

Registration number: 06013357

Baqus Group plc
Directors' report and consolidated financial statements
for the year ended 30 June 2011

ALEXANDER & CO
Chartered Accountants

Baqus Group plc

Group information

Directors	Clive Sayer Robert McNeill Graham Williams Patrick Lineen
Secretary	Patrick Lineen
Company number	06013357
Registered office	2-3 North Mews, London, WC1N 2JP
Auditors	Alexander & Co 17 St Ann's Square Manchester M2 7PW
Bankers	Lloyds TSB Bank plc 1st Floor 5 St Paul's Square Old Hall Street Liverpool L3 9SJ
Solicitors	Neil Myerson LLP The Cottages Regent Road Altrincham Cheshire WA14 1RX

Baqus Group plc

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Baqus Group plc

Chief Executive's review for the year ended 30 June 2011

Last year I said "The challenging trading environment for the construction industry looks set to continue for the foreseeable future". This has certainly proved true, however, Baqus has continued to reduce its operating costs, look after its clients and conserve cash in the bank. Combined with an excellent team of people, this makes me still confident about the long term future for the business.

I am pleased to introduce my review for the year ended 30 June 2011. The Directors' Report, and the statement made during the year when the Board recommended delisting from AIM, have all shown that it has continued to be a challenging time for the Group and the construction industry in general. However the savings made last year and this and other strategies have seen a return to profit for the year of £160,000, before exceptional costs, finance costs and taxation. Further redundancies which proved necessary during the first half of 2011 have reduced this to a profit after exceptional costs but before taxation of £33,000.

For the last two years I have said that whilst at times short term actions have to be taken, it is essential to keep a focus on the medium term to ensure that the business is in a strong enough position to accelerate forward as the outlook improves.

We have continued our efforts to cut costs, resulting in redundancies. With the lease expiring on the St Albans office, we decided to merge this into the existing London office. The much strengthened London team is already showing benefits in terms of work won and resource allocation. Strategies are in place to retain the local work/clients in the St Albans area.

At the same time we have continued to invest further in training our staff and working hard to keep them motivated and enthusiastic.

The Group continues to manage costs and increase efficiencies between the founding and acquired firms. We have also continued to exploit the ability to work across a broader range of clients and sectors thanks to the acquisitions made.

Over the last year much of our focus has been on improving the performance of the Group, building on the cost control measures introduced last year, optimising resources and continuing to win work against increasingly ferocious competition. The Group's marketing strategy has worked successfully and we have won many commissions from both new and existing clients in a number of sectors in which we operate.

Going forward the new budgetary procedures introduced last year, devolving more accountability to managers in each office, have proved successful in giving greater visibility as to where profits are earned and costs incurred. As a result of our cost reduction initiatives, we are confident that we will now be in a position to continue to build the business and maintain profitability.

I remain convinced that the difficult business climate will also create a number of opportunities for Baqus to consider acquiring other quality firms at competitive prices, many of which would not have been available in easier times.

Results

The profit before taxation was £33,000 (2010: loss £1,118,000) for the year to 30 June 2011 on turnover of £7.349 million (2010: £7.262million). Earnings per share was 0.02p (2010: loss 0.72p).

Cash balances at 30 June 2011 stood at £709,000.

Baqus Group plc

Chief Executive's review for the year ended 30 June 2011

Dividend

The Board has previously stated that its intention is to pay out approximately 30% of post-tax profits as dividends, subject to this being prudent. As the Group was only just profitable after exceptional costs, no dividend is being recommended.

Future outlook

The Group saw a good level of new contract wins this year, which was gratifying given the on-going difficult climate across the construction industry. We have engaged in a proactive, highly targeted marketing campaign across our existing, and into new, industry sectors. However, we are experiencing reduced margins on existing and new business, which we expect to continue in the medium term. Many projects that we have won are also moving forward at a much slower pace than historically has been the case due to a variety of issues including funding delays and investor uncertainty. A substantial portion of our work is derived from the public sector, which has suffered cut-backs and delays, and this is a situation which may worsen following the Comprehensive Spending Review and one we are preparing for. The Group is working hard to remain the consultant of choice for existing clients, whilst also making every effort to gain new client wins. It has been a 'quiet' period with many of our private sector clients over the past year but we remain in close contact so we can resume our work together once the economic climate improves. We are beginning to notice some increase in activity in some sectors.

AIM Listing and Non-Executive Directors

The Board continued to monitor the value of the Group being listed on AIM. There was a financial cost involved in the region of £70,000 per year – even after driving every possible cost down to the minimum and dispensing with costs such as a financial PR consultancy. On 17 February 2011, the Board took a decision to recommend to shareholders that the firm should delist from AIM for the following reasons:

- the trading price of the Ordinary Shares on AIM did not reflect the true asset value of Baqus and its operations
- the burden of the costs of at least £70,000 per annum of being quoted on AIM plus the time required to meet the regulatory requirements
- the share options were out of the money and thus did not provide an incentive to the managers and employees who held them
- the lack of liquidity in the shares on AIM
- the difficulty of attracting any new investment through AIM

An EGM took place on 23 May 2011, where this recommendation was overwhelmingly approved by shareholders and the Group de-listed on 1st June 2011.

Baqus Group plc

Chief Executive's review for the year ended 30 June 2011

Roger Knowles, our founder Chairman and a Non-Executive Director, resigned on 31 August 2009 and Norman Cave, our other Non-Executive Director, resigned on 31 August 2010. Roger formed the initial idea behind Baqus and worked closely with myself and our Finance Director to lead the flotation process. Norman has provided exceptional business experience and acumen, helping guide the business through difficult times. The Group is very grateful to them both for their work and support and wishes them well in their future endeavours. As the Group is no longer listed on AIM there is no immediate intention to appoint a replacement non-executive Director, but the Directors continue to be mindful of their legal and ethical responsibilities to outside shareholders.

A share trading facility via the Group's website has been established by the Financial Director.

Staff

Our enthusiastic staff have consistently maintained their high standards, in spite of the difficult economic climate which has regrettably led to pay freezes and redundancies. I should like to personally thank each team member for all their continued hard work and dedication in this time of low morale in the construction industry as a whole.

Clive Sayer
Chief Executive Officer
Date: 18 November 2011

Baqus Group plc

Finance director's report for the year ended 30 June 2011

As outlined in the Chief Executive's Review, we have returned to profit in this financial year. We recorded an operating profit before exceptional items of £160,000, compared to an operating loss before exceptional items of £797,000 in 2010. This turnaround has been achieved on slightly increased turnover, which rose from £7,262,000 in 2010 to £7,349,000 in 2011. However, the bulk of this improvement in profit has been achieved through cost reductions, principally redundancies. Our cost base has reduced by £870,000 or 11% from £8,059,000 in 2010 to £7,189,000 in 2011. Most of this reduction, amounting to savings of £605,000 in direct costs, has come about, unfortunately, through redundancies which have occurred during 2010 and 2011. Some of these redundancies occurred at the end of 2011 financial year.

We have also made overhead savings of £265,000 by: merging the St Albans office with the London office during 2011, de-listing from AIM in June 2011 and by other overhead savings. The full benefit of these cost savings will not be seen until 2012 and beyond.

The net profit before taxation is £33,000, compared to a loss before taxation of £1,118,000 in 2010. The Group has substantial tax losses, which means that no corporation tax is payable on these profits but there is a deferred tax charge due to the partial release of the deferred tax asset of tax losses, which still stands at £223,000 on the balance sheet.

As Baqus Group plc has retained losses of £427,000, the Board cannot recommend a dividend but, see below, we are planning to take action to restore our distributable reserves.

The Board have conducted an impairment review of our goodwill and other intangible assets and believe that they have not been impaired.

Our cash flow has held up well and our cash balances increased from £214,000 at 30 June 2010 to £709,000 at 30 June 2011. This is due partly to vigorous credit control but also due to a concerted attempt to reduce the level of work-in-progress by billing more frequently. We are trading well within our overdraft facilities of £300,000 and for most of the past year these facilities have not been utilised.

The last instalments of the loan notes, amounting to £297,000, are due to be paid in 2011-12, as are the final remaining acquisition payments of circa £60,000, due to vendors.

The Board are planning to apply to the Courts and consult with creditors about converting half of the share premium account, amounting to £2,345,000, into distributable reserves. A proposal to this effect has been included in the resolutions to be voted on in the AGM. This would enable the Board to consider recommending the resumption of dividend payments and/or offering a share buyback programme to shareholders. We have also established a matched bargaining facility for shareholders on our website.

Having reviewed our cash flow and profit forecasts for the next financial year, the Board are confident that the Company will continue as a going concern for the foreseeable future.

Patrick Lineen
Financial Director
Date: 18 November 2011

Baqus Group plc
Group directors' report
for the year ended 30 June 2011

The directors present their report and audited financial statements of the company and the group for the year ended 30 June 2011.

Principal activity and review of the business

The principal activity of the group and company was the provision of construction consultancy services to an extensive range of private and public sector clients.

All trade is conducted through the parent company with the subsidiary undertakings remaining dormant.

Business review

The income statement on page 10 shows revenue for the year of £7.3m and an operating profit for the year before exceptional items of £160k. The exceptional items incurred of £113k were redundancy costs. It was necessary to incur these costs in order to downsize the business to cope with the difficult markets which the Group faces in the UK, especially in the public sector. Many of the redundancies happened just after the year-end but were provided for at the year-end.

Nevertheless, the Group has returned to profitability and turned round its performance from the previous heavy loss-making year.

In June 2011, the Group de-listed from AIM. The decision was taken at an EGM held on 23 May 2011. The reasons for de-listing were the costs associated with being listed and the lack of liquidity in the Group's shares.

Results and dividends

The results for the year are set out in page 10. The directors do not recommend payment of a final dividend and therefore no dividends are payable for the year (2010 - £73k).

Future developments

Since the year-end the Group has continued to trade profitably.

Directors

The directors of the company who served during the year were as follows:

Clive Sayer

Rob McNeill

Graham Williams

Patrick Lineen

Norman Cave (resigned as non-executive director on 31 August 2010)

Baqus Group plc

Group directors' report for the year ended 30 June 2011

Principal risk and uncertainty

The risks facing the Group are assessed on an on-going basis. The Board evaluate the likelihood and potential impact of each risk and ensure appropriate action is taken to mitigate them. These risks include procedures on the expenditure that can be incurred by directors and staff on behalf of the Group. The Group has budgets which are reviewed and any large expenditure incurred has to be approved by the Board.

Financial risk management objectives and policies

As detailed in note 32, the Group is exposed to the usual credit risk and cash flow risks associated with selling on credit terms and manages this credit control procedures.

Creditor payment policy and practice

It is the Group's policy that payments to suppliers are made in accordance with those terms and conditions agreed with them. As at 30 June 2011, the Group had an average of 43 days purchases outstanding in trade payables.

Charitable contributions

During the year the Group made charitable donations of £3,491.

Auditors

The directors of the company who held office at the date of approval of this Annual Report as set out above each confirm that:

- so far as they are aware, there is no relevant audit information (information needed by the company's auditors in connection with preparing their report) of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of S418 of the Companies Act 2006.

Alexander & Co have expressed their willingness to continue in office as auditors and a resolution to re-appoint them will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

Patrick Lineen
Company Secretary
Date: 18 November 2011

Baqus Group plc

Statement of directors' responsibilities

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable laws and regulations.

Company law requires the directors to prepare such financial statements for each financial year. Under that law the directors are required to prepare group financial statements in accordance with International Reporting Standards (IFRSs) as adopted by the European Union and Article 4 of the IAS Regulation and have also chosen to prepare company financial statements under IFRSs as adopted by the European Union. Under company law the directors must not approve the accounts unless they are satisfied that they give a fair view of the state of the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

By order of the Board

Clive Sayer
Chief Executive Officer
Date: 18 November 2011

Patrick Lineen
Financial Director
Date: 18 November 2011

Baqus Group plc

Independent auditor's report to the members of Baqus Group plc

We have audited the financial statements of Baqus Group plc for the year ended 30 June 2011 which comprise the consolidated income statement, the consolidated and parent company balance sheets, the consolidated and parent company cash flow statements, the consolidated and parent company statement of changes in equity and related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 7, the directors are responsible for the preparation of financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view of the group's and parent company's affairs as at 30 June 2011 and of the group's profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and as regards the group financial statements, Article 4 of the IAS Regulation.

Baqus Group plc

**Independent auditor's report to the shareholders of
Baqus Group plc**

..... continued

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept 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.

Stephen Jolley, (Senior Statutory Auditor)
for and on behalf of
Alexander & Co
Chartered Accountants and
Statutory Auditors
17 St Ann's Square
Manchester
M2 7PW

Date: 18 November 2011

Baqus Group plc

**Consolidated statement of comprehensive income
for the year ended 30 June 2011**

	Note	Continuing operations	
		2011 £'000	2010 £'000
Revenue	4	7,349	7,262
Cost of sales		(5,608)	(6,213)
		-----	-----
Gross profit		1,741	1,049
Operating expenses		(1,581)	(1,846)
Exceptional costs	8	(113)	(295)
		-----	-----
Operating profit/(loss)		47	(1,092)
Investment revenue	9	-	1
Finance costs	9	(14)	(27)
		-----	-----
Profit/(loss) before taxation		33	(1,118)
Taxation	10	(9)	302
		-----	-----
Profit/(loss) for the year attributable to equity holders of the parent		24	(816)
		-----	-----
Total comprehensive profit/(loss) for year attributable to equity holders of the parent	26	24	(816)
		-----	-----
Earnings per share	12		
Basic earnings per share (pence)		0.02p	(0.72p)
Diluted earnings per share (pence)		0.02p	(0.66p)
		=====	=====

The notes on pages 16 to 37 form an integral part of these financial statements.

Baqus Group plc

**Consolidated balance sheet
as at 30 June 2011**

	Note	2011 £'000	2010 £'000
Non-current assets			
Intangible assets	14	8,643	8,516
Property, plant and equipment	15	226	341
Deferred tax asset	22	223	249
		-----	-----
		9,092	9,106
		-----	-----
Current assets			
Trade and other receivables	16	1,879	2,599
Cash and cash equivalents	17	709	214
		-----	-----
		2,588	2,813
		-----	-----
Total assets		11,680	11,919
		=====	=====
Current liabilities			
Trade and other payables	18	(1,213)	(1,233)
Current tax liabilities		-	(126)
Financial liabilities	19	(12)	(20)
Borrowings	20	(297)	(349)
		-----	-----
		(1,522)	(1,728)
		-----	-----
Net current assets		1,066	1,085
		-----	-----
Non-current liabilities			
Financial liabilities	19	(4)	(19)
Deferred income tax liability	22	(31)	(31)
Provision for other liabilities and charges	23	-	(42)
		-----	-----
		(35)	(92)
		-----	-----
Total liabilities		(1,557)	(1,820)
		=====	=====
Net assets		10,123	10,099
		=====	=====
Equity			
Share capital	24	5,663	5,663
Share premium account	25	4,690	4,690
Retained earnings	26	(230)	(254)
		-----	-----
Equity attributable to owners of the company		10,123	10,099
		=====	=====

The financial statements were approved by the Board of Directors and authorised for issue on 18 November 2011

Clive Sayer
Chief Executive Officer

Patrick Lineen
Financial Director

Company number 06013357

The notes on pages 16 to 37 form part of these financial statements.

Baqus Group plc

**Company balance sheet
as at 30 June 2011**

	Note	2011 £'000	2010 £'000
Non-current assets			
Investments	13	-	-
Intangible assets	14	8,643	8,516
Property, plant and equipment	15	226	341
Deferred tax asset	22	223	249
		-----	-----
		9,092	9,106
		=====	=====
Current assets			
Trade and other receivables	16	1,879	2,599
Cash and cash equivalents	17	709	214
		-----	-----
		2,588	2,813
		-----	-----
Total assets		11,680	11,919
		=====	=====
Current liabilities			
Trade and other payables	18	(1,410)	(1,430)
Current income tax liabilities		-	(126)
Financial liabilities	19	(12)	(20)
Borrowings	20	(297)	(349)
		-----	-----
		(1,719)	(1,925)
		-----	-----
Net current assets		869	888
		-----	-----
Non-current liabilities			
Financial liabilities	19	(4)	(19)
Deferred income tax liability	22	(31)	(31)
Provision for other liabilities and charges	23	-	(42)
		-----	-----
		(35)	(92)
		-----	-----
Total liabilities		(1,754)	(2,017)
		=====	=====
Net assets		9,926	9,902
		=====	=====
Equity			
Share capital	24	5,663	5,663
Share premium account	25	4,690	4,690
Retained earnings	26	(427)	(451)
		-----	-----
Equity attributable to owners of the company		9,926	9,902
		=====	=====

The financial statements were approved by the Board of Directors and authorised for issue on 18 November 2011

Clive Sayer
Chief Executive Officer

Patrick Lineen
Financial Director

Company number: 06013357

The notes on pages 16 to 37 form part of these financial statements.

Baqus Group plc

**Consolidated and company statement of cash flow
for the year ended 30 June 2011**

	Notes	Group		Company	
		2011 £'000	2010 £'000	2011 £'000	2010 £'000
Net cash inflow/(outflow) from operating activities	28	635	(84)	635	(729)
Investing activities					
Interest received		-	1	-	1
Proceeds on disposal of property, plant and equipment		33	21	33	21
Purchase of property, plant and equipment		(32)	(177)	(32)	(177)
Deferred consideration payments in the year		(66)	-	(66)	-
Net cash used in investing activities		(65)	(155)	(65)	(155)
Financing activities					
Finance lease obligations		(23)	(32)	(23)	(32)
Dividends received		-	-	-	1,002
Dividends paid		-	(73)	-	(73)
Repayments of loan notes		(52)	(600)	(52)	(600)
Net cash (used in)/ generated by financing activities		(75)	(705)	(75)	297
Net increase/(decrease) in cash equivalents		495	(944)	495	(587)
Cash and cash equivalents at beginning of year		214	1,158	214	801
Cash and cash equivalents at end of year		709	214	709	214

The notes on pages 16 to 37 form part of the accounts

Baqus Group plc

**Consolidated statement of changes in equity
for the year ended 30 June 2011**

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
Changes in equity				
As at 1 July 2009	5,663	4,690	635	10,988
Equity dividends paid	-	-	(73)	(73)
Total comprehensive loss for the year attributable to equity holders of the parent company	-	-	(816)	(816)
As at 30 June 2010	<u>5,663</u>	<u>4,690</u>	<u>(254)</u>	<u>10,099</u>
Total comprehensive income for the year attributable to equity holders of the parent company	-	-	24	24
As at 30 June 2011	<u>5,663</u> =====	<u>4,690</u> =====	<u>(230)</u> =====	<u>10,123</u> =====

The notes on pages 16 to 37 form part of these accounts.

Baqus Group plc

**Company statement of changes in equity
for the year ended 30 June 2011**

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total £'000
Changes in equity				
As at 1 July 2009	5,663	4,690	272	10,625
Equity dividends paid	-	-	(73)	(73)
Loss for the year attributable to equity holders of the parent company	-	-	(650)	(650)
As at 30 June 2010	----- 5,663	----- 4,690	----- (451)	----- 9,902
Profit for the year attributable to equity holders of the parent company	-	-	24	24
As at 30 June 2011	----- 5,663 =====	----- 4,690 =====	----- (427) =====	----- 9,926 =====

The notes on pages 16 to 37 form part of these accounts.

Baqus Group plc

Notes to the consolidated financial statements for the year ended 30 June 2011

1. General information

Baqus Group plc (“the company”) is a company incorporated in the United Kingdom under the Companies Act.

The address of the registered office is 2/3 North Mews, London WC1 2JP. The principal activities of the Group are set out in the Directors’ report.

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates.

2. Accounting policies

The principal accounting policies adopted in the financial statements are set out below.

Basis of accounting

The financial statements have been prepared in accordance with applicable UK law and International Financial Reporting Standards (IFRSs) as adopted for use in the European Union including International Accounting Standards (IAS) and Interpretations issued by the International Reporting Interpretations Committee (IFRIC).

The financial statements have been prepared on the historical cost basis.

Going concern

The Group’s business activities together with factors likely to affect its future development are set out in the Chief Executive’s statement. The financial position of the Group and its cash flow, liquidity position and borrowings facilities are described in the Financial Director’s Report. Furthermore, the Directors Report sets out the Group’s objectives and policies for managing its capital and its exposure to various risks. In carrying out their duties in respect of going concern, the directors have completed a review of the Group’s current financial position and completed cash flow forecasts for a period of 12 months from the date of signing these financial statements. This review included sensitivity analysis to determine the potential impact on the Group of reasonably possible scenarios. Under all modelled scenarios the Group banking facilities were sufficient.

Basis of consolidation

The Group’s financial statements consolidate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up the effective date of disposal as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Baqus Group plc

Notes to the consolidated financial statements for the year ended 30 June 2011

2. Accounting policies (cont...)

Business combinations

The acquisitions of subsidiaries are accounted for using the purchase method.

The cost of the acquisition is measured at the aggregate of the fair values, at the date of the exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS3 are recognised at their fair values at the acquisition date.

Goodwill arising on acquisitions is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised.

If after reassessment, the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination the excess is immediately recognised in profit and loss. Adjustments to contingent consideration for acquisitions made before 1 May 2010 (from which date IFRS 3 (revised) has been adjusted) are recorded against goodwill. There have been no acquisitions on or after 1 May 2010.

Revenue

Revenue represents the invoiced value of services provided net of value added tax. It comprises the amounts billed to clients in respect of the provision of quantity surveying services with the movement in revenue recognised but not invoiced.

Investment revenue

Investment revenue is recognised on an accrued basis.

Revenue recognition

Revenue is recognised as contract activity progresses to reflect the Group's performance of its contractual obligations. The right to consideration, by reference to the value of the work performed, is included in the accounts as accrued income under receivables. Where the amount which the client will accept or be able to pay is uncertain, provision has been made to reduce the accrued income to its net realisable value. Where the substance of a contract is that a right to consideration does not arise until the occurrence of a critical event, revenue is not recognised until that event occurs. Where fees on a project are invoiced in advance, the income is treated as deferred and included in payables.

Retirement benefit costs

Retirement benefits to employees are provided by defined contribution schemes that are funded by the Group and employees. Payments are made to pension trusts that are financially separate from the Group.

Intangible assets

Goodwill arising from the purchase of subsidiary undertakings, represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary acquired, and is capitalised as an intangible asset.

Baqus Group plc

Notes to the consolidated financial statements for the year ended 30 June 2011

2. Accounting policies (cont...)

Intangible assets

Goodwill is not amortised but is reviewed for impairment at least annually. Further information relating to the impairment testing is included in note 14.

Goodwill is measured at cost less any accumulated impairment losses. Any impairment losses are recognised through the income statement.

Other tangible assets are measured initially at cost and are amortised over their estimated useful lives. The carrying amount is reduced by any provision for impairment where necessary. Intangible assets are not amortised until they are brought into use.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. Depreciation is provided on all property, plant and equipment at rates calculated to write off the cost, less estimated residual value of each asset evenly over its expected useful economic life, as follows:

Motor vehicles	25%-33.3% per annum
Fixtures, fittings and equipment	10-20% per annum
Computer	33-50% per annum

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets, or, where shorter, over the term of the relevant lease.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Financial instruments

Financial assets and financial liabilities are recognised on the balance sheet when the group or company becomes a party to the contractual provisions of the instrument. Issue costs are offset against the proceeds of such instruments.

Trade receivable

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired.

Cash and cash equivalents

Cash and cash equivalents comprise cash and balances with banks.

Trade payables

Trade payables are initially measured at fair value and subsequently at amortised cost.

Borrowings

Interest bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. After initial recognition, borrowings are measured at amortised cost. Borrowing costs are recognised in profit and loss in the period in which they are incurred.

**Notes to the consolidated financial statements
for the year ended 30 June 2011**

2. Accounting policies (cont...)

Equity instruments

Equity instruments issued by the group are recorded at the proceeds received net of direct costs.

Provisions

Provisions are recognised when the group or company has a present obligation as a result of a past event, and it is probably that the group or company will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at their fair value, or if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Rentals paid under operating leases are charged against profits on a straight line basis over the period of the lease.

Taxation expense

The tax expense represents the sum of the tax currently payable and deferred tax.

Current taxation

The tax currently payable is based on taxable profit for the year. Taxable profit differs from the net profit as reported in the income statement because it excludes items that are never taxable or deductible. The liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statement and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the reversal of the temporary difference may be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

**Notes to the consolidated financial statements
for the year ended 30 June 2011**

2. Accounting policies (cont...)

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Financial liability and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group has only one class of share in existence.

Finance costs

Finance costs are recognised in the income statement in the year in which they are incurred.

Share based payments

Where equity investments are granted to persons other than employees, the Statement of Comprehensive Income is charge with the fair value of the goods and services received, except to the extent to which such goods or services form part of the cost of the acquisition of an asset. In such cases the fair value of goods and services received is added to the cost of the asset or treated as a cost of issuing the equity instrument.

The Group issues equity-settled share based payments to certain employees. Equity-settled share based payment is expensed on a straight line basis over the vesting period, based upon the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Critical accounting estimates and judgements

The Group makes estimates and judgements concerning the future and the resulting estimates may, by definition, vary from the actual results. The Directors considered the critical accounting estimates and judgements used in the financial statements and concluded that the main areas of judgement are:

- Revenue recognition policies in respect of contracts which straddle the year end
- Valuation of intangible assets

These estimates are based on historical experience and various other assumptions that management and the Board of Directors believe are reasonable under the circumstances and are discussed, to the extent necessary, in more details in their respective notes.

Baqus Group plc

Notes to the consolidated financial statements for the year ended 30 June 2011

3. Adoption of new and revised standards

In the current year the following new and revised standards and interpretations have been adopted. Their adoption has not had any significant impact on the amounts reported in these financial statements but may impact the accounting for future transactions and arrangements.

IFRS 3 (2008) Business Combinations. This revision introduced a number of changes in the accounting for business combinations. There has been no significant impact on the financial statements as no acquisitions made on or after 1 May 2010.

At the date of authorisation of these financial statements, the following relevant standard and interpretations were in issue but not yet effective and have not been applied in these financial statements:

- IFRS 9 'Financial Instruments' – effective 1 January 2013
- IFRS 13 'Fair Value Measurements' – effective 1 January 2013
- IFRS 10 'Consolidated Financial Statements' – effective 1 January 2013
- IAS 27 'Separate Financial Statements' – effective 1 January 2013
- IAS 24 'Related Party Disclosures' (Revised) – effective 1 January 2011
- Improvements to IFRSs 2010 (May 2010) – effective 1 January 2011

The directors do not expect that the adoption of the standards listed above will have a material impact of future financial statements.

4. Revenue

Analysis of the Group's revenue is as follows:

	2011	2010
	£'000	£'000
Continuing operations		
Provision of professional services	7,349	7,262
Investment income	-	1
	-----	-----
	7,349	7,263
	=====	=====

The Group has adopted IFRS8 which requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Chief Operating Decision Maker (CODM) to allocate resources to the segments and to assess their performance. Segment information is reported on the same basis as our internal management reporting structure which drives how the Group is organised and managed.

The Group is principally engaged in the provision of quantity surveying services in the UK. The CODM has been identified as the Board. Operational and financial information, which is primarily at an individual unit level, is received by the CODM on a monthly basis. Baqus does not distinguish between geography or brand. The unit information does not meet the quantitative thresholds as required by IFRS8, as such management has judged it appropriate to aggregate the financial information relating to all units into a single reportable segment.

Baqus Group plc

Notes to the consolidated financial statements for the year ended 30 June 2011

5. Profit/(Loss) for the year

Profit/(Loss) for the year has been arrived at after charging/(crediting):

	2011	2010
	£'000	£'000
Depreciation of property, plant and equipment:		
• Owned assets	112	107
• Under finance assets	8	24
Operating lease rentals:		
• Plant and machinery	12	12
• Property	229	307
Profit on disposal of fixed assets	(7)	(1)
	-----	-----

6. Directors and employees

The average number of employees (including Executive Directors) was:

	Number	Number
Fee earning	80	85
Support	21	23
	-----	-----
	101	108
	=====	=====

	£'000	£'000
Their aggregate remuneration comprised:		
Wages and salaries	4,068	4,468
Social security costs	452	516
Other pension costs	82	94
	-----	-----
	4,602	5,078
	=====	=====

Directors' remuneration

Directors' remuneration and benefits in kind	298	322
Directors' pension contributions	7	7
	-----	-----
	305	329
	=====	=====

The highest paid director in the year received total remuneration of £85,280 (2010 - £86,838) and pension contributions made by the company in respect of that director were £2,250 (2010 - £2,250).

The number of directors to whom retirement benefits are accruing under money purchase schemes is 3 (2010 - 3).

Baqus Group plc

**Notes to the consolidated financial statements
for the year ended 30 June 2011**

7. Auditor's remuneration	2011	2010
The analysis of Auditors' remuneration is as follows:	£'000	£'000
Fees payable to the company's Auditors for the audit of the company's annual accounts	21	33
	-----	-----
Total audit fee	21	33
	-----	-----
Other services	-	4
	-----	-----
	21	37
	=====	=====
8. Exceptional costs restructuring	£'000	£'000
Redundancy costs	114	112
Office reorganisation costs	(1)	183
	-----	-----
	113	295
	=====	=====
9. Investment revenue and finance costs		
Investment income	£'000	£'000
Bank deposits	-	1
	-----	-----
Finance costs		
Interest on loan notes	(7)	(17)
Interest on taxation	(3)	-
Interest on hire purchase	(4)	(10)
	-----	-----
	(14)	(27)
	=====	=====
10. Taxation	£'000	£'000
Current tax charge/(credit)	26	(80)
Prior year charge	9	-
Deferred tax (note 22)	(26)	(222)
	-----	-----
	9	(302)
	=====	=====

Corporation Tax is calculated at 21% (2010 – 28%) of the estimated assessable profit for the year.

The charge for the year can be reconciled to the profit per the income statement as follows:

Profit/(loss) before taxation	33	(1,118)
	-----	-----
Profit/(loss) before taxation multiplied by the standard rate of Corporation Tax in the UK 21% (2010 – 28%)	7	(313)
Timing differences	10	5
Expenses not deductible for tax purposes	9	6
	-----	-----
Current tax charge	26	(302)
	=====	=====

Baqus Group plc

**Notes to the consolidated financial statements
for the year ended 30 June 2011**

11. Dividends

	£'000	£'000
Amounts recognised as distributions to equity holders in the year		
Final dividend for the year ended 30 June 2009 of 0.06 pence per share	-	73
	-----	-----
	-	73
	=====	=====

No dividends were paid during the year.

12. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

	2011 £'000	2010 £'000
Earnings		
Earnings for the purpose of the earnings per share being net profit/(loss) attributable to equity holders of the parent	24	(816)
	=====	=====
 Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	113,250,000	113,250,000
Weighted average number of ordinary shares for the purpose of diluted earnings per share	124,256,257	124,256,257
	=====	=====

Basic earnings per share includes shares subject only to time as if they had been issued at the beginning of the period.

13. Investments

	2011 £'000	2010 £'000
Company		
Investments in Group companies		
Cost		
At start and end of year	10,715	10,715
	=====	=====
Provision		
At start of year	10,715	(6,768)
Change in year	-	(3,947)
	-----	-----
As end of year	10,715	10,715
	-----	-----
Carrying value	-	-
	=====	=====

Details of principal operating subsidiaries are set out below. These undertakings are included in the Group consolidated accounts and are all 100% owned.

Baqus Group plc

Notes to the consolidated financial statements for the year ended 30 June 2011

13. Investments (cont...)

Subsidiary undertakings	Nature of business
Boxall Sayer Limited	Quantity Surveying to 31 January 2009
Denley King Construction Consultants Limited	Quantity Surveying to 31 January 2009
Fletcher McNeill & Partners Limited	Quantity Surveying to 1 July 2009
Baqus Limited	Dormant

The trade and assets of Boxall Sayer Limited and Denley King Construction Consultants Limited were transferred to the Parent Company during the year ended 30 June 2009. The trade and assets of Fletcher McNeill & Partners Limited were transferred to the Parent Company on 1 July 2009. Since the transfers of the trades and the assets the subsidiaries have not traded.

14. Intangible assets	2011	2010
Group	£'000	£'000
As at 1 July 2010	8,507	8,507
Changes	127	-
	-----	-----
As at 30 June 2011	8,634	8,507
	=====	=====
 Other Intangibles		
As at 1 July 2010	9	9
	-----	-----
As at 30 June 2011	9	9
	-----	-----
Total as at 30 June 2011	8,643	8,516
	=====	=====

Goodwill and other intangible assets comprise the following amounts:

Boxall Sayer	3,263	3,263
Fletcher McNeill	3,107	3,107
Denley King	1,894	1,894
Other	21	21
Sworn King	326	208
Nigel Rose	32	23
	-----	-----
	8,643	8,516
	=====	=====

Baqus Group plc

Notes to the consolidated financial statements for the year ended 30 June 2011

14. Intangible assets (cont...)

The Group tests intangible assets annually for impairment. The recoverable amounts of the cash-generating units (CGUs) are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes in selling prices and direct costs. Management estimates discounts rates on the basis of current market assessments of the time value of money and the risks specific to the CGUs. Anticipated growth rates, changes in selling prices and direct costs are based on past practices and expectations of future changes in the market. The Group has prepared forecasts over the next five years, which have then been extrapolated for a further eleven years using estimated growth rates for each CGU, which average 2.5%. These rates do not exceed the long term growth rates for the relevant markets. The rate used to discount the forecast cash flows from all CGUs is 3%.

	2011	2010
Company	£'000	£'000
As at 1 July 2010	8,507	5,401
Transferred from subsidiary	-	3,106
Other changes	127	-
	-----	-----
As at 30 June 2011	8,634	8,507
	=====	=====
Other intangibles		
As at 1 July 2010	9	9
	-----	-----
As at 30 June 2011	9	9
	=====	=====
Total as at 30 June 2011	8,643	8,516
	=====	=====
Goodwill comprises the following amounts:		
Transferred from subsidiaries:		
Boxall Sayer	3,276	3,276
Denley King	1,894	1,894
Fletcher McNeill	3,107	3,106
	-----	-----
	8,277	8,276
	=====	=====
Recognised on acquisitions:		
Sworn King	300	208
Nigel Rose	57	23
	-----	-----
	357	231
	-----	-----
Total goodwill	8,634	8,507
	=====	=====

During the year additional contingent consideration of £92,000 and £34,000 became payable following the acquisition of the trade and assets of Sworn King and Nigel Rose respectively. As the acquisitions were made before 1 May 2010, the value of goodwill has been adjusted to reflect the deferred consideration.

Baqus Group plc

**Notes to the consolidated financial statements
for the year ended 30 June 2011**

15. Property Plant and Equipment

Group and Company	Computers £'000	Fixtures £'000	Motor cars £'000	Total £'000
Cost				
As at 1 July 2010	226	143	99	468
Additions	-	32	-	32
Disposals	-	-	(54)	(54)
	-----	-----	-----	-----
At as 30 June 2011	226	175	45	446
	=====	=====	=====	=====
Depreciation				
As at 1 July 2010	102	22	3	127
Charge for the year	73	17	30	120
Disposals	-	-	(27)	(27)
	-----	-----	-----	-----
As at 30 June 2011	175	39	6	220
	=====	=====	=====	=====
Carrying amount				
As at 30 June 2011	51	136	39	226
	=====	=====	=====	=====
As at 30 June 2010	124	121	96	341
	=====	=====	=====	=====
Group and Company £'000				
Cost				
As at 1 July 2009	158	122	151	431
Additions	68	85	24	177
Disposals	-	(64)	(76)	(140)
	-----	-----	-----	-----
At as 30 June 2010	226	143	99	468
	=====	=====	=====	=====
Depreciation				
As at 1 July 2009	43	43	13	99
Charge for the year	59	29	43	131
Disposals	-	(50)	(53)	(103)
	-----	-----	-----	-----
As at 30 June 2010	102	22	3	127
	=====	=====	=====	=====
Carrying amount				
As at 30 June 2010	124	121	96	341
	=====	=====	=====	=====
As at 30 June 2009	115	79	138	332
	=====	=====	=====	=====

Baqus Group plc

**Notes to the consolidated financial statements
for the year ended 30 June 2011**

16. Trade and other receivables

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Trade receivables	1,290	1,541	1,290	1,541
Allowance for doubtful debts	(63)	(85)	(63)	(85)
	-----	-----	-----	-----
	1,227	1,456	1,227	1,456
	=====	=====	=====	=====
Other receivables	7	1	7	1
Other taxes	-	-	-	-
Prepayments and accrued income	645	1,142	645	1,142
	-----	-----	-----	-----
	1,879	2,599	1,879	2,599
	=====	=====	=====	=====

Trade receivables comprises amounts receivable from the provision of services. The directors consider that the carrying value of trade and other assets approximates to their fair value.

As at 30 June the analysis of trade receivables that were not impaired is as follows:

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Up to 30 days	735	847	735	847
31-90 days	376	450	376	450
More than 90 days	116	159	116	159
	-----	-----	-----	-----
	1,227	1,456	1,227	1,456
	=====	=====	=====	=====

Movement in the allowance for doubtful debts

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Balance at beginning of year	85	86	85	86
Amounts written off during the year	(51)	(16)	(51)	(16)
Increase in allowance recognised in profit and loss	29	15	29	15
	-----	-----	-----	-----
Balance at end of year	63	85	63	85
	=====	=====	=====	=====

Baqus Group plc

**Notes to the consolidated financial statements
for the year ended 30 June 2011**

17. Cash and cash equivalents

	Group		Company	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Cash at bank	709	214	709	214
	=====	=====	=====	=====

18. Trade and other payables

	Group		Company	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Trade payables	258	358	258	358
Amounts due to Group undertakings	-	-	197	197
Other payables	146	170	146	170
Other taxes and social security	441	400	441	400
Accruals	368	305	368	305
	-----	-----	-----	-----
	1,213	1,233	1,410	1,430
	=====	=====	=====	=====

Trade and other payables principally comprises amounts outstanding for trade purchases and on-going costs. The average credit period is 43 days (2010 – 41 days). The Directors consider the carrying amounts recognised in the balance sheet to be a reasonable approximation of their fair value. Included in other payables are amounts the Directors estimate are payable on the deferred element of the consideration payable for businesses that have been acquired.

Baqus Group plc

**Notes to the consolidated financial statements
for the year ended 30 June 2011**

19. Financial liabilities	Group		Company	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Current				
Obligations under finance leases and hire purchase contracts	12	20	12	20
	=====	=====	=====	=====
Non-current				
Obligations under finance leases and hire purchase contracts	4	19	4	19
	=====	=====	=====	=====

The present value of finance liabilities is as follows:

	Group		Company	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Amounts payable under finance leases and hire purchase contracts:				
Within one year	15	23	15	23
In the second to fifth years	5	23	5	23
	-----	-----	-----	-----
	20	46	20	46
	=====	=====	=====	=====
Future finance charges in finance leases and hire purchase contracts	(4)	(7)	(4)	(7)
	-----	-----	-----	-----
Present value of finance lease liabilities	16	39	16	39
	=====	=====	=====	=====

It is the group's policy to lease certain of its vehicles under finance leases. The average lease term is 3 years. For the year ended 30 June 2011, the average effective borrowing rate was 7.5% (2010 – 7.5%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. All lease obligations are denominated in sterling. The fair value of the Group's lease obligations are secured by the lessors' rights over the leased assets.

20. Borrowings	2011	2010
	£'000	£'000
Loan notes at start of year	349	949
Loan notes repaid	(52)	(600)
	-----	-----
Loan notes at end of year	297	349
	=====	=====
	Total	Total
	£'000	£'000
Due in:		
Less than one year	297	349
	=====	=====

Baqus Group plc

Notes to the consolidated financial statements for the year ended 30 June 2011

20. Borrowings (cont...)

The loan notes were issued on 14 December 2007 following the acquisition by the company of the three subsidiaries partly financed by cash. The vendors loaned the cash element received back to the company. Loan notes bear interest at National Westminster Bank base rate plus 2.5%.

21. Retirement benefit obligations

Pension costs represent amounts payable into the Baqus Denley King Construction Consultants, Baqus Sworn King and Baqus Nigel Rose group personal pension plans. During the year £82,079 (2010 - £93,978) was recognised as a pensions expense. As at 30 June 2011, contributions of £10,782 (2010 - £10,435) due in respect of the year had not been paid over to the schemes.

22. Deferred tax

Group	2011		2010	
	Accelerated tax depreciation (deferred liability) £'000	Tax losses (non-current) asset) £'000	Accelerated tax depreciation (deferred liability) £'000	Tax losses (non-current) asset) £'000
Balance at start of year	31	(249)	4	-
Charged/(credited) to income statement	-	26	27	(249)
Balance at end of year	31	(223)	31	(249)

Company

Company	2011		2010	
	Accelerated tax depreciation (deferred liability) £'000	Tax losses (non-current) asset) £'000	Accelerated tax depreciation (deferred liability) £'000	Tax losses (non-current) asset) £'000
Balance at start of year	31	(249)	(13)	-
Charged/(credited) to income statement	-	26	44	(249)
Balance at end of year	31	(223)	31	(249)

At the balance sheet date, the Group has un-utilised tax losses of approximately £961k available for offset against future profits. A deferred tax asset has been recognised in respect of these losses. Deferred tax is calculated in full on timing differences under the liability method using a tax rate of 23% (2010 – 28%). The Board has looked at forecasts for the next two years which give them confidence that these tax losses are likely to be utilised over that period.

Baqus Group plc

**Notes to the consolidated financial statements
for the year ended 30 June 2011**

23. Provision for other liabilities and charges

	2011	2010
	£'000	£'000
Obligations under onerous lease		
At start of year	42	-
(Credited)/charged to the income statement	(18)	42
Payment of obligations	(24)	-
	-----	-----
At end of year	-	42
	=====	=====

This provision represents the cost of the remainder of a lease of offices to 24 March 2012 at Kidlington, which the Group no longer occupies. The Group negotiated the payment of a lump sum during the year in order to terminate the lease early.

24. Share Capital

	2011	2010
	£'000	£'000
Authorised		
250,000,000 ordinary shares of 5p each	12,500	12,500
	=====	=====
Issued and fully paid		
113,250,000 ordinary shares of 5p each	5,663	5,663
	=====	=====

The company has one class of ordinary shares that carries no right to fixed income. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company. All shares rank equally with regard to the company's residual assets.

25. Share premium account

	2011	2010
	£'000	£'000
At start of year	4,690	4,690
	-----	-----
At end of year	4,690	4,690
	=====	=====

26. Retained earnings

	Group		Company	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
At start of year	(254)	635	(451)	272
Profit/(loss) for the year after tax	24	(816)	24	(650)
Dividends	-	(73)	-	(73)
	-----	-----	-----	-----
At end of year	(230)	(254)	(427)	(451)
	=====	=====	=====	=====

Baqus Group plc

**Notes to the consolidated financial statements
for the year ended 30 June 2011**

27. Share based payments

Type of arrangement	Date granted	Option price	Number granted	
EMI Share Options	21/4/2008	8.38p	6,930,363	
Share Save Scheme: Five Year Scheme	18/6/2008	5.8p	2,348,833	

			9,279,196	
			=====	
	2011		2010	
	Number of options 000's	Weighted average exercisable price	Number of options 000's	Weighted average exercisable price
Outstanding as at 1 July 2010	10,595	7.5p	10,996	7.5p
Forfeited	(1,316)	5.8p	(401)	5.8p
	-----	-----	-----	-----
Outstanding as at 30 June 2011	9,279	7.7p	10,595	7.5p
	=====	=====	=====	=====

The EMI options are exercisable by a cash payment between the second and the fifth anniversary of grant at the exercise price of 8.38 pence per share.

Employees who applied under the Sharesave scheme save by the way of monthly contributions from the employee's post-tax salary and can then exercise the options to purchase shares out of the savings at 5.8 pence after three or five years.

The three-year Sharesave scheme terminated as at 30 June 2011 and the five-year Sharesave scheme was terminated, with the members' consent, shortly after 30 June 2011.

Baqus Group plc

**Notes to the consolidated financial statements
for the year ended 30 June 2011**

**28. Notes to the cashflow statement
for the year ended 30 June 2011**

	Group		Company	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Profit/(loss) for the period	24	(816)	24	(650)
Adjust for:				
Income tax expense/(refund)	9	(302)	9	(302)
Investment revenue	-	(1)	-	(1)
Dividends receivable from Group undertakings	-	-	-	(1,002)
Write down in value of investment in Group undertakings	-	-	-	840
Finance costs	14	27	14	27
Depreciation of property, plant and equipment and profit on disposal	114	131	114	131
Decrease in deferred tax asset	26	-	26	-
Decrease in provisions	(42)	-	(42)	-
	-----	-----	-----	-----
Operating cashflows before movements in working capital	145	(961)	145	(957)
	-----	-----	-----	-----
Decrease in receivables	720	1,000	720	518
Decrease in payables	(81)	(96)	(81)	(263)
	-----	-----	-----	-----
Cash generated/(absorbed) by operations	784	(57)	784	(702)
	-----	-----	-----	-----
Income taxes paid	(135)	-	(135)	-
Interest paid	(14)	(27)	(14)	(27)
	-----	-----	-----	-----
Net cash generated/(absorbed) from operating activities	635	(84)	635	(729)
	=====	=====	=====	=====

29. Capital Commitments

	2011 £'000	2010 £'000
Contracted but not provided for	-	-
	=====	=====

Baqus Group plc

Notes to the consolidated financial statements for the year ended 30 June 2011

30. Operating lease arrangements – minimum lease payments The Group as lessee

Annual Group and Company obligations under operating leases are as follows:

	2011 £'000	2010 £'000
Minimum lease payments under operating leases recognised as an expense in the year		
Leased movable assets	98	96
Rent	218	307
	-----	-----
	316	403
	=====	=====

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

Within one year	319	338
Between one and five years	551	610
More than five years	50	51
	-----	-----
	920	999
	=====	=====

Operating lease payment primarily represent rentals payable by the Group for its office properties.

31. Post balance sheet events

There were no material post balance sheet events.

32. Financial instruments

Financial risk management objectives and control.

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of debt, which includes the borrowings disclosed in note 20, finance leases and hire purchase contracts, cash and cash equivalents and equity distributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed on the balance sheet.

The Group is not subject to externally imposed capital requirements.

There are no material differences between book value and fair value of financial instrument as at 30 June 2010 and June 2011.

The main risks arising from the Group's financial instrument are interest rate risk, credit risk and liquidity risk.

Baqus Group plc

**Notes to the consolidated financial statements
for the year ended 30 June 2011**

32. Financial instruments (cont...)

Interest rate risk – the Group partly finances its operations by loan notes at contracted rates of interest. As noted in note 20 on borrowings, all loan notes are linked to National Westminster Bank plc base rates. The Group does not seek to fix interest rates on those borrowings as the Board currently considers the exposure to interest risk acceptable.

Credit risk – The Group has no significant concentration of credit risk in terms of large amounts due from individual clients. The Group monitors trade receivables and applies vigorous credit control as part of its efforts to maximise cash generation.

Liquidity risk – In addition to positive cash balances of £709,000 the Group has an unutilised overdraft facility of £300,000 and the directors consider that the Group's banking facilities are adequate going forward.

The table below summarise the maturity profile of the group's financial liabilities at 30 June 2011 based on contractual payments:

As at 30 June 2011	Group			Company		
	£'000	£'000	£'000	£'000	£'000	£'000
	Within	Between	Total	Within	Between	Total
	one year	one and		one year	one and	
		five years			five years	
Hire purchase	12	4	16	12	4	16
Trade & other payables	1,210	-	1,210	1,408	-	1,408
	-----	-----	-----	-----	-----	-----
	1,222	4	1,226	1,420	4	1,424
	=====	=====	=====	=====	=====	=====
As at 30 June 2010	Group			Company		
	£'000	£'000	£'000	£'000	£'000	£'000
	Within	Between	Total	Within	Between	Total
	one year	one and		one year	one and	
		five years			five years	
Hire purchase	20	19	39	20	19	39
Trade & other payables	528	-	528	725	-	725
	-----	-----	-----	-----	-----	-----
Total	548	19	567	745	19	764
	=====	=====	=====	=====	=====	=====

Baqus Group plc

Notes to the consolidated financial statements for the year ended 30 June 2011

33. Related party transactions

- 33.1 S Marsden and R McNeill, Directors of Fletcher McNeill and Partners Limited, leased the premises of 46 Manchester Road and 23 Roscoe Road to Baqus Group plc. The cost to the Company in the financial year to 30 June 2011 was £40,000.
- 33.2 On 14 December 2007 C Sayer, R McNeill and G Williams, Directors of the company, acquired loan notes from the Company, for cash consideration of £420,997, £345,665 and £5,965 respectively. These loan notes bear interest at National Westminster Bank base rates plus 2.5% and are due to be repaid by 14 December 2011. During the year no loan notes repayments were made to C Sayer, R McNeill or G Williams, as the Directors have agreed to postpone payment of the loan notes until after 30 June 2011. As of this date the amounts due to C Sayer, R McNeill and G Williams were £88,505, £83,129 and £3,281 respectively. Since 30 June 2011, the following payments have been made: C Sayer - £28,242, R McNeill - £16,271, G.Williams - £223. These payments were made on 13 July 2011. The balance due to these directors is due to be paid on 14 December 2011.
- 33.3 On 14 December 2007 P Hurford, S Marsden and J West, who are key managers of the Group, also acquired loan notes in the Company for cash consideration of £336,798, £345,664 and £5,965, on the same terms as the Directors above. During the year £33,891 of the loan notes were repaid to P Hurford and none to S Marsden and J West respectively, as they agreed to postpone payment of the loan notes until after 30 June 2011. As at this date the amounts due to P Hurford, S Marsden and J West were £36,914, £83,129 and £3,281 respectively. On 13 July 2011, the following payments were made: S. Marsden - £16,271, J West - £223. The balance due to these managers is due to be paid on 14 December 2011.
34. **Control**
In the opinion of the directors, there is no single controlling party of the group.