Speirs & Jeffrey Limited

Directors' report and financial statements

Registered number SC98335

Period ended 10 May 2015

Contents

Directors' report

The directors have pleasure in submitting their report to the members, together with audited financial statements, for the 52 week period ended 10 May 2015.

Directors

The directors at the date of this report were:

J.R. McCulloch (Chairman)
G.H.W. Waddell
W.G. Dickie
R.L. Crichton
M.J. Wilson
S.W.J. Mathieson
A.A.W. Waddell
T.M.B. Brown
C.C.Baxter
K. L. Donaldson (appointed 26 May 2015)

Incorporation

The company is incorporated in Scotland with the registered number SC98335.

Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are aware, there is no relevant audit information of which the company's auditor is unaware, and each director has taken all the steps he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

KPMG Audit Plc resigned as auditor pursuant to section 516 of the Companies Act 2006. KPMG LLP indicated its willingness to continue in office. Following a resolution to reappoint at the annual general meeting, the Directors appointed KPMG LLP as auditor of the company.

By order of the board

S.W.J. Mathieson
Director/Company Secretary
George House
50 George Square
Glasgow

29 July 2015

Strategic report

Business review and principal activities

The company's primary activities are investment management, stockbroking and related services.

Two key issues shaped the path of financial markets throughout 2014/15 – slower economic growth in China and the sharp fall in oil and commodity prices. For a number of years Western economies have hung on to the coattails of the Chinese dragon. The strong economic growth across Asia, China in particular, contributed to a remarkable economic recovery in the wake of the global banking crisis. As ever, there are expectations that this strong growth path will last forever! As usual it doesn't! A change of leadership in China and the consequent reduction in the long term growth target has been a key factor contributing to the fall in commodity prices over the last two years, as well as weaker global economic activity. The low levels of growth coupled with increased capacity and production through fracking in the US contributed to a sharp fall in the oil price last summer. A peak to trough fall from $108 per barrel in June last year to $54 per barrel (- 50%) was dramatic and created a high measure of uncertainty about the spending capacity of the major petro-economies, including the Middle East, the US and Russia which some believe has been a major contributor to buoyant property markets in places such as London in particular. These key issues contributed to historically modest equity returns across all financial markets. Activity levels for our business were maintained at a buoyant level compensating for the structural impact of lower interest rates and regulatory change (RDR trail commission). We continue to invest in our people to ensure we deliver a high quality service across our diverse client base. The current year started with Greece the primary focus of attention from both a political and economic point of view as experts struggle to assess the likely impact of an exit by Greece from the EU and the euro. The sharp fall in the oil price has not yet delivered the hoped for boost in consumer spending, whilst government austerity programmes continue in many countries. All these factors will test the nerve of market participants in the year ahead.

The profit after tax for the period was £5,676,000 *(2014: £5,642,000)* due to higher trading volumes offset by costs associated with our office relocation and as ever higher regulatory costs. The total dividend per ordinary share paid in the period was £66 *(2014: £57)*, comprising the prior year final dividend of £15 per share and an interim dividend of £51 per share. The remaining balance of shareholders funds is £10,797,000 *(2014: £9,629,000)*. A final dividend for the current year of £19 per share has been approved and paid on 22 July 2015.

Principal risks and uncertainties

Political risk

Hopefully the result of the Scottish Referendum in September last year will see a more settled political outlook in Scotland. Such is the passion and emotion surrounding the issue that it is certain to remain on the political agenda and quite possibly to be revisited at some time over the next five years. Although some way off, the EU In-Out Referendum in 2017 is already the focus of considerable political and media debate, if not yet of any real significance to our business in the foreseeable future. We continue to be vigilant as to any possible action which might need to be taken as matters develop.

The board carries out regular reviews of the risk environment. The main areas of risk identified by the board are:

Liquidity risk

This is the risk that the company does not have sufficient financial resources to enable it to meet its obligations as and when they fall due. The company operates with modest fixed cost commitments and aims to carry sufficient cash balances. There is no external debt.

Operational risk

This is the risk of loss arising from inadequate or failed internal processes, people or systems. The board regularly reviews the system of internal controls.

Business risk

This is the risk that the firm may not be able to carry out its business plan and strategy. The board regularly reviews the performance of all areas of the business.

By order of the board

James R McCulloch
Executive Chairman
George House
50 George Square
Glasgow

29 July 2015

Statement of directors' responsibilities in respect of the directors' report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Speirs & Jeffrey Limited

We have audited the financial statements of Speirs & Jeffrey Limited for the period ended 10 May 2015 set out on pages 5 to 13. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Boards Ethical Standards for Auditors.

Scope of the audit if the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 10 May 2015 and of its profit for the period then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

John Waterson

John Waterson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
191 West George Street
Glasgow
G2 2LJ

29 July 2015

Profit and loss account

	Note	**52 weeks to 10 May 2015 £000**	52 weeks to 10 May 2014 £000
Turnover		**21,344**	21,197
Interest received	2	**63**	79
		21,407	21,276
Salaries and employment costs	3	**10,594**	10,452
Other operating expenses	5	**3,280**	3,288
Financial Services Compensation Scheme Levy		**331**	223
		14,205	13,963
Operating profit		**7,202**	7,313
Profit on ordinary activities before taxation		**7,202**	7,313
Tax on profit on ordinary activities	6	**(1,526)**	(1,671)
Profit for the financial period		**5,676**	5,642

A statement of recognised gains and losses is not presented as there are no gains or losses in the period other than the profit for the financial period.

Reconciliation of movement in shareholders' funds

		2015 £000	2014 £000
Profit for the financial period		**5,676**	5,642
Dividends paid	7	**(4,508)**	(3,893)
Balance brought forward		**9,629**	7,880
Balance carried forward		**10,797**	9,629
Shareholders' funds comprise:			
Equity		**10,797**	9,629

The notes on pages 8 to 13 form part of these financial statements.

Balance sheet

	Note	10 May 2015 £000	10 May 2015 £000	10 May 2014 £000	10 May 2014 £000
Fixed assets					
Tangible assets	8		**701**		772
Investment in subsidiaries	9		**-**		-
Investment in shares	10		**81**		81
			782		853
Current assets					
Debtors - market and client balances		**8,540**		15,466	
- deferred taxation	11	**-**		14	
Bank balances and cash	12	**18,110**		16,792	
		26,650		32,272	
Creditors: amounts falling due within one year					
Market and client balances		**9,884**		16,991	
Bank overdraft	12	**566**		117	
Creditors and accruals	13	**6,185**		6,388	
		16,635		23,496	
Net current assets			**10,015**		8,776
Net assets			**10,797**		9,629
Capital and reserves					
Called up share capital	14		**68**		68
Capital redemption reserve	15		**132**		132
Profit and loss account			**10,597**		9,429
Shareholders' funds			**10,797**		9,629

The notes on pages 8 to 13 form part of these financial statements.

These financial statements were approved by the board of directors on 29 July 2015 and were signed on its behalf by:

J.R. McCulloch
Director

R.L. Crichton
Director

Cash flow statement

	52 weeks to 10 May 2015		52 weeks to 10 May 2014	
	£000	£000	£000	£000
Reconciliation of operating profit to cash flow from operating activities				
Operating profit	7,202		7,313	
Interest received	(63)		(79)	
Depreciation	201		237	
(Increase)/Decrease in net market and client balances	(180)		130	
(Decrease) in creditors	(47)		(85)	
Dividend received	(28)		(44)	
		7,085		7,472
Returns on investments and servicing of finance				
Dividend received		28		44
Interest Received		63		79
Taxation		(1,669)		(1,488)
Capital expenditure and financial investment				
Purchase of tangible fixed assets		(130)		(877)
Dividends paid on shares classified in shareholders' funds		(4,508)		(3,893)
Increase in cash in the period		869		1,337
Net cash				
At the start of the period		16,675		15,338
Net inflow		869		1,337
At end of the period		17,544		16,675

The notes on pages 8 to 13 form part of these financial statements.

Notes
(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below.

a) The financial statements have been prepared in accordance with UK GAAP under the historical cost convention and in accordance with Companies Act 2006 and applicable accounting standards.

b) By virtue of the exemption contained in s405 of the Companies Act 2006, the company is not required to present consolidated financial statements on the basis that exclusion of the subsidiary undertakings has no material impact on the financial statements.

c) In assessing whether the Company is a going concern, the Board has reviewed cash flow forecasts for the Company based upon a variety of scenarios for the foreseeable future. In addition, the Board has considered the current cash position and the overall financial position of the Company.

Given the above, the Directors have reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern in preparing these financial statements.

d) Turnover comprises gross commission, ISA management fees and sundry income all of which arises in the UK and is recognised when received.

e) Depreciation is provided by the company to write off the cost of fixed tangible assets over their estimated useful economic lives as follows:

Office equipment	-	25% straight line
Leasehold improvements	-	11% straight line

f) The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Except where otherwise required by accounting standards, full provision for deferred taxation without discounting is made for all timing differences which have arisen but not reversed at the balance sheet date. A deferred taxation asset is recognised when it can be regarded as more likely than not that the asset is recoverable against suitable taxable profits.

g) Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Balances on foreign currency transactions have been translated into pounds sterling at the rate of exchange ruling at the balance sheet date.

h) Unquoted equity shares are carried at the lower of historical cost and realisable value.

i) Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

j) Dividends are only recognised as a liability at that date to the extent that they are declared prior to the year end. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

k) Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

l) The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Notes *(continued)*

2 Interest

	2015 £000	2014 £000
Bank interest received	**63**	79

3 Salaries and employment costs

	2015 £000	2014 £000
Salaries and commission	**8,935**	8,583
Social security costs	**1,089**	1,129
Pension costs	**570**	740
	10,594	10,452
Average number employed (including directors)	**131**	129

Remuneration of directors

	2015 £000	2014 £000
Directors' emoluments	**2,840**	2,504
Company contributions to money purchase pension schemes	**100**	280
	2,940	2,784

The emoluments of the highest paid director were £454,000 *(2014: £441,000)*. No contributions were made to the money purchase pension schemes by the company on his behalf *(2014: nil)*. Retirement benefits are accruing at the balance sheet date to three directors *(2014: seven)* in respect of money purchase pension schemes.

4 Pension scheme

Defined contribution pension scheme

The Company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the Company to the scheme and amounted to £112,000 *(2014: £103,000)*. There were no outstanding or prepaid contributions at the end of the financial year.

Notes *(continued)*

5 Other operating expenses

Other operating expenses include:

		2015 £000	2014 £000
Auditor's remuneration	- statutory audit of the company	**15**	15
	- audit of company's subsidiaries	**2**	2
	- other services pursuant to legislation	**20**	18
	- other services	**7**	7
	- tax services	**4**	4
Depreciation		**201**	237
Operating leases		**237**	290

6 Taxation

a) *Analysis of charge in period:*

	2015 £000	2014 £000
Current tax		
UK corporation tax on profits of the period	**1,510**	1,608
Deferred tax		
Timing differences	**16**	63
Taxation on profit on ordinary activities	**1,526**	1,671

b) *Factors affecting tax charge for the period:*

	2015 £000	2014 £000
Profit on ordinary activities before taxation	**7,202**	7,313
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of *20.89% (2014: 22.78%)*	**1,505**	1,667
Capital allowances in excess of depreciation and other timing differences	**5**	(59)
	1,510	1,608

7 Dividends

	2015 £000	2014 £000
Equity - ordinary shares	**4,508**	3,893

The aggregate amount of dividends proposed and not recognised as liabilities as at the year end is £1,298,000 *(2014: 1,025,000).*

Notes *(continued)*

8 Fixed tangible assets

	Fittings And Equipment £000
Cost	
At 10 May 2014	2,160
Additions	130
At 10 May 2015	**2,290**
Depreciation	
At 10 May 2014	1,388
Charge for period	201
At 10 May 2015	**1,589**
Net book value	
At 10 May 2015	**701**
At 10 May 2014	772

9 Investment in subsidiaries

Details of the subsidiaries are as follows:

Speirs & Jeffrey Fund Management Limited - nominee company.
Speirs & Jeffrey Portfolio Management Limited - nominee company.
Speirs & Jeffrey Client Nominees Limited - nominee company.

All companies are wholly owned subsidiaries registered in Scotland.

10 Investment in shares

	2015 £000	2014 £000
Non-quoted investments	**81**	81

Notes *(continued)*

11 Deferred taxation

	Depreciation in excess/(deficit)of capital allowances £000	Other timing Differences £000	Total £000
At 10 May 2014	(11)	25	14
Movement in financial period:			
- current period	(32)	16	(16)
- change in tax rate	-	(1)	(1)
At 10 May 2015	**(43)**	**40**	**(3)**

A deferred tax liability has been recognised at 20% *(2014: 21%)* representing the rate at which they are expected to reverse.

12 Bank balances and cash

Included within bank balances and cash are client money settlement accounts of £1,809,000 *(2014: £2,242,000).*

The overdraft balance of £566,000 *(2014: £117,000)* relates wholly to client money settlement accounts.

13 Creditors and accruals: amounts falling due within one year

	2015 £000	2014 £000
Trade creditors	**105**	93
Accruals	**4,706**	4,747
Other tax and social security	**791**	809
Deferred tax	**3**	-
UK corporation tax	**580**	739
	6,185	6,388

14 Called up share capital

	2015 £000	2014 £000
Allotted, called up and fully paid		
Equity:		
68,300 *(2013: 68,300)* ordinary shares of £1 each	**68**	68

Notes *(continued)*

15 Capital redemption reserve

	2015 £000	2014 £000
Capital redemption reserve	**132**	132

16 Commitments

a) Capital commitments at the end of the financial year for which no provision has been made, are as follows:

	2015 £000	2014 £000
Contracted	-	-

b) Annual commitments under non-cancellable operating leases are as follows:

	2015 Land and buildings £000	Other £000	2014 Land and buildings £000	Other £000
Operating leases which expire:				
Within one year	-	-	-	-
In the second to fifth years inclusive	-	-	-	-
Over five years	**237**	-	237	-
	237	-	237	-