution in the value of goodwill.

Notes to the financial statements
(continued)

Period ended 31 March 2003

10 Debtors

	Group	Company	Company
	31 March	31 March	31
	2003	2003	December
	£	£	2001
	£	£	£
Trade debtors	42,069	-	-
Owing by subsidiary company	-	438,405	-
Owing by associate businesses	221		
Other debtors and prepayments	746,470	517,633	62,476
	<u>788,760</u>	<u>956,038</u>	<u>62,476</u>

11 Creditors – amounts falling due within one year

	Group	Company	Company
	31 March	31 March	31
	2003	2003	December
		£	2001
		£	
Trade creditors	94,982	3,864	-
Other creditors and accruals	65,421	264,344	46,176
	<u>160,403</u>	<u>268,208</u>	<u>46,176</u>

12 Share capital

	Company	Company
	31 March	31
	2003	December
	£	2001
	£	£
Authorised		
Ordinary shares of 0.25p each	805,245	292,745
Deferred shares of 0.25p each	7,255	7,255
	<u>812,500</u>	<u>300,000</u>
Allotted, called up and paid		
Ordinary shares of 0.25p each	456,526	225,353
Deferred shares of 0.25p each	-	7,255
	<u>456,526</u>	<u>232,608</u>

On 10 December 2002 the Authorised ordinary share capital was increased to 322,098,000 Ordinary shares of 0.25p each.

On 11 December 2002 the company redeemed 17,097,330 ordinary shares and 2,901,870 deferred shares.

On 11 December 2002 the company issued a further 109,566,297 ordinary shares.

Notes to the financial statements
(continued)

Period ended 31 March 2003

13 Reconciliation of movement in reserves

	Share premium account	Capital redemption reserve	Revaluation reserve	Capital reserve	Profit and loss account
	£	£	£	£	£
Group					
At 1 January 2002	8,727,642	-	(1,354,447)	(203,407)	182,896
Transfer to capital reserve	(8,727,642)	-	-	8,727,642	-
Arising on issue of ordinary shares	1,917,410	-	-	-	-
Arising on redemption of ordinary and deferred shares	-	49,998	-	-	(49,998)
Realised gains in respect of fixed asset investments	-	-	(1,875)	-	1,875
Realised losses in respect of fixed asset investments	-	-	1,849,909	-	(1,849,909)
Unrealised losses in respect of fixed asset investments	-	-	(3,081,560)	-	-
Loss for the period	-	-	-	-	(443,352)
	<u>1,917,410</u>	<u>49,998</u>	<u>(2,587,973)</u>	<u>8,524,235</u>	<u>(2,158,488)</u>
Company					
At 1 January 2002	8,727,642	-	(1,354,447)	(203,407)	182,896
Transfer to capital reserve	(8,727,642)	-	-	8,727,642	-
Arising on issue of ordinary shares	1,917,410	-	-	-	-
Arising on redemption of ordinary and deferred shares	-	49,998	-	-	(49,998)
Realised gains in respect of fixed asset investments	-	-	(1,875)	-	1,875
Realised losses in respect of fixed asset investments	-	-	1,849,909	-	(1,849,909)
Unrealised losses in respect of fixed asset investments	-	-	(3,081,560)	-	-
Loss for the period	-	-	-	-	(362,823)
	<u>1,917,410</u>	<u>49,998</u>	<u>(2,587,973)</u>	<u>8,524,235</u>	<u>(2,077,959)</u>

14 Reconciliation of movement in shareholders' funds

	Group 31 March 2003	Company 31 March 2003	Company 31 December 2001
	£	£	£
Loss on ordinary activities after taxation	(443,352)	(362,823)	(121,523)
Opening shareholders funds	7,585,292	7,585,292	11,856,621
Other recognised gains and losses	(3,081,559)	(3,081,559)	(4,149,806)
Issue of ordinary share capital	2,191,325	2,191,325	-
Redemption of Ordinary and deferred share capital	(49,998)	(49,998)	-
	<u>6,201,708</u>	<u>6,282,237</u>	<u>7,585,292</u>

Notes to the financial statements
(continued)

Period ended 31 March 2003

15 *Commitments and contingent liabilities*

There were no contingent liabilities at 31 March 2003 and 31 December 2001.

The group had capital commitments amounting to £51,000 at 31 March 2003.

These financial statements remain subject to Inland Revenue agreement on the corporation tax position.

16 *Operating leases*

At 31 March 2003 the group had annual commitments under operating leases as follows:

	2003		2001	
	Land and Buildings	Other	Land and Buildings	Other
	£	£	£	£
<i>Operating leases which expire:</i>				
Within one year	-	-	-	-
In second to fifth year inclusive	110,000	13,408	-	-
After 5 years	-	5,000	-	-
	<u>110,000</u>	<u>18,408</u>	<u>-</u>	<u>-</u>

The group are subject to a seven-year lease of premises at 48 Bishopsgate, London EC2N with an initial rent-free period commencing from November 1999 and an annual commitment of £110,000 until rent review in 2003. A rent deposit of £40,000 has been advanced to the landlord.

The company had no operating lease commitments at 31 March 2003.

17 *Reconciliation of net operating loss to net cash outflow from operating*

	Fifteen months ended 31 March 2003	Year ended 31 December 2001
	£	£
Net operating loss	(405,107)	(191,504)
Write down of current asset investments	(16,294)	-
Increase in debtors	(293,084)	(90)
Decrease in creditors/accruals	114,227	(11,084)
Net cash (outflow)/inflow from operating activities	<u>(600,258)</u>	<u>(202,678)</u>

18 *Reconciliation of net cash flow to movements in net cash*

	Fifteen months ended 31 March 2003	Year ended 31 December 2001
	£	£
<i>Cash at bank and in hand</i>		
Decrease in cash in the year	(495,831)	(3,068,065)
Changes in net funds in the year	(495,831)	(3,068,065)
Net funds at 1 st January 2002	2,071,700	5,139,765
Net funds at 31 st March 2003 - in hand	1,575,869	2,071,700

19 *Related party transactions*

Up to 11 December 2002, Daniel Stewart & co plc was controlled by the directors Mr P D Shea and Mr TG Galgey, who hold a beneficial interest in the majority of the issued share capital.

On 11 December 2002 the company acquired the whole issued share capital of Daniel Stewart & Co plc.

On 11 December 2002 Daniel Stewart & Co plc redeemed investment in Daniel Stewart Securities plc at par.

The interests of the directors of Daniel Stewart & Co plc in the share capital of the company are disclosed in the directors' report.

The company reports the following material related party transactions in accordance with the disclosure requirements of Financial Reporting Standard 8.

Consultancy and management fees of £295,239 have been rendered or accrued by Daniel Stewart and Co plc in which PD Shea, TG Galgey and AB Cade are directors.

At 31 March 2003 the company owed it's parent, Daniel Stewart Securities plc £438,405.

Advisors

Secretary

Filex Services Limited

179 Great Portland Street,
London, EC2N 4AJ.

Auditors

Keelings Limited

Broad House,
The Broadway,
Old Hatfield,
Hertfordshire, AL9 5BG.

Registrars

Capita IRG plc

Balfour House,
390-398 High Road,
Ilford,
Essex, IG1 1NQ.

Bankers

Adam & Company plc

42 Pall Mall
London, SW1Y 4AJ

Solicitors

Finers Stephens Innocent

179 Great Portland Street
London EC2N 4AJ

Orchards

6 Snow Hill,
London, EC1A 2AY.

Corporate Advisor

Daniel Stewart & Company plc

48 Bishopsgate,
London, EC2N 4AJ.

Registered number : 3899545

Private Placement

XN Corporation Ltd

31,046 Ordinary Shares

£58.84 per share

20th December 2002

Daniel Stewart & Company acted as sole manager for the Private Placing.



AIM

Private Placement

Lo-Q plc

3,600,000 Ordinary Shares

£1.00 per share

24th April 2002

Daniel Stewart & Company acted as nominated broker and sole manager for the Private Placing.



AIM

Private Placement

Centurion Electronics plc

7,667,000 Ordinary Shares

30p per share

2nd December 2002

Daniel Stewart & Company Plc acted as nominated broker and sole manager for the Private Placing.



Private Placement

Lilestone Plc

£150,000.00 raised

22nd October 2002

Daniel Stewart & Company acted as sole manager for the Private Placing.



