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Stirling Industries PLC
03 September 2019

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Stirling Industries plc

("Stirling" or the "Company")

Results for the period 13 February 2018 to 31 March 2019

Notice of Annual General Meeting ("AGM")

Stirling Industries plc, (AIM: STRL.L), the specialist industrial investment business, today announces its results for the period from 13 February 2018 to 31 March 2019, together with details of its forthcoming Annual General Meeting.

Highlights

- Successful listing on the AIM market of the London Stock Exchange, raising £8.9 million and creating a platform to 'Acquire, Develop and Sell' industrial businesses offering attractive upside potential
- Extensive review of potential acquisition targets undertaken during the period, focused on industrial businesses where Stirling can create significant shareholder value through implementation of strategic, operational and performance enhancements
- As announced separately, the Company is at an advanced stage of negotiations on its first acquisition and Stirling is now seeking the necessary equity funding to enable it to execute definitive legal documentation with respect to the transaction. This proposed transaction is subject to approval by shareholders at a General Meeting, amongst other conditions
- The management team continues to identify further acquisition opportunities which meet the Company's strict investment criteria

Robin Williams, Chairman of Stirling Industries, said:

"During the period, we have reviewed a significant number of acquisition opportunities operating across the UK, European and US markets, in all cases focusing on industrial businesses with strong fundamentals that are not fulfilling their true potential."

"The marketplace for the kind of assets we are targeting remains competitive with a limited number of high-quality opportunities available. The business for which we are in advanced negotiations is an excellent example and we are excited by the opportunities which lie ahead both for this potential investment and for the Stirling vehicle."

"Whilst no one in the industrials sector can escape the volatile geopolitical and macroeconomic environment in which businesses are operating, we remain confident in the ability of well-run businesses with the right, targeted strategy, to continue growing and creating shareholder value."

Results for period 13 February 2018 to 31 March 2019

The consolidated report and audited financial statements of the Stirling Industries plc group for the period from incorporation on 13 February 2018 to 31 March 2019 are set out below.

Notice of Annual General Meeting

Notice of the Annual General Meeting of the Company is being posted to shareholders today. The Annual General Meeting is to be held on 30 September 2019 at 12:30 pm in the offices of Ashurst LLP, (London Fruit & Wool Exchange, 1 Duval Square, London E1 6PW).

Other

This announcement contains inside information for the purposes of the Market Abuse Regulation (EU) NO. 596/2014. Upon the publication of this announcement, this inside information is now considered to be in the public domain. The person responsible for arranging for the release of this announcement on behalf of Stirling is Simon Thomas, Chief Operating Officer and Company Secretary of Stirling.

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About Stirling

Stirling has been established to offer a differentiated management and ownership approach for industrial businesses where the strategic and operational expertise of its team combines with that of the portfolio company's management to drive and enable improvements that create long-term shareholder value.

The Company focuses on acquiring businesses with strong fundamentals and enterprise values between £100 million and £750 million. Transactions will be financed through a combination of new equity and prudent leverage, with the Company's target debt to be no more than 2.5x the Company's EBITDA.

Stirling's approach begins with the belief that many companies have the potential to achieve material operational enhancement and margin improvement. Stirling's value add is to ensure operating assets have the right strategy, the right focused leadership, empowered and incentivised management teams and the appropriate capital investment to support growth.

The Company's leadership team has significant experience of identifying the key value drivers of a given business, implementing change strategies across a diverse range of industries and delivering significant operational value creation.

The following contains the text of the consolidated report and audited financial statements of the Stirling Industries plc group for the period from incorporation on 13 February 2018 to 31 March 2019.

Strategic report

The Directors are pleased to present to the shareholders the consolidated report and audited financial statements of the Group for the period from incorporation on 13 February 2018 to 31 March 2019.

Acquisition strategy
Stirling was established to acquire controlling stakes in quoted or unquoted industrial businesses or companies, which the Directors believe have the potential for strategic, operational and / or performance improvement, in accordance with Stirling's

investment policy.

Having acquired an asset, Stirling's team will work with the business' management to implement Stirling's development programme, focusing the business on the right strategies to deliver a step change in value, with a commitment to take the necessary actions to achieve its aims. Stirling believes in empowering and incentivising management teams to realise their and the business' full potential and aims to invest in the sustainable profitable growth of its operating assets, creating value for shareholders.

During the period since our inception the Stirling management team has been focused and engaged in the review of a number of assets with good market fundamentals that meet our investment criteria. Following a disciplined process, Stirling is at an advanced stage of negotiation regarding the potential acquisition of its first operating asset. Stirling is now seeking the necessary equity funding to enable it to execute definitive legal documentation with respect to the proposed transaction. Once executed, completion of the proposed transaction will be conditional on shareholder approval at a General Meeting. Stirling expects to be able to update the market in the days leading up to its AGM to be held on 30th September 2019.

The Directors believe the proposed acquisition fits well with the Group's investment policy and presents an excellent opportunity for the Group and its shareholders.

In accordance with the AIM Rules for Companies, if the Company has not made an acquisition or has not substantially implemented its investment policy within 18 months of admission to AIM, which occurred on 6 March 2018, the Company is required to seek shareholder approval for its investment policy at the next annual general meeting of the Company and at each subsequent annual general meeting until such time as there has been an acquisition or the investment policy has been substantially implemented (such a resolution being referred to in these financial statements as a "Continuation Vote").

The dependency on shareholder approval for the first acquisition, and otherwise for the continuation of the Company itself, constitutes a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern and therefore to continue realising its assets and discharging its liabilities in the normal course of business.

Investment policy

The Company looks to achieve its investment strategy by taking an active approach to investments made within the following parameters:

- Geographic focus: Initially the Company's principal focus is investing in businesses based in or operating principally in the United Kingdom, Europe or North America. The Company may in the future consider investing globally, including in emerging markets.
- Sector focus: The Company is focused on the industrials sector.
- Target companies: The Company targets companies with good market fundamentals in their specific segment which fit into the stated geographic and asset criteria guidelines and where the Directors believe there is the potential for material strategic, operational and / or performance improvement.
- Types of investment and control of investments: It is anticipated that the Company will acquire and control one or more businesses or companies on a long term basis. The Board may issue New Ordinary Shares as acquisition consideration to vendors of assets, as appropriate, and the Board would expect such New Ordinary Shares to represent a non-controlling or minority shareholding in Stirling at that point in time.
- Investment size: Initial funds raised pursuant to the Placing in 2018 are being and will be used for the purposes of funding operational expenses and to undertake due diligence on potential target acquisitions. It is envisaged that the Company's first acquisition will be in the region of an enterprise value of circa £100 million to £750 million and that Stirling will have full ownership or a controlling stake in a business.
- Nature of returns: It is anticipated that returns to shareholders will be delivered through a combination of an appreciation in the Company's share price; if appropriate, regular annual dividends paid out of retained earnings (following completion of an acquisition); and return of cash to shareholders following any disposal of assets or businesses.

Results

The Group's loss after taxation for the period from incorporation to 31 March 2019 was £4,330,741. In the period to 31 March 2019, the Group recorded no revenue and incurred £4,347,265 of administrative and operating expenses, of which £2,927,323 related to costs involved in the pursuit of investment opportunities. At the period end Stirling held a cash balance of £4,003,555.

Dividends

It is the Board's policy that, prior to making the first acquisition, no dividends will be paid. Following the first acquisition, subject to the availability of distributable reserves, dividends will be paid to shareholders when the Directors believe it is appropriate and prudent to do so. However, the main focus of the Group will be on delivering capital growth for shareholders.

Outlook

Subject to successfully financing and receiving shareholder approval for the first acquisition, the Directors will focus on a range of key development initiatives to leverage the combination of the target's potential and the strength and experience of the Stirling leadership team to deliver material value creation for shareholders.

These initiatives will be a combination of growth and margin improvement initiatives. In parallel, the Board will continue to focus on seeking additional opportunities for generating shareholder returns in the medium and long-term beyond the first acquisition.

Blair Illingworth
Chief Executive
2 September 2019

Principal risks and uncertainties facing the business

1. Risks relating to the company's future business and potential structure

The Company is a holding company with no trading history
The Company has not, since incorporation, carried on any trading activities. Accordingly, as at the date of this document, the Company has no meaningful operational or financial data upon which prospective investors may base an evaluation of the Company, its strategy or its prospect. The value of any investment in the Company is, therefore, wholly dependent upon the successful implementation of the investment policy described in the Strategic Report. As such, the Company is subject to all of the risks and uncertainties associated with any newly established business enterprise including the risk that the Company will not achieve its investment objectives and that the value of an investment in the Company could decline and may result in the loss of capital invested. The past performance of companies, assets or funds managed by the Directors, or persons affiliated with them, in other ventures in a similar sector or otherwise, is not necessarily a guide to the future business, results of operations, financial condition or prospects of the Company. Investors will be relying on the ability of the Company and the Directors to identify potential acquisition targets, evaluate their merits, conduct diligence and negotiations.

The Company may be unable to identify appropriate or complete acquisitions
Although the Company has identified and is in advanced stages of negotiation for a potential acquisition, the acquisition, if legal documentation is executed, will be subject to shareholder approval. There can be no assurance that the Company will be able to conclude agreements with any target business and/or shareholders in the future and failure to do so could result in the loss of an investor's investment. In addition, the Company may not be able to raise the additional funds required to acquire any target business.

In accordance with the AIM Rules for Companies, if the Company has not made an acquisition or has not substantially implemented its investment policy within 18 months of admission to AIM, which occurred on 6 March 2018, the Company is required to put a Continuation Vote to its shareholders.

Given that the acquisition, if it proceeds, will not have completed before 6 September 2019, the Company will not have made an acquisition within 18 months after admission of its shares to AIM and the Company is therefore required to put a Continuation Vote to its shareholders at the Annual General Meeting. If, by that date, the definitive legal documentation has not yet been signed, either (i) if the Continuation Vote is passed, the Directors will formulate a proposal for investors to subscribe for new equity to allow the Company to continue in fulfilment of its objectives for at least the next 12 months from the date of approval of these financial statements or (ii) if the Continuation Vote is not passed, the Directors will formulate a proposal for shareholders to vote for either an amendment to the investment policy or a proposal to return funds to shareholders.

In the event of a decision to return funds to shareholders, there can be no assurance as to the particular amount or value of the remaining assets at such future time of any such distribution either as a result of costs from an unsuccessful acquisition or from other factors, including disputes or legal claims which the Company is required to pay out, the cost of the liquidation event and dissolution process, applicable tax liabilities or amounts due to third party creditors. Upon distribution of assets on a liquidation event, such costs and expenses will result in investors receiving less than the initial subscription price and investors who acquired Ordinary Shares after Admission potentially receiving less than they invested.

The Company may face significant competition for acquisition opportunities
There may be significant competition in some or all of the acquisition opportunities that the Company may explore. Such competition may for example come from strategic buyers, sovereign wealth funds, special purpose acquisition companies and public and private investment funds, many of which are well established and have extensive experience in identifying and completing acquisitions. A number of these competitors may possess greater technical, financial, human and other resources than the Company. The Company cannot assure investors that it will be successful against such competition. Such competition may cause the Company to be unsuccessful in executing an acquisition or may result in a successful acquisition being made at a significantly higher price than would otherwise have been the case which could materially adversely impact the business, financial condition, result of operations and prospects of the Company.

Material facts or circumstances may not be revealed in the Company's due diligence of prospective investments, exposing the Company to unknown risks
Prior to making or proposing any investment, the Company intends to undertake due diligence on potential acquisition targets to a level considered reasonable and appropriate by the Company on a case by case basis. However, these efforts may not reveal all facts or circumstances that would have a material adverse effect upon the value of the investment. In undertaking due diligence, the Company will need to utilise its own resources and may elect to rely upon third parties to conduct certain

aspects of the due diligence process. Further, the Company may not have the ability to review all documents relating to the target company and assets. Any due diligence process involves subjective analysis and there can be no assurance that due diligence will reveal all material issues related to a potential investment. Any failure to reveal all material facts or circumstances relating to a potential investment may have a material adverse effect on the business, financial condition, results of operations and prospects of the Company.

Assumptions made about the future performance of the Company may fall below expectations
The Board may decide to make certain investments on the basis of assumptions it believes to be correct on the company's ability to improve future performance of the acquired company. Certain assumptions made in relation to the revenue potential or the costs may turn out to be incorrect, resulting in performance and shareholder returns falling short of expectations.

The Company may require additional funding which may result in the dilution of Shareholders' interests
The proceeds obtained from any future equity raise will be insufficient to fund in full suitable acquisitions and/or investments identified by the Board. Accordingly, the Company intends to seek additional sources of financing (equity and/or debt) to implement its strategy. There can be no assurance that the Company will be able to raise those funds, whether on acceptable terms or at all.

The Company may seek debt financing to fund part of any future acquisition. The incurrence by the Company of substantial indebtedness in connection with an acquisition could result in:
a) default and foreclosure on the Company's assets, if its cash flow from operations were insufficient to pay its debt obligations as they become due; or
b) an inability to obtain additional financing, if any indebtedness incurred contains covenants restricting its ability to incur additional indebtedness.

An inability to obtain debt financing may have a material adverse effect on the business, financial condition, results of operations and prospects of the Company. If such financing is obtained the Company's ability to raise further finance and its ability to operate its business may be subject to restrictions.

The occurrence of any or a combination of these, or other, factors could decrease shareholders' proportional ownership interests in the Company or have a material adverse effect on its financial condition and results of operations.

The companies or businesses in which the Company invests may also have borrowings. Although such facilities may increase investment returns, they also create greater potential for loss. This includes the risk that the borrower will be unable to service the interest repayments, or comply with other requirements, rendering the debt repayable, and the risk that available capital will be insufficient to meet required repayments. There is also the risk that existing borrowings will not be able to be refinanced or that the terms of such refinancing will not be as favourable as the terms of existing borrowings. A number of factors (including changes in interest rates, conditions in the banking market and general economic conditions), all of which are beyond the Company's control, may make it difficult for the Company to obtain new financing on attractive terms or at all, which could have a material adverse effect on the business, financial condition, results of operations and prospects of the Company.

The Company may become exposed to risks relating to future gearing
Whilst the Directors are committed to maintaining a prudent and conservative capital structure for the Group, the Company, either directly or through subsidiaries, may be geared through borrowings, which would typically be secured on its investments. If the costs of the Group's borrowings exceed the return on the Group's assets, the borrowings may have a negative effect on the Group's performance. If the Group cannot generate adequate cash flows to meet any debt service obligations, it may suffer a partial or total loss of its capital. In the event that the Group enters into a bank facility agreement with one or more banks, such agreement(s) may contain financial covenants. The agreement(s) may require that in the event that any such financial covenant is breached or if any other covenant is breached the Group may be required to repay the borrowings in whole or in part. In such circumstances, the Group may be required to sell, in a limited time, some or all of its assets, potentially in circumstances where there has been a downturn in values in the sector generally, such that the realisation proceeds do not reflect the Group's valuation of the assets.

The Company may be unable to successfully implement its investment policy
The Company's level of profit will be reliant upon the performance of the assets acquired and the investment policy. The success of the investment policy depends on the Directors' ability to identify investments in accordance with the Company's investment objectives and to interpret market data correctly. No assurance can be given that the strategy to be used will be successful under all or any market conditions or that the Company will be able to generate positive returns for shareholders. If the investment policy is not successfully implemented, this could adversely impact the business, development, financial condition, results of operations and prospects of the Company.

Changes in the investment policy may occur
The Company's investment policy may be modified and altered from time with any material change being made with the approval of shareholders, so it is possible that the approaches adopted to achieve the Company's investment objectives in the future may be different from those the Directors currently expect to use. Any such change could adversely impact the business, development, financial condition, results of operations and prospects of the Company.

The Company may be unable to refocus and improve the operating and financial performance of an acquired

business

The success of the Company's acquisitions may depend in part on the Company's ability to implement the necessary technological, strategic, operational and financial change programmes in order to transform the acquired business and improve its financial performance. Implementing change programmes within an acquired business may require significant modifications, including changes to hardware and other business assets, operating and financial processes and technology, software, business systems, management techniques and personnel, including senior management. There is no certainty that the Company will be able to successfully implement such change programmes within a reasonable timescale and cost, and any inability to do so could have a material adverse impact on the Company's performance and prospects.

The Company will be highly dependent on the expertise of the Directors

The Company will be highly dependent on the expertise and continued service of the Directors and other senior employees. The experience and commercial relationships of Blair Illingworth, Joanne Curin and Simon Thomas in particular are expected to provide the Company with a competitive edge. However, any one of the Directors could give notice to terminate their employment agreements at any time and their loss may have an adverse effect on the Company's business.

In addition, there is a risk that the Company will not be able to recruit executives of sufficient expertise or experience to maximise any opportunities that present themselves, or that recruiting and retaining those executives is more costly or takes longer than expected. The failure to attract and retain those individuals may adversely affect the Company's operations.

The Company could incur costs for transactions that may ultimately be unsuccessful

There is a risk that the Company may incur further substantial legal, financial and advisory expenses arising from unsuccessful transactions which may include public offer and transaction documentation, legal, accounting and other due diligence which could have a material adverse effect on the business, financial condition, results of operations and prospects of the Company.

Once an acquisition is completed, the Company will be a holding company whose principal source of operating cash will be income received from the business it has acquired

Once an acquisition is completed, the Company may be dependent on the income generated by the acquired business to meet the Company's expenses, operating cash requirements and any debt costs. The amount of distributions and dividends, if any, which may be paid from any operating subsidiary to the Company will depend on many factors, including such subsidiary's results of operations and financial condition, limits on dividends under applicable law, its constitutional documents, documents governing any indebtedness of the Company, and other factors which may be outside the control of the Company. If the acquired business is unable to generate sufficient cash flow, the Company may be unable to pay its expenses or make distributions and pay dividends on the Ordinary Shares.

Shareholders' interests will be diluted as a result of the conversion of Incentive Shares issued under the LTIP

If the performance criteria set out in the Company's articles of association relating to the Incentive Shares that are issued pursuant to awards granted under the LTIP are met, and the Board elects not to pay a dividend on the Incentive Shares (in whole or in part) but instead determines that the Incentive Shares should convert into Ordinary Shares in accordance with the rights set out in the articles of association, the existing Shareholders' interests in the Company will be diluted. A summary of the LTIP and the rights attaching to the Incentive Shares, as well as a summary of the performance criteria attaching to such shares, as outlined in note 4 of these financial statements.

The Company may be exposed to interest rate risk

Changes in interest rates can affect the Group's profitability by affecting the spread between, among other things, the income on its assets and the expense of any interest-bearing liabilities it has, the value of any interest earning assets and its ability to make an acquisition. In the event of a rising interest rate environment and/or economic downturn, loan defaults may increase and result in credit losses that may be expected to affect the Group's operating results adversely. Interest rates are highly sensitive to many factors, including governmental, monetary and tax policies, domestic and international economic and political considerations, fiscal deficits, trade surpluses or deficits, regulatory requirements and other factors beyond the control of the Group.

The Group may finance its activities with both fixed and floating rate debt. With respect to any floating rate debt, the Group's performance may be affected adversely if it fails to limit the effects of changes in interest rates on its operations by employing an effective hedging strategy, including engaging in interest rate swaps, caps, floors or other interest rate contracts, or buying and selling interest rate futures or options on such futures. There can, however, be no assurance that such arrangements will be entered into or be available at all times when the Group wishes to use them or that they will be sufficient to cover the risk. The Group may be exposed to the credit risk of any relevant counterparty with respect to relevant payments under derivative instruments it enters into pursuant to any hedging strategy and any of those factors may affect the Group's operating results adversely.

The Company may make disposals at a loss

Although the Company intends to hold any acquired companies or businesses, together being a single target business, on a long term basis, the Company may make investments that it cannot realise through trade sale or flotation at an acceptable price. Some investments may be lost through insolvency. Any of these circumstances could have a negative impact on the profitability and value of the Company.

The Company may be exposed to foreign investment and exchange risks

The Company's functional and presentational currency is pounds sterling. As a result, the Company's consolidated financial statements will carry the Company's assets in pounds sterling. Any business the Company acquires may denominate its financial information, conduct operations or make sales in currencies other than pounds sterling. When consolidating a business that has functional currencies other than pounds sterling, the Company will be required to translate, inter alia, the balance sheet and operational results of such business into pounds sterling. As a result, changes in exchange rates between pounds sterling and other currencies could lead to significant changes in the Company's reported financial results from period to period. Among the factors that may affect currency values are trade balances, levels of short-term interest rates, differences in relative values of similar assets in different currencies, long-term opportunities for investment and capital appreciation and political or regulatory developments. Although the Company may seek to manage its foreign exchange exposure, including by active use of hedging and derivative instruments, there is no assurance that such arrangements will be entered into or available at reasonable cost at all times when the Company wishes to use them or that they will be sufficient to cover the risk and this may have a negative impact on the profitability and value of the Company. Alternatively, the Company may consider changing its reporting currency in the future to a currency other than pounds sterling if the first acquisition or any bolt-on acquisition makes it practical to do so.

The Company will be subject to restrictions in offering its Ordinary Shares as consideration for an acquisition in certain jurisdictions and may have to provide alternative consideration, which may have an adverse effect on its operations

The Company may offer its Ordinary Shares or other securities as part of the consideration to fund, or in connection with, an acquisition. However, certain jurisdictions may restrict the Company's use of its Ordinary Shares or other securities for this purpose, which could result in the Company needing to use alternative sources of consideration. Such restrictions may limit the Company's available acquisition opportunities or make certain acquisitions more costly which may have an adverse effect on its operations.

The Company may be unable to transfer to another venue following the first acquisition

Following completion of the first acquisition, the Directors may seek to transfer from the Company's admission on AIM to a Standard Listing or a Premium Listing on the Official List of the Financial Conduct Authority or to a listing on another listing venue, based on the track record of the company or business it acquires, subject to fulfilling the relevant eligibility criteria at the time. There can be no guarantee that the Company will meet such eligibility criteria or that a transfer to a Standard Listing or a Premium Listing or a listing on another listing venue will be achieved. For example, such eligibility criteria may not be met, due to the circumstances and internal control systems of the acquired business or if the Company acquires less than a controlling interest in the target. In addition there may be a delay, which could be significant, between the completion of the first acquisition and the date upon which the Company is able to seek or achieve a Standard Listing, a Premium Listing or a listing on another listing venue.

If the Company does not seek or achieve a transfer to Standard Listing, a Premium Listing or a listing on another listing venue, the Company will need to meet the eligibility criteria for re-admission to AIM following the first acquisition. A change of or failure to change listing venue may have an adverse effect on the valuation of the Ordinary Shares. Alternatively, in addition to, or in lieu of seeking a Standard Listing or Premium Listing, the Company may determine to seek a listing on another stock exchange, which may not have standards of corporate governance comparable to those required by AIM, or a Standard or Premium Listing, or which Shareholders may otherwise consider to be less attractive or convenient.

Completion of the Company's first acquisition is expected to require compliance with the AIM Rules for reverse takeovers

As the Company is an investing company, it is likely that the Company's financial resources will be invested in just one or a small number of projects or investments. Either route may trigger a Reverse Takeover under the AIM Rules for Companies which will be subject to prior Shareholder approval and re-admission to AIM or another listing venue for the enlarged entity.

Shareholders should note that where a transaction is considered to be a Reverse Takeover for the purposes of the AIM Rules for Companies and the Shareholders approve any such transaction, trading on AIM in the Ordinary Shares will be cancelled and re-admission to AIM or another listing venue will be required to be sought in the same manner as any other applicant applying for admission of its securities for the first time. Trading in the Ordinary Shares will normally be suspended following the announcement of any such transaction until the Company has published a re-admission document in respect of the Company. The Company's shares have been suspended following the making of the announcement earlier today that the Company is in advanced discussions regarding a potential acquisition.

Lock-in arrangements

Blair Illingworth, Joanne Curin, Simon Thomas, Robin Williams and Christopher Dowling have each agreed, conditional on Admission; (i) not to dispose of any interest in Ordinary Shares until 12 March 2019; and (ii) for a period of six months following such date, except in certain limited circumstances, not to dispose of any interest in Ordinary Shares without the written consent of the Company or Numis. Although there is no present intention or arrangement to do so, any of such persons may, unless further lock-in arrangements are entered into in connection with an acquisition that constitutes a reverse takeover for the purposes of the AIM Rules for Companies, following the expiry of this aggregate 18-month lock-in period, sell their Ordinary Shares without restriction. The market price of Ordinary Shares could decline significantly as a result of any sales of Ordinary Shares by any of such persons following expiry of the lock-in period (or otherwise).

2. Risks relating to legislation and regulations

Legislative and regulatory risks

Any investment is subject to changes in regulation and legislation. As the direction and impact of changes in regulations can be unpredictable, there is a risk that regulatory developments will not bring about positive changes and opportunities, or that the costs associated with those changes and opportunities will be significant. In particular, there is a risk that regulatory change will bring about a significant downturn in the prospects of one or more acquired businesses, rather than presenting a positive opportunity.

Taxation

There can be no certainty that the current taxation regime in England and Wales or overseas jurisdictions in which the Company may operate in the future will remain in force or that the current levels of corporation taxation will remain unchanged. Any change in the tax status of the Company or to applicable tax legislation may have a material adverse effect on the financial position of the Company.

Suitability for investment

As an investment vehicle incorporated in England and Wales, the Company may only be marketed to, and is only suitable as an investment for, sophisticated investors with an understanding of the risks inherent in investment and an ability to accept the potential total loss of all capital invested in the Company.

3. General risks

The United Kingdom's exit from the European Union could affect the Company

On 29 March 2017, the United Kingdom formally notified the European Council of its intention to exit the European Union pursuant to Article 50 of the Treaty of Lisbon ("Brexit"). On 10 April 2019, the EU and the UK agreed to delay Brexit to 31 October 2019.

Brexit could have significant effect on the Group, particularly to the extent it seeks to acquire businesses with a significant presence in the European Union. Until the UK officially exits the European Union, European Union laws and regulations will continue to apply, and changes to the application of these laws and regulations are unlikely to occur during negotiations. The continued delay in agreeing the nature and timing of Brexit and the associated uncertainty and unpredictability concerning the UK's legal, political and economic relationship with Europe after the UK exits the European Union may continue to be a source of instability in the international markets, create significant currency fluctuations, and/or otherwise adversely affect trading agreements or similar cross-border cooperation arrangements (whether economic, tax, fiscal, legal, regulatory or otherwise) for the foreseeable future, including beyond the date of the UK's withdrawal from the European Union. The extent of the effect of such uncertainties and unpredictability would depend in part on the nature of the arrangements that are put in place between the United Kingdom and the European Union following Brexit and the extent to which the United Kingdom continues to apply laws that are based on European Union legislation. As such, it is not possible to state the effect that Brexit would have on the Group. It could also potentially make it more difficult for the Group, to operate a business in the EU as a result of any increase in tariffs and/or more burdensome regulations being imposed on UK companies and/or foreign exchange controls imposed on the transfer of funds from the European Union to the UK. While an orderly exit would allow the Group to more effectively address the potential consequences of any changes, discussions regarding a withdrawal agreement between the UK and the EU are ongoing. If agreement is not reached by 31 October 2019 and the UK and the EU decide not to extend the date for Brexit, the Group may become immediately impacted by the foregoing effects.

Any of the foregoing could restrict the Company's ability to pay dividends and may have a material adverse effect on the Group's future prospects and financial condition.

The general economic climate may be adverse for the Company

The Company may acquire or make investments in companies and businesses that are susceptible to economic recessions or downturns. During periods of adverse economic conditions, the markets in which the Company operates may decline, thereby potentially decreasing revenues and causing financial losses, difficulties in obtaining access to, and fulfilling commitments in respect of, financing, and increased funding costs. In addition, during periods of adverse economic conditions, the Company may have difficulty accessing financial markets, which could make it more difficult or impossible for the Company to obtain funding for additional investments and negatively affect the Company's net asset value and operating results. Accordingly, adverse economic conditions could adversely impact the business, development, financial condition, results of operations and prospects of the Company.

There is also a risk that new economic, legal, social and tax policies may be introduced in certain countries under new national and regional administrations, including the United States, which could potentially have an adverse impact on the trading conditions for the Company.

Approved by the Board on 2 September 2019.

Report of the Directors

for the Period 13 February 2018 to 31 March 2019

The Directors present their report with the financial statements of the Company and its subsidiary (the "Group") for the period from 13 February 2018 to 31 March 2019.

Incorporation
The Company was incorporated on 13 February 2018.

Directors
The Directors who have held office during the period from 13 February 2018 to the date of this report are as follows:

Ms J E Curin - appointed 13 February 2018
Mr C B Dowling - appointed 22 February 2018
Mr S F Thomas - appointed 13 February 2018
Mr R G W Williams - appointed 22 February 2018
Mr R B Illingworth - appointed 13 February 2018

All the Directors who are eligible offer themselves for election at the forthcoming first Annual General Meeting.

Status and activities
The Group was established to acquire controlling stakes in quoted or unquoted businesses or companies, identifying industrial businesses where it can implement strategic, operational and / or performance improvements to unlock their future potential. During the year to 31 March 2019, the Directors have identified and are at an advanced stage of negotiations for a proposed first acquisition. That proposed acquisition would be subject to approval by the shareholders of the Group.

Results and dividends
For the period to 31 March 2019, the Group's loss was £4,330,741, of which £2,927,323 relates to transaction costs in respect of potential opportunities.

It is the Board's policy that, prior to making the first acquisition, no dividends will be paid. Following the first acquisition, subject to the availability of distributable reserves, dividends will be paid to shareholders when the Directors believe it is appropriate and prudent to do so. Accumulated losses for the period of £4,330,741 have been transferred to reserves.

Future developments
The Directors continue to identify further acquisition opportunities which meet the requirements of the Group investment policy.

Share capital
Details of shares issued by the Company during the period are set out in Note 16 to the financial statements.

Conflicts of interest
Under the articles of association of the Company and in accordance with the provisions of the Companies Act 2006, a Director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the Company's interests. However, the Directors may authorise conflicts and potential conflicts, as they deem appropriate. As a safeguard, only Directors who have no interest in the matter being considered will be able to take the relevant decision, and the Directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate. During the financial period from 13 February 2018 to 31 March 2019, the directors have authorised no such conflicts or potential conflicts.

Directors' interests in shares
Directors' interests in the shares of the Company, including family interests, were as follows:

	Incentive shares	**Ordinary shares**
Blair Illingworth	4,000	250,001
Simon Thomas	2,000	100,000
Joanne Curin	2,000	96,000
Christopher Dowling	400	100,000
Robin Williams	800	50,000

Directors' remuneration
Details for remuneration for each Director are provided in Note 4 to the financial statements.

Substantial shareholdings

Shareholder	**Shareholding, (%)**
Union Bancaire Privee, UBP SA	11.20
City Financial	11.20
Ruffer	8.96
Killik, stockbrokers	8.92
Investec Asset Management	8.40
AXA Framlington Investment Managers	8.40

Directors	6.67
Investec Wealth & Investment	6.10
SW Mitchell Capital	5.60
Fund Partners	3.36

Independent auditors

The Directors have reason to believe that KPMG LLP conducted an effective audit. The Directors have provided the auditors with full access to all of the books and records of the Company. KPMG has expressed its willingness to continue to act as auditors to the Company and a resolution for its re-appointment will be proposed at the forthcoming Annual General Meeting.

Corporate governance

The Directors recognise the importance of sound corporate governance commensurate with the size of the Company and the interests of the Shareholders. As a company traded on AIM, the Company has adopted the Quoted Companies Alliance (QCA) Corporate Governance Code, as amended from time to time, and will seek to comply with premium listed company norms to the extent appropriate for the size and nature of the Company. The QCA Code identifies ten corporate governance principles that AIM companies should follow. Details of how the Company follows these ten principles are set out below.

Principle 1 - Establish a strategy and business model which promote long-term value for the shareholders

The Company's strategy and business model are developed by the Chief Executive and his team and approved by the Board. The management team, led by the Chief Executive, is responsible for implementing the strategy and managing the business of the Company.

The Company's investment strategy is to acquire companies or businesses which the Directors believe have the potential for strategic, operational, and performance improvement so as to create shareholder value. The Directors intend to follow an "acquire, develop, sell" strategy raising equity and debt finance to fund the acquisitions of given companies or businesses, developing the acquired business(es) through proactive strategic and operational management, (including capital investment and/or bolt-on acquisitions) and after period of time exiting the business(es), (either as whole or their constituent parts) and returning the proceeds from the disposal(s) to Shareholders. The Directors believe that in the current environment the Company will be able to identify appropriate acquisition opportunities.

Principle 2 - Seek to understand and meet shareholder needs and expectations

The Company seeks to maintain a dialogue with its shareholders in order to communicate the Company's strategy and results and to understand the needs and expectations of its shareholder base.

The Board is aware of the need to protect the interests of its shareholders.

Beyond the Annual General Meeting, the Chief Executive and the CFO are available to all significant shareholders after the release of the half year and full year results. The Chairman is available to major shareholders as they wish and to all shareholders within the bounds of reasonableness as to time commitment and the permitted extent of disclosure for an AIM quoted plc.

Principle 3 - Take into account wider stakeholder and social responsibilities and their implications for long-term success

The Company is aware of its corporate responsibilities to its stakeholders, including staff, suppliers, customers and the wider society. The Company intends to take into account feedback received from stakeholders, following the making of its first acquisition, by making amendments to its business plans and operations as appropriate.

The environmental impact of the Company's activities will be carefully considered and the maintenance of high environmental standards will be a key priority.

As an AIM listed company with a relatively small head office function, the Company is also reliant on its legal and professional advisors for updates to requirements of social responsibility legislation, such as the Social Media Policy recommended to be in place at all AIM listed companies.

Principle 4 - Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Board has overall responsibility for the systems of risk management and internal control and for reviewing their effectiveness. The internal controls are designed to manage rather than eliminate risk and provide reasonable but not absolute assurance against material misstatement or loss.

The Board has established Audit and Remuneration Committees, a summary of each of which is set out below.

The Company has requested its external auditors to provide feedback on the state of its internal controls.

The Company maintains appropriate insurance cover in respect of actions taken against the Directors, as well as against material loss or claims against the Company. The insurance cover in place will be reviewed on a periodic basis.

Principle 5 - Maintain the Board as a well-functioning, balanced team led by the Chairman

The Board currently comprises two Non-executive Directors and three Executive Directors. All of the Directors are subject to election by shareholders at the first Annual General Meeting after their appointment to the Board and will continue to seek re-election at least once every three years.

The Board is responsible to the shareholders for the proper management of the Company and meets at least five times a year to set the strategy of the Company and review the operational and financial performance of the Company.

The Board considers itself sufficiently independent. The QCA Code suggests that a board should have at least two independent Non-executive Directors. The Board have considered each Non-executive Director's length of service and interests in the share capital of the Company and consider that Mr Williams and Mr Dowling are independent. Whilst the Company is guided by the provisions of the QCA Code in respect of the independence of directors, it gives regard to the overall effectiveness and independence of the contribution made by directors to the Board in considering their independence and does not consider a director's period of service in isolation to determine this independence.

In light of the proposed acquisition, the Company has considered the Board composition, including whether to appoint one or more additional non-executive directors at the time it makes the acquisition, having regard to the expected size of the acquisition and what would be an appropriate size for the Board following the acquisition, in each case assuming the acquisition proceeds. Consequently, the Board intends to appoint a further independent non-executive director following completion of the acquisition, if it proceeds.

The Executive Directors work full time for the Company. The two Non-executive Directors are required to dedicate appropriate time, varying from four days (or equivalent) per month for the Chairman and two to three days (or equivalent) per month for the other Non-executive Director, to the Company.

The Company has put in place Audit and Remuneration committees. A summary of the terms of reference for each committee is set out under principle nine below.

During the period from the date on which the Company's ordinary shares were admitted to trading on AIM in March 2018 and 31 March 2019 there were seven Board meetings attended by all members of the Board.

Principle 6 - Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities
Directors who have been appointed to the Board have been chosen because of the skills and experience they offer and their personal qualities and capabilities.

The Board will regularly review the composition of the Board to ensure that it has the necessary breadth and depth of skills to support the ongoing strategy of the Company.

The Chairman and the Company Secretary will ensure each Director's skillset is kept up to date. During the course of the year, the Directors have received and will continue to receive updates from the Company Secretary in relation to corporate governance matters. Each Director takes responsibility for maintaining his or her own skill set, which includes roles and experience with other boards and organisations as well as formal training and seminars.

Non-executive Directors have a contractual right to receive external advice, at the Company's expense, when necessary.

Principle 7 - Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement
The Non-executive Directors will monitor the personal and corporate performance of the Chief Executive, including asking the Company's senior management, auditors, and other advisors to report on his performance.

The Board intends to undertake an executive salary benchmarking exercise following completion of the acquisition, should it proceed, for the purpose of determining what shall constitute a competitive market salary rate and pension contribution for the Executive Directors having regard to peer companies in a similar market and the skills and experience of the Executive Directors and the duties and roles to be undertaken by them. The fees payable to the Non-executive Directors will also be reviewed at the same time.

The Directors believe that the Company's remuneration policies should be set to promote long-term value creation through transparent alignment with the agreed corporate strategy and that such policies should support performance, encourage the underlying sustainable financial health of the business and promote sound risk management for the success of the Company and to the benefit of all its stakeholders. The Directors believe that this is in line with best practice and that this review will be carried out following completion of the acquisition, should it proceed, to ensure that the remuneration structure is appropriate for the specific business of the Group as it will be enlarged following such acquisition.

The Board intends to implement a process for evaluation of its own performance, its committees and individual directors, including the Chairman. The Board will create a set of an evaluation criteria and intends to commence an annual evaluation process during the course of the current financial year. The Board also intends to review the structure of its committees following completion of the acquisition, should it proceed, for the purposes of determining whether to implement a formal nomination committee to, amongst other matters, lead the process for Director appointments and re-appointment and overseeing the Board evaluation process and succession planning. These matters are currently considered by the Board as a whole.

Principle 8 - Promote a corporate culture that is based on ethical values and behaviours
The Company has been set up to offer a differentiated management and ownership approach for industrial businesses where the strategic and operational expertise of its team combines with that of the company's management to drive and enable improvements that create long-term shareholder value.

The Company is focused on principled performance, and transparent reporting from the businesses to the Board, and from the Board to the shareholders and advisors through regular meetings, presentations, the annual report and at the Annual General Meeting.

The Company's approach begins with the belief that many companies have the potential to achieve material margin improvement and operational growth. By focusing on providing the right leadership, empowering and incentivising management teams and investing intelligently, businesses can sustainably grow strong businesses with sound fundamentals, creating value for shareholders.

Senior management are encouraged to take personal responsibility for achieving the Company's objectives and to act with openness, integrity and trust. Staff are encouraged to ask for help, admit to their mistakes and put things right. The Company does not operate a blame culture. The Non-executive Directors are encouraged to have open dialogues with senior management about their opinions and concerns.

The Company intends to recruit and screen employees based on integrity, as well as competence. Employees will be well-treated when they leave or retire.

Principle 9 - Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board
The Board has overall responsibility for the strategic direction and performance of the Company. The Executive Directors have day-to-day responsibility for the operation of the Company's businesses and implementing the strategy of the Board.

The Board meets at least five times per year. The Board is provided with detailed financial reports of the Company's financial performance on a regular monthly basis with more frequent updates if required. Detailed written reports are provided one week prior to the Company's Board meetings. Written recommendations from the Executive Director are delivered in a timely manner with supporting documentation, supplemented as required by reports from external professional advisers so that the Board can constructively challenge recommendations before making decisions.

The Chief Executive Officer and the Chairman are the primary points of contact for the shareholders and are available to answer queries over the phone or via email from shareholders throughout the year.

The Company has Audit and Remuneration Committees. The Chairman is a member of the Audit Committee and chairs the Remuneration Committee. Mr Dowling is a member and chairman of the Audit Committee and a member of the Remuneration Committee. Formal terms of reference have been agreed for both Board committees. The responsibilities of each of these have been summarised below.

<u>Audit Committee</u>
Once the company has made its first acquisition it will:

- meet at least three times a year and otherwise as required, with the external auditor in attendance.

- monitor the integrity of the financial statements of the Company and review and challenge where necessary the application of significant accounting policies.

- review any other statements requiring Board approval which contain financial information.

- keep under review the Company's internal financial controls systems that identify, assess, manage and monitor financial risks and other internal control and risk management systems.

- review the adequacy and security of the Company's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters.

- consider annually whether the Company should have an internal audit function.

- consider and make recommendations to the Board, to be put to shareholders for approval at the Annual General Meeting, in relation to the appointment, re-appointment and removal of the Company's external auditor.

- report formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and formally report to the Board on how it has discharged its responsibilities.

The Chairman of the committee will attend the Annual General Meeting.

<u>Remuneration Committee</u>

Have responsibility for devising the remuneration policy for all Executive Directors and the Chairman. Once the company has made its first acquisition, it will:

- recommend and monitor the level and structure of remuneration for senior management.
- review the on-going appropriateness and relevance of the remuneration policy.
- report to the Board on its proceedings after each meeting on all matters within its duties and responsibilities and make recommendations to the Board.
- ensure that appropriate provisions regarding disclosure of remuneration information are fulfilled and produce a report of the Company's remuneration policy and practices for inclusion in the Company's annual report.

The Chairman of the committee will attend the Annual General Meeting.

Principle 10 - Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders
Beyond the Annual General Meeting, the Chief Executive and the CFO are available to all significant shareholders after the release of the half year and full year results. The Chairman is available to major shareholders as they wish and to all shareholders within the bounds of reasonableness as to time commitment and the permitted extent of disclosure for an AIM quoted plc.

The Chief Executive and the Chairman are the primary points of contact for the shareholders and are available to answer queries over the phone or via email from shareholders throughout the year.

There is a strong focus on transparent reporting in the half year interim results and annual report, including the challenges faced by the Company both in the reporting periods and in the future.

The website of the Company will be regularly updated. Once available, the Company's financial reports and annual reports will be located under the "Financial Results and Reports" section of the Company's website. Notices of the General Meetings of the Company will be located under the "AGM and General Meetings" section of the Company's website.

The results of voting on all resolutions at future general meetings will be posted to the Company's website on a timely basis, including any actions to be taken as a result of resolutions of which votes against have been received by a significant proportion of votes.

The Company intends to include a remuneration committee report and audit committee report in its next annual report.

Audit Committee
The Audit Committee is responsible for assisting the Board's oversight of the integrity of the financial statements and other financial reporting, the independence and performance of the auditors, the regulation and risk profile of the Group and the review and approval of any related party transactions. The Audit Committee may hold private sessions with management and the external auditor without management present.

The Audit Committee is chaired by Christopher Dowling and its other member is Robin Williams.

Remuneration Committee
The Remuneration Committee shall be responsible for considering all material elements of remuneration policy, the remuneration and incentivisation of Executive Directors and senior management and to make recommendations to the Board on the framework for executive remuneration and its cost. The role of the Remuneration Committee is to keep under review the Company's remuneration policies to ensure that the Company attracts, retains and motivates the most qualified talent who will contribute to the long-term success of the Company.

The Remuneration Committee is chaired by Robin Williams and its other member is Christopher Dowling.

Share dealing
The Company has adopted, with effect from admission of its shares to AIM, a share dealing policy regulating trading and confidentiality of inside information for the Directors and other persons discharging managerial responsibilities (and their persons closely associated) which contains provisions appropriate for a company whose shares are admitted to trading on AIM (particularly relating to dealing during closed periods which will be in line with the EU Market Abuse Regulation (No. 596/2014)). The Company takes reasonable steps to ensure compliance by the Directors and any relevant employees with the terms of that share dealing policy. The Directors believe that the share dealing policy adopted by the Board is appropriate for a company quoted on AIM. The Board complies with Rule 21 of the AIM Rules for Companies relating to directors' dealings and takes reasonable steps to ensure compliance by the Company's "applicable employees" (as defined in the AIM Rules for Companies).

Relations with shareholders
The Directors are always available for communication with shareholders and all shareholders have the opportunity, and are

encouraged, to attend and vote at the Annual General Meetings of the Company during which the Board will be available to discuss issues affecting the Company. The Board stays informed of shareholders' views via regular meetings and other communications they may have with shareholders.

Statement of going concern

The financial statements of Stirling Industries plc group and company have been prepared on a going concern basis.

As discussed in the strategic report, the Directors of Stirling Industries plc are in advanced discussions concerning the Company's first acquisition, and are seeking the necessary equity funding to enable them to execute definitive legal documentation with respect to the acquisition. The Company expects to be able to update the market in the days leading up to the AGM to be held on 30 September 2019.

As part of the due diligence process for the acquisition, the Directors have prepared detailed forecast models covering the period to 31 December 2021. In the event that the equity and debt necessary for the acquisition to proceed are raised and the acquisition completes, based on these forecasts for the Group, the Directors consider that the Group will have sufficient resources to continue as a going concern for the period covered by those forecasts.

In the event that the necessary funding is confirmed and definitive legal documentation is signed, the acquisition will be subject to the approval of the Company's shareholders at a general meeting.

In accordance with the AIM Rules for Companies, if the Company has not made an acquisition or has not substantially implemented its Investment Policy within 18 months of admission to the AIM market, which occurred on 6 March 2018, the Company is required to seek shareholder approval for its Investment Policy at the next Annual General Meeting of the Company and at each subsequent Annual General Meeting until such time as there has been an acquisition or the Investment Policy has been substantially implemented (such a resolution being referred to hereafter as a 'Continuation Vote').

Given that the acquisition, if it proceeds, will not have completed before 6 September 2019, the Company will not have made an acquisition within 18 months after admission of its shares to the AIM market and the Company is therefore required to put a Continuation Vote to its shareholders at the Annual General Meeting to be held on the 30 September 2019. If, by that date, the definitive legal documentation has not yet been signed, either i) if the Continuation Vote is passed, the Directors will formulate a proposal for investors to subscribe for new equity to allow the Company to continue in fulfilment of its objectives for at least the next 12 months from the date of approval of these financial statements or ii) if the Continuation Vote is not passed, the Directors will formulate a proposal for shareholders to vote for either an amendment to the Investment Policy or a proposal to return funds to shareholders.

In the event that the proposed acquisition does not complete, the Directors have confirmed that, assuming no material additional due diligence costs that may be required on new potential acquisitions, sufficient cash resources exist to meet the running costs of the Group and its financial obligations as they fall due for a period of 12 months from the date of signing these financial statements. However, in the event that the proposed acquisition is not signed but the Investment Policy is approved, then in order to undertake significant due diligence on new investment opportunities, the Group would require additional equity funding to pursue its current Investment Policy.

As set out above, the Group's continuation is dependent on shareholder approval, whether to make an acquisition or to continue to seek other opportunities. The reliance on shareholder approval constitutes a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Internal control

The Board is responsible for establishing and maintaining the Company's system of internal control and reviewing its effectiveness. Internal control systems are designed to meet the particular needs of the Company and the particular risks to which it is exposed. The procedures are designed to manage rather than eliminate risk and by their nature can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board has reviewed the Company's risk management and control systems and believes that the controls are satisfactory given the nature and size of the Company.

Financial risk profile

The Company's financial instruments comprise mainly of cash and various items such as payables and receivables that arise directly from the Company's operations. Details of the risks relevant to the Group are included in the notes to the financial statements on page 15.

Political donations

The Group did not make any political donations or incur any political expenditure during the year period.

Statement as to disclosure of information to auditors

So far as the Directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the Group's auditors are unaware, and each Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

Auditors
The auditors, KPMG LLP, will be proposed for re-appointment at the forthcoming Annual General Meeting.

Directors' indemnities
As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

On behalf of the Board:
J E Curin
Director
2 September 2019

Statement of Directors' responsibilities

The directors are responsible for preparing the Annual Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under the AIM Rules for Companies of the London Stock Exchange they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs as adopted by the EU) and applicable law and they have elected to prepare the parent Company financial statements on the same basis.

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 parent Company and of their profit or loss for that period. In preparing each of the Group and parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic Report and a Directors' Report that complies with that law and those regulations.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of Stirling Industries plc

1. Our opinion is unmodified

We have audited the financial statements of Stirling Industries PLC ("the Group") for the period from incorporation to 31 March 2019 which comprise the Consolidated statement of profit and loss and other comprehensive income, Consolidated statement of financial position, Consolidated statement of changes in equity, Consolidated statement of cash flows, Company's statement of financial position, Company's statement of changes in equity, Company's statement of cash flows, and the related notes, including the accounting policies in note 2.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 March 2019 and of the Group's loss for the period then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU);
- the parent Company's financial statements have been properly prepared in accordance with IFRSs as adopted by the EU 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed entities. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Overview	
Materiality: Group financial statements as a whole	£210,000
	4.8% of loss before tax
Coverage	100% of loss before tax
Material uncertainty	Going Concern

2. Material uncertainty related to going concern

Material Uncertainty	**The risk**	**Our response**
Going concern We draw attention to note 2 to the financial statements which indicates that the Group's continuation is dependent on shareholder approval, whether to make an acquisition or to continue to seek other opportunities. The reliance on shareholder approval constitutes a material uncertainty that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. Our opinion is not modified in respect of this matter	**Disclosure quality** **Group and parent Company** There is little judgement involved in the directors' conclusion that the risks and circumstances described in note 2 to the financial statements represent a material uncertainty over the ability of the Group and Company to continue as a going concern for a period of at least a year from the date of approval of the financial statements. However, clear and full disclosure of the facts and the directors' rationale for the use of the going concern basis of preparation, including that there is a related material uncertainty, is a key financial statement disclosure and so was the focus of our audit in this area. Auditing standards require that to be reported as a key audit matter.	**Assessing transparency** Our procedures included: ▪ Assessing the completeness and accuracy of the matters covered in the going concern disclosure by critically assessing the disclosures in respect of going concern within the financial statements, with respect to our knowledge of the relevant facts and circumstances developed during our audit work.

3. Other key Audit Matters: including our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Except for the matter described in the Material Uncertainty Related to Going Concern section, we have determined that there are no other key audit matters to communicate in our report.

4. Our application of materiality and an overview of the scope of our audit

Materiality for the Group financial statements as a whole was set at £210,000, determined with reference to a benchmark of Group's loss before tax of £4,330,741, of which it represents 4.8%.

Materiality for the parent company financial statements as a whole was set at £200,000, determined with reference to a benchmark of loss before tax, of which it represents 4.6%.

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £10,000, in addition to other identified misstatements that warranted reporting on qualitative grounds.

The Group team performed the audit of the Group as if it was a single aggregated set of financial information. The audit was performed using the materiality levels set out above and was all performed at the group's head office in London.

5. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial period is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

6. We have nothing to report on the other matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company 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.

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out above, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

8. The purpose of our audit work and to whom we owe our responsibilities

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.

Lynton Richmond (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL
2 September 2019

Consolidated statement of profit or loss

for the Period 13 February 2018 to 31 March 2019

	Notes	Period 13 Feb 18 to 31 Mar 19 £
CONTINUING OPERATIONS		
Revenue		-
Administrative expenses		(2,165,285)
Other operating expenses		(2,181,980)
OPERATING LOSS		(4,347,265)
Finance income	5	16,524
LOSS BEFORE INCOME TAX	6	(4,330,741)
Income tax	8	-
LOSS FOR THE PERIOD		(4,330,741)
Earnings per share expressed in pence per share:	10	
Basic		(48.49)
Diluted		(48.49)

All profits and losses arise from continuing activities.
There were no items of other comprehensive income in the period.

Consolidated statement of financial position

As at 31 March 2019

	Notes	31 Mar 19 £
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	11	19,923
Investments	12	-
		19,923
CURRENT ASSETS		
Trade and other receivables	13	518,167
Cash and cash equivalents	14	4,003,555
		4,521,722
TOTAL ASSETS		**4,541,645**
EQUITY		
SHAREHOLDERS' EQUITY		
Called up share capital	16	89,310
Share premium	17	8,326,835
Retained earnings	17	(4,330,741)

TOTAL EQUITY		**4,085,404**
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	18	456,241
TOTAL LIABILITIES		**456,241**
TOTAL EQUITY AND LIABILITIES		**4,541,645**

Company statement of financial position

As at 31 March 2019

	Notes	31 Mar 19 £
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	11	19,923
Investments	12	1
		19,924
CURRENT ASSETS		
Trade and other receivables	13	519,432
Cash and cash equivalents	14	4,003,269
		4,522,701
TOTAL ASSETS		**4,542,625**
EQUITY		
SHAREHOLDERS' EQUITY		
Called up share capital	16	89,310
Share premium	17	8,326,835
Retained earnings	17	(4,328,263)
TOTAL EQUITY		**4,087,882**
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	18	454,743
TOTAL LIABILITIES		**454,743**
TOTAL EQUITY AND LIABILITIES		**4,542,625**

Consolidated statement of changes in equity

for the Period 13 February 2018 to 31 March 2019

	Called up share capital £	Share premium £	Retained earnings £	Total equity £
Changes in equity				
Issue of share capital	89,310	8,326,835	-	8,416,145
Total comprehensive income	-	-	(4,330,741)	(4,330,741)

Balance at 31 March 2019	89,310	8,326,835	(4,330,741)	4,085,404

Company statement of changes in equity

for the Period 13 February 2018 to 31 March 2019

	Called up share capital	**Share premium**	**Retained earnings**	**Total equity**
	£	**£**	**£**	**£**
Changes in equity				
Issue of share capital	89,310	8,326,835	-	8,416,145
Total comprehensive income	-	-	(4,328,263)	(4,328,263)
Balance at 31 March 2019	89,310	8,326,835	(4,328,263)	4,087,882

Consolidated statement of cash flows

for the Period 13 February 2018 to 31 March 2019

Group	**Notes**	**Period 13 Feb 18 to 31 Mar 19**
		£
Loss before income tax		(4,330,741)
Depreciation charges		5,137
Finance income		(16,524)
		(4,342,128)
Increase in trade and other receivables		(518,167)
Increase in trade and other payables		456,241
Cash absorbed by operations		(4,404,054)
Cash flows from investing activities		
Purchase of tangible fixed assets		(25,060)
Interest received		16,524

Net cash from investing activities		(8,536)
Cash flows from financing activities		
Share issue		8,416,145
Net cash from financing activities		8,416,145
Increase in cash and cash equivalents		4,003,555
Cash and cash equivalents at beginning of period		-
Cash and cash equivalents at end of period	14	4,003,555

Company	**Notes**	**Period 13 Feb 18 to 31 Mar 19 £**
Loss before income tax		(4,328,263)
Depreciation charges		5,137
Finance income		(16,524)
		(4,339,650)
Increase in trade and other receivables		(518,167)
Increase in trade and other payables		454,742
Cash absorbed by operations		(4,403,075)
Cash flows from investing activities		
Purchase of tangible fixed assets		(25,060)
Purchase of fixed asset investments		(1)
Intercompany Loan		(1,265)

Interest received		16,524
Net cash from investing activities		(9,802)
Cash flows from financing activities		
Amount introduced by directors		1
Share issue		8,416,145
Net cash from financing activities		8,416,146
Increase in cash and cash equivalents		4,003,269
Cash and cash equivalents at beginning of period		-
Cash and cash equivalents at end of period	14	4,003,269

Notes to the consolidated financial statements
for the Period 13 February 2018 to 31 March 2019

1. Statutory information

Stirling Industries plc is a public limited company, limited by shares, registered in England and Wales. The company's registered number is 11203731 and registered office address Level 1, Devonshire House, Mayfair Place, London, England, W1J 8AJ.

2. Accounting policies

Basis of preparation
The financial statements of Stirling Industries plc and the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) adopted for use in the European Union and in accordance with the Companies Act 2006.

The financial statements have been prepared on the historical cost basis except for certain financial instruments, liabilities and share-based payment liabilities which are measured at fair value.

Basis of consolidation
The consolidated financial statements incorporate the financial statements of Stirling Industries plc (the Company) and its subsidiary undertaking.

Subsidiaries are entities over which the Group has control. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Going concern
The financial statements of Stirling Industries plc group and company have been prepared on a going concern basis.

As discussed in the strategic report, the Directors of Stirling Industries plc are in advanced discussions concerning the Company's first acquisition, and are seeking the necessary equity funding to enable them to execute definitive legal documentation with respect to the acquisition. The Company expects to be able to update the market in the days leading up to the AGM to be held on 30 September 2019.

As part of the due diligence process for the acquisition, the Directors have prepared detailed forecast models covering the period to 31 December 2021. In the event that the equity and debt necessary for the acquisition to proceed are raised and the acquisition completes, based on these forecasts for the Group, the Directors consider that the Group will have sufficient resources to continue as a going concern for the period covered by those forecasts.

In the event that the necessary funding is confirmed and definitive legal documentation is signed, the acquisition will be subject to the approval of the Company's shareholders at a general meeting.

In accordance with the AIM Rules for Companies, if the Company has not made an acquisition or has not substantially implemented its Investment Policy within 18 months of admission to the AIM market, which occurred on 6 March 2018, the Company is required to seek shareholder approval for its Investment Policy at the next Annual General Meeting of the Company and at each subsequent Annual General Meeting until such time as there has been an acquisition or the Investment Policy has been substantially implemented (such a resolution being referred to hereafter as a 'Continuation Vote').

Given that the acquisition, if it proceeds, will not have completed before 6 September 2019, the Company will not have made an acquisition within 18 months after admission of its shares to the AIM market and the Company is therefore required to put a Continuation Vote to its shareholders at the Annual General Meeting to be held on the 30 September 2019. If, by that date, the definitive legal documentation has not yet been signed, either i) if the Continuation Vote is passed, the Directors will formulate a proposal for investors to subscribe for new equity to allow the Company to continue in fulfilment of its objectives for at least the next 12 months from the date of approval of these financial statements or ii) if the Continuation Vote is not passed, the Directors will formulate a proposal for shareholders to vote for either an amendment to the Investment Policy or a proposal to return funds to shareholders.

In the event that the proposed acquisition does not complete, the Directors have confirmed that, assuming no material additional due diligence costs that may be required on new potential acquisitions, sufficient cash resources exist to meet the running costs of the Group and its financial obligations as they fall due for a period of 12 months from the date of signing these financial statements. However, in the event that the proposed acquisition is not signed but the Investment Policy is approved, then in order to undertake significant due diligence on new investment opportunities, the Group would require additional equity funding to pursue its current Investment Policy.

As set out above, the Group's continuation is dependent on shareholder approval, whether to make an acquisition or to continue to seek other opportunities. The reliance on shareholder approval constitutes a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Property, plant and equipment
Depreciation is provided at the following annual rates in order to write off the cost less estimated residual value of each asset over its estimated useful life.

Computer Equipment	33.33%
Fixtures & Fittings	33.33%

Financial instruments
A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and liabilities comprise non-derivative and derivative receivables and payables.

Classification: Financial assets
The Group classifies financial assets in the following measurement categories:
- financial assets subsequently measured at fair value (either through other comprehensive income or through profit or loss), and
- financial assets measured at amortised cost.

The Group has no financial assets subsequently measured at fair value through other comprehensive income.

Classification depends on the business model used for managing financial assets and on the characteristics of the contractual cash flows involved.

All financial assets held by the Group, have contractual cash flows representing solely the payment of principal and interest. The Group holds all these assets to collect the contractual cash flows. These assets are classified as held at amortised cost.

Classification: Financial liabilities
Financial liabilities other than derivatives are classified as measured at amortised cost. The Group has no derivatives.

Measurement on initial recognition
A financial asset or financial liability is initially measured at its fair value, plus, in the case of a financial asset or financial liability not subsequently measured at fair value through profit or loss, the transaction costs directly attributable to the acquisition of the asset or issuing of the liability.

Transaction costs of financial assets measured at fair value through profit or loss are recognised as an expense in the income statement.

The fair value is defined as the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Subsequent measurement
The subsequent measurement of debt instruments depends on the classification of the financial asset or liability, described above.

Financial assets and liabilities measured at amortised cost are accounted for using the effective interest rate method. Interest income and expense is reported as financial income and expense. Gains or losses arising on the derecognition of the financial asset or liability are recognised directly in profit or loss as other operating income/expense together with foreign currency gains and losses.

Impairment
Trade receivables and other receivables are measured and carried at amortised cost using the effective interest method, less any impairment.

The carrying amount is reduced by the expected lifetime losses. No expected credit loss is assumed for VAT receivable balances. The Group does not hold other financial assets for which an expected credit loss would be material to record.

Taxation
Taxation, comprised of current and deferred tax, is charged or credited to the income statement unless it relates to items recognised in other comprehensive income or directly in equity. In such cases, the related tax is also recognised in other comprehensive income or directly in equity.

Current tax liabilities are measured at the amount expected to be paid, based on tax rates and laws that are enacted or substantively enacted at the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method and is calculated using rates of taxation enacted or substantively enacted at the balance sheet date which are expected to apply when the asset or liability is settled.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are only recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is not recognised in respect of investments in subsidiaries and associates where the reversal of any taxable temporary differences can be controlled and are unlikely to reverse in the foreseeable future. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset and there is an intention to settle the balances on a net basis.

Tax provisions are recognised when there is a potential exposure under changes to International tax legislation.

Foreign currencies
Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the statement of financial position date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

Hire purchase and leasing commitments
Rentals paid under operating leases are charged to the income statement on a straight line basis over the period of the lease.

Employee benefit costs
The group operates a defined contribution pension scheme. Contributions payable to the group's pension scheme are charged to the income statement in the period to which they relate.

Reserves
A description of each of the reserves follows:

Share Premium
This reserve represents the difference between the issue price and the nominal value of shares at the date of issue, net of related issue costs.

Retained Earnings
Net revenue profits and losses of the Company which are revenue in nature are dealt with in this reserve.

Standards issued but not yet effective
At the date of authorisation of these financial statements, the Group has not applied the following standards that have been issued but are not yet effective. The Group has not adopted any new or amended standards early.

IFRS 16 'Leases' will be adopted by the Group for the accounting period beginning 1 April 2019. The effect of IFRS 16 will be to recognise a lease liability and related right of use asset for leases previously treated as operating leases. Total non-cancellable operating lease commitments at 31 March 2019 were £84,465 and the impact of the standard is not expected to be material.

Other changes to standards, interpretations and amendments issued but not yet effective are not expected to have a material impact on the Group financial statements.

3. Employees and directors

	£
Wages and salaries	846,423
Social security costs	101,449
Other pension costs	1,765
	949,637

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

	Number
Executive Directors	3
Non-Executive Directors	2
Staff	2
	7

4. Directors remuneration

The emoluments of the individual Directors for the period are included in wages and salaries and were as follows:

	Salary £	Pension £	Total £
Executive directors			
Blair Illingworth	162,500	-	162,500
Simon Thomas	162,500	-	162,500
Joanne Curin	259,470	739	260,209
Total	584,470	739	585,209
Non-executive directors			
Christopher Dowling	32,500	-	32,500
Robin Williams	54,166	-	54,166
Total	**86,666**	**-**	**86,666**

The Executive Directors entered into service agreements with the Company on 27 February 2018, which took effect on Admission. Under the terms of these agreements, each Executive Director is paid the salary which is subject to an annual review by the Company. They are also eligible to participate in the Stirling Industries plc Long-Term Incentive Plan and have been issued with Incentive Shares. Until the Company has completed its first acquisition, the Executive Directors will not be entitled to a bonus.

Pursuant to letters of appointment dated 28 February 2018, the Non-executive Directors of the Company were appointed as of 1 March 2018 and on an ongoing basis. Each Non-executive Director is entitled to an annual fee, including in respect of any service on any Board committee. They are also eligible to participate in the Stirling Industries plc Long-Term Incentive Plan and have been issued with Incentive Shares.

As stated at the time of admission Stirling's Board will, at the time of making the first acquisition, undertake an executive salary benchmarking exercise for the purposes of determining what shall constitute a competitive market salary and pension contribution for the Executive Directors. This process will be conducted so as to have specific regard to the following:

i. Peer companies of a similar structure and purpose, in particular that of companies where the management of multiple sizeable portfolio businesses is applicable
ii. The roles of the Executive Directors and the additional duties performed as part of the longer term value creation strategy of Stirling
iii. The experience of the Executive Directors

Save as disclosed in above, no Director, nor any of his or her Connected Persons has at the date of this document, any interest, whether beneficial or non-beneficial, in the share or loan capital of the Company or any of its subsidiaries or any related financial product referenced to the Ordinary Shares.

Long-term incentive plan

The Company has put in place incentive arrangements, through the Stirling Industries plc 2018 Long-Term Incentive Plan, which only reward participants if shareholder value is created, thereby aligning the interests of the executive directors with those of the Shareholders. The LTIP was adopted and approved by the Board on 27 February 2018. Under these arrangements, the Board has created a class of Incentive Shares to be issued to participants in the LTIP, which when issued shall have a "commencement date" that will arise upon the date on which the Company makes its first acquisition and a "trigger date" which shall be the fourth anniversary of that date, being the "Performance Period" of the LTIP. The participant will subscribe for the Incentive Shares at a subscription price that will be paid in cash and which is equal to the present value of the shares. The crystallisation of the Incentive Shares shall occur in one of the following two ways: (1) the Incentive Shares will convert into Ordinary Shares according to the formula set out in the rights of the Incentive Shares contained in the Articles; or (2) the participant will be entitled to the payment of a dividend which will deliver to the participant value equivalent to the value of the Ordinary Shares into which the Incentive Shares would (if the Board has resolved not to pay a dividend) have converted. For the purposes of this summary, the entitlement to the said conversion or dividend shall be referred to as "crystallisation" of, or in respect of, the Incentive Shares. The crystallisation formula for the Incentive Shares will have a Performance Period of four years, and will then be followed by a Holding Period of one year (as further described below), which the Directors believe is in line with best practice concerning the remuneration of directors.

The potential reward under the LTIP is 10 per cent. of the increase in index-adjusted value from and including the commencement date to (but excluding) the trigger date, absent a change of control or winding up of the Company.

5. Net finance income

	£
Finance income	
Deposit account interest	16,524

6. Loss before income tax

The loss before income tax is stated after charging:

	Notes	£
Administrative income		
Auditor remuneration	7	932,307
Executive Director's remuneration	4	585,209
Wages		165,761
Social security		91,920

Operating leases	19	88,257
Depreciation - owned assets		5,137
Other administrative expenses		296,694
		2,165,285

Advisory fees in connection with Investment Policy		2,051,973
Non-Executive Director remuneration	4	86,666
Social security		9,529
Other operating expenses		33,812
		2,181,980

7. Auditors' remuneration

	£
Fees payable to the company's auditors for the audit of the company's financial statements	23,430
Other services relating to general corporate advice	33,527
Services relating to corporate finance transactions entered into or proposed	875,350
	932,307

Fees for the audit of the company's financial statements include an audit fee for Stirling Group Holdings Limited of £3,430 which is borne by and paid for by Stirling Industries plc.

8. Income tax

Analysis of tax expense
No liability to UK corporation tax arose for the period.

Unused tax losses on which no deferred tax has been recognised as at 31 March 2019 was £4,314,796 and the potential tax benefit will be £819,811. Deferred tax assets, including those arising from temporary differences, are recognised only when it is considered more likely than not that they will be recovered, which is dependent on the generation of future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised.

9. Loss of parent company

As permitted by Section 408 of the Companies Act 2006, the income statement of the parent company is not presented as part of these financial statements. The parent company's loss for the financial year was (£4,328,263).

10. Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated using the weighted average number of shares adjusted to assume the conversion of all dilutive potential ordinary shares.

Reconciliations are set out below.

	Earnings	Weighted average number of shares	Per share amount
	£		p
Basic EPS			
Earnings attributable to ordinary shareholders	(4,330,741)	8,931,000	(48.49)
Effect of dilutive securities	-	-	-
Diluted EPS			
Adjusted earnings	(4,330,741)	8,931,000	(48.49)

11. Property, plant and equipment

Group	**Fixtures and fittings**	**Computer equipment**	**Total**
	£	**£**	**£**
COST			
Additions	7,652	17,408	25,060
At 31 March 2019	7,652	17,408	25,060
DEPRECIATION			
Charge for period	543	4,594	5,137
At 31 March 2019	543	4,594	5,137
NET BOOK VALUE			
At 31 March 2019	7,109	12,814	19,923

Company	**Fixtures and fittings**	**Computer equipment**	**Total**
	£	**£**	**£**
COST			
Additions	7,652	17,408	25,060

At 31 March 2019	7,652	17,408	25,060
DEPRECIATION			
Charge for period	543	4,594	5,137
At 31 March 2019	543	4,594	5,137
NET BOOK VALUE			
At 31 March 2019	7,109	12,814	19,923

12. Investments

Company	**Shares in Group undertakings £**
COST	
Additions	1
At 31 March 2019	1
NET BOOK VALUE	
At 31 March 2019	1

The group or the company's investments at the Statement of Financial Position date in the share capital of companies include the following:

Subsidiary

Stirling Group Holdings Limited
Registered office: Level 1, Devonshire House, Mayfair Place, London W1J 8AJ
Nature of business: Holding Company

	Holding %
Class of shares:	
Ordinary	100.00

	2019 £	£

Aggregate capital and reserves	1	1
Loss for the period	(2,479)	-

13. Trade and other receivables

	Group £	Company £
Current:		
Payments in advance	11,023	11,023
Amounts owed by group undertakings	-	1,265
Other debtors	57,500	57,500
VAT	423,661	423,661
Prepayments	25,983	25,983
	518,167	519,432

14. Cash and cash equivalents

	Group £	Company £
Bank accounts	4,003,555	4,003,269

15. Financial risk management

The Group is exposed to financial risks through its various business activities. In particular, changes in interest rates exchange rates can have an effect on the capital, financial and revenue situation of the Group. In addition, the Group is subject to credit risks.

The Group has adopted internal guidelines, which concern risk control processes and which regulate the use of financial instruments and thus provide a clear separation of the roles relating to operational financial activities, their implementation and accounting, and the auditing of financial instruments. The guidelines on which the Group's risk management processes are based are designed to ensure that the risks are identified and analysed across the Group. They also aim for a suitable limitation and control of the risks involved, as well as their monitoring.

The Group controls and monitors these risks primarily through its operational business and financing activities.

Credit Risks

The credit risk describes the risk from an economic loss that arises because a contracting party fails to fulfil their contractual payment obligations. The credit risk includes both the immediate default risk and the risk of credit deterioration, connected with the risk of the concentration of individual risks. For the Group, credit and default risks are concentrated in the financial institutions in which it places cash deposits.

The Group's policy is to place its cash with UK clearing banks.

Notwithstanding existing collateral, the amount of financial assets indicates the maximum default risk in the event that counterparties are unable to meet their contractual payment obligations. The maximum credit default risk amounted to £4,521,722 at the balance sheet date, of which £4,003,555 was cash on deposit at banks. The VAT debtor was £423,661, and remaining financial assets were £57,500.

Liquidity Risks
Liquidity risk is defined as the risk that a company may not be able to fulfil its financial obligations. The Group manages its liquidity by maintaining cash and cash equivalents sufficient to meet its expected cash requirements to implement its investment policy. In the event that there is a risk that the cash required to follow the investment policy is greater than the Group's liquid resources, the Group would seek confirmation of the continuation of the policy and the raising of further financing at a shareholder general meeting.

At 31 March 2019, the Group has cash on deposit of £4,003,555.

Market Risks
Interest Rate Risks
Interest rate risks exist due to potential changes in market interest rates and can lead to a change in the fair value of fixed-interest bearing instruments, and to fluctuations in interest payment for variable interest rate financial instruments.

The Group is exposed to interest rate risk on cash held on deposit at banks. Interest income for the period to 31 March 2019 was £16,524. These accounts are maintained for liquidity rather than investment, and the interest rate risk is not considered material to the Group.

Currency Risks
The Group operates in the UK, incurs expenses predominantly in sterling, and holds cash in sterling. The Group incurs some expenditure in foreign currency when the investment policy requires services to be obtained overseas. The foreign exchange risk on these costs is not considered material to the Group.

16. Called up share capital

Allotted and issued:

Number	Class	Nominal value	£
8,931,000	Ordinary	£0.01	89,310

8,931,000 Ordinary shares of £0.01 each were allotted at a premium of £0.99 per share during the period.

17. Reserves

Group	Retained earnings £	Share premium £	Total £
Deficit for the period	(4,330,741)	-	(4,330,741)
Cash share issue	-	8,326,835	8,326,835
At 31 March 2019	(4,330,741)	8,326,835	3,996,094

Company	Retained earnings £	Share premium £	Total £
Deficit for the period	(4,328,263)	-	(4,328,263)
	-	8,326,835	8,326,835

Cash share issue			
At 31 March 2019	(4,328,263)	8,326,835	3,998,572

18. Trade and other payables

	Group £	Company £
Current:		
Trade creditors	202,128	202,129
Social security and other taxes	37,561	37,561
Pension	457	457
Other creditors	12,936	12,936
Incentive Shares	18,400	18,400
Accrued expenses	184,759	183,259
Directors' loan accounts	-	1
	456,241	454,743

19. Leasing agreements

Minimum lease payments fall due as follows:

Company	Non- cancellable operating leases £
Within one year	84,465

20. Contingent liabilities

At the year end the group has contingent liabilities of £329,100 for advisory costs. These are contingent on the completion of an acquisition.

21. Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Members of the Board of Directors are deemed to be key management personnel. Key management personnel compensation for the financial year is the same as the Director remuneration set out in note 4 to the accounts.

There were no other transactions or balances with related parties in the period.

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