SC72014

QUAYLE MUNRO HOLDINGS PLC

Contents

Highlights of the year

Revenue from continuing operations £5.3m compared with £11.5m last year. Wood Mackenzie transaction completed during July 2012.

Reversing the effect of share based awards and exceptional items, re-stated profit before tax £0.01m (2011 – £3.0m).

Statutory loss before tax, £(8.1)m (2011 – profit £0.2m).

Completion of disposal of Edinburgh advisory business to its management, after the year end.

Advised on a number of major transactions for companies including Virgin Group, Doctors.net.uk Limited, Sagient Research Systems Inc. and Firstassist Legal Expenses.

Follow on investment in Moneybarn and two new investments in MLex Limited and Duvet & Pillow Warehouse Limited.

Final dividend of 22p per share. Total dividends 33p per share (2011 – 32p per share).

Net asset value per share at 30 June 2012 696p per share, (2011 – 908p per share), including cash balances of £14.9m, 327p per share (2011–£17.5m, 384p per share).

Basic loss (183.4)p per share (2011 – (23.2)p) with fully diluted loss of (169.3)p per share (2011 – (21.2)p).

Our business

Quayle Munro is a leading UK independent corporate finance adviser.

In addition to general corporate finance, Quayle Munro focuses its advisory expertise in the Media & Technology sector.

Quayle Munro works with private and public companies, entrepreneurs and private equity investors.

Quayle Munro has established a reputation for the quality and experience of its advisory team and the strength of its long term client relationships.

Quayle Munro's range of corporate advice includes M&A, debt & equity financings, Management Buyouts, and Restructurings.

Quayle Munro has a track record of successfully making investments in businesses, and very selectively, we expect to continue this policy in the future.

Transactions completed in last 12 months include:

Project Sale of Original Additions to LDC

Role Advised the shareholders of Original Additions

Project Investment in CapQuest Group Limited by TowerBrook

Role Advised TowerBrook Capital Partners LP

Project Sale of Doctors.net.uk Limited to M3 USA, part of M3, Inc

Role Advised Doctors.net.uk Limited

Project Advised the Board on the company's new investment strategy and board composition

Role Advised LMS Captal plc

Project Sale of a majority stake in Virgin Active to CVC Captal Partners

Role Advised Virgin Group

Project Acquisition of Northern Rock Plc by Virgin Money

Role Advised the majority shareholder Virgin Group

Project Sale of Firstassist Legal Expenses to Burford Capital Limited

Role Advised the shareholders of Firstassist Legal Expenses

Project Sale of Sagient Research to Informa Plc

Role Advised the shareholders of Sagient Research

Group Directors

Andrew Tuckey
(Chairman)

Andrew Tuckey was appointed a Director in July 2009. He has more than 40 years' experience in corporate finance encompassing M&A, restructuring, IPOs and other capital market transactions for a wide range of clients including private companies, PLCs and government institutions. He joined Quayle Munro in 2008.

Andrew Adams
(Chief Executive)

Andrew Adams was appointed a Director in 2010. He has over 20 years' broad managerial, financial and M&A experience. He joined Quayle Munro in 2008 on its acquisition of The van Tulleken Company, which he joined in 1998. He was previously a consultant to the Educational and Professional Publishing Division of Reed Elsevier PLC and COO of Vivitar Corporation.

Ian McLean
(Non-Executive Director)

Ian McLean was appointed a Director in 2002. He is Senior Independent Director and Chairman of the Audit and Remuneration Committees and a member of the Nominations Committee. Ian is a Non-Executive Director of Northern Bear plc and Chairman of The Foodie Company Limited.

Brian Finlayson
(Non-Executive Director)

Brian Finlayson was appointed a Director in 2005. Member of the Audit, Remuneration and Nominations Committees. Brian was formerly Managing Director of Dunedin Capital Partners Limited and is a Director of Latchways plc and Dunedin Enterprise Investment Trust plc.

Tim Guinness
(Non-Executive Director)

Tim Guinness was appointed a Director in 2007. Member of the Audit, Remuneration and Nominations Committees. Tim established Guinness Atkinson Asset Management in 2002. He is a Non-Executive Director of SR Europe Investment Trust plc, Chairman of Atlantis Japan Growth Fund Limited and Chairman of Brompton Bicycle Limited.

Nick Lyons
(Non-Executive Director)

Nick Lyons was appointed a Director in 2010. Chairman of the Nominations Committee and member of the Audit and Remuneration Committees. Nick was formerly Managing Director of Lehman Brothers (Europe) investment bank and is a Non-Executive Director of Catlin Group Limited, Friends Life Group plc, Non-Executive Director and Chairman of Miller Insurance Services LLP and Chairman of Longbow Capital LLP.

Advisers

Independent Auditors:
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
68-73 Queen Street
Edinburgh EH2 4NH

Bankers:
Bank of Scotland Plc
Head Office, The Mound
Edinburgh EH1 1YZ

Registrars:
Capita Registrars Limited
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Solicitors:
Maclay Murray & Spens LLP
Quartermile One
15 Lauriston Place
Edinburgh EH3 9EP

Broker & Nomad:
Nplus1 Brewin LLP
48 St Vincent Street
Glasgow G2 5TS

Company Number:
SC72014

Website:
www.quaylemunro.com

Registered office:
102 West Port,
Edinburgh EH3 9DN

Senior staff

Colin La Fontaine Jackson
(Managing Director)

Over 15 years' corporate finance and corporate broking experience including public and private company M&A, restructuring and equity capital markets transactions. Previously worked as a lawyer at Clifford Chance, and as a corporate financier at Charterhouse and ING Barings.

Tim Shortland
(Managing Director)

Over 10 years' M&A experience across Europe and the US, he joined Quayle Munro in 2010. Previously Head of Corporate Development at Thomson Reuters Markets Division. Prior to this at Reuters PLC. Worked on numerous M&A transactions predominantly in the financial technology sector.

Julian Moore
(Managing Director)

Over 16 years' corporate finance experience advising on media M&A and media equity capital raisings. Julian joined Quayle Munro in May 2012. Previously worked as Head of Media, EMEA at The Royal Bank of Scotland Plc and as Head of Media Advisory, EMEA at ABN AMRO Bank NV.

Andrew Walls
(Managing Director, Group Finance and Company Secretary)

Appointed during 2009. Completed his chartered accountancy training with PricewaterhouseCoopers, and held senior interim finance posts in both the public and financial services sectors, before joining Quayle Munro in 2004.

Craig Muir
(Managing Director)

Over 10 years' corporate finance experience in a wide range of small and mid cap transactions involving both private and public companies in the media and technology sector. Specialises in B2B, and new media in the professional and business spaces. Previously an analyst at NatWest Global Markets and Credit Suisse First Boston.

Simon Woolton
(Chief Operating Officer and Group Compliance Director)

Over 20 years' corporate finance experience. Appointed as COO in 2010 with responsibility for all operational and compliance areas. Previously at S.G. Warburg & Co. Ltd for 7 years and then a founder shareholder and director at New Boathouse Capital Limited acquired by Quayle Munro in 2007.

Chairman and Chief Executive's statement

Results
Last year was a difficult year for the Group: revenues were significantly down, we reorganised our operations in Edinburgh and decided to impair part of the goodwill carried on our balance sheet.

A summary of the Group's results is shown below. As in the previous year, we show the (loss)/profit before tax both as set out in the statutory accounts and as adjusted for the share scheme component in our remuneration. Under IFRS 2 (the accounting standard) we are required to amortise the costs of share issues over the awards vesting period; however, the Board regards the decision to award shares as a substitute for a cash bonus as a commitment at the time it is made because these awards have been allocated from the bonus pool in each year. Accordingly, the table below shows the effect on profits if all the commitments to award shares are charged against the year when they are made. In addition, the table shows the Group's pre tax (loss)/profit adjusted for non recurring items:

	2012 £'000	2011 £'000	2010 £'000
(Loss)/profit before tax - under IFRS	(8,071)	162	10,860
*Illustrative adjustment to account for LTIP, JOE and deferred cash schemes being charged against the year in which the commitments are made	470	775	(1,517)
Re-stated (loss)/profit before tax	(7,601)	937	9,343
(Loss)/profit before tax adjusted to normalise for non recurring items:			
Impairment of goodwill	5,815	-	-
Reorganisation and redundancy expenses	1,372	202	1,200
Loss from discontinued operations	440	-	95
Investment gains	(15)	(167)	(7,107)
Impairment of investments held as available for sale	-	2,019	125
Share of associates profit	-	-	(602)
Re-stated profit before tax	11	2,991	3,054

*In accordance with IFRS 2, the current year results include charges in respect of the Long Term Incentive plan (LTIP), the Jointly Owned Equity plan (JOE) and the Deferred Cash Award (DCA). The effect of the adjustment above is to account for the cost of the LTIP first tranche in 2011 and second tranche in 2012, leaving further LTIP grants to be accounted for in future financial years. In addition, the adjustment above accounts for the full JOE award in 2010 and the DCA in 2011. No JOE or DCA bonus was granted in the current year.

Group administrative expenses (after bonus and before exceptional items and share based reward costs) were £5.4m, a 21% decrease from £6.8m in 2011. Other operating expenses were £0.9m, decreasing from £2.2m in the previous year, reflecting charges for the 2011 share based bonus award (which was converted from a JOE scheme to a deferred cash award) and charges for both the 2010 LTIP and JOE schemes.

Total bonuses for the year, as approved by the Remuneration Committee of the Board, amounted to £0.3m (2011 - £3.8m), including £Nilm (2011 - £0.7m) of deferred cash based bonus, chargeable against future profits. No bonuses were paid to Managing Directors and Directors and no LTIP tranche was granted in relation to the FY11/12.

Faced with continuing losses we concluded that our Edinburgh based advisory business was not viable within our existing corporate and cost structure. Accordingly, it was announced on 26 July that we had initiated discussions with a senior management team in Scotland with regard to the potential management buyout of the Scottish business. We are pleased that this transaction has now completed, with further details available in the RNS announcement made on 20 September 2012. Under this arrangement the existing Scottish advisory business will be carried out by a new entity, Quayle Munro Project Finance LLP, and controlled by former senior management of Quayle Munro's Edinburgh office. Quayle Munro will continue to hold a minority stake and we expect to continue to work collaboratively with the new entity. Your Board believes this new structure will improve the profitability of the Group and that the new company will thrive with a lower cost structure and the motivation of equity ownership.
Re-organisation and redundancy costs of £1.4m have been charged of which £1.2m relates to the Edinburgh operation, which contributed a loss of £0.4m. The £1.2m relating to the Edinburgh operation comprises, £0.4m redundancy costs, £0.5m property provision costs and £0.3m professional fees and other costs.

Following the annual goodwill impairment review, performed in compliance with International Accounting Standard (IAS) 36, we have impaired £5.8m of goodwill, being half the amount carried on the balance sheet. Drawing on the financial result for the year and with the departure of certain key individuals and consequent cessation of certain advisory activities in specialist sectors, the Board has concluded that an impairment charge was appropriate. This is an accounting entry with no cash or other economic consequences.

After the costs associated with the restructuring of the Group's Edinburgh based business, impairment of goodwill and share option charges, the basic loss per share was (183.4) p (2011 loss – (23.2) p), with fully diluted loss per share of (169.3) p (2011 loss – (21.2) p).

Advisory business
The difficult M&A market has been widely reported in the press and our advisory business is not immune to the economic environment. In particular, the timing of completion of transactions is unpredictable, and can have an impact on the results of the business.

Notwithstanding the comments above, we advised on a number of significant deals which concluded during the year, including:

- The acquisition by Virgin Money of Northern Rock, a transaction on which Quayle Munro advised the Virgin Group over a number of years;
- The sale of Doctors.net.uk Limited to M3, Inc., a publicly listed company on the Tokyo stock exchange;
- The sale of Sagient Research Systems Inc to Informa plc, and;
- The sale of Firstassist Legal Expenses to Burford Capital Limited.

In the public market we advised the Board of LMS Capital plc on the company's new investment strategy and board composition.

We also advised the shareholders of Wood Mackenzie on a recapitalisation in July 2012 in which Hellman & Friedman took a majority stake in the business. The deal placed an enterprise value on Wood Mackenzie of £1.1bn. The fees from this transaction will be recognised in the current year ending 30 June 2013.

Although market conditions generally remain tough, our pipeline of business is good, and we continue to maintain our rigorous standards as we build the advisory business and reputation of Quayle Munro. We have added high calibre staff to the advisory team across all levels and will continue to do so. Julian Moore joined recently as a Managing Director from the Royal Bank of Scotland Plc where he was head of Media, EMEA.

We are optimistic about the prospects for the current year.

Chairman and Chief Executive's statement (continued)

Investments

Morris

While the housing market has continued to demonstrate some signs of recovery, macroeconomic conditions remain challenging and the market place is constrained accordingly. The restriction of availability of finance for buyers along with fragile consumer confidence continues to constrain sales activity and the volume of housing transactions in the UK. Despite this, Morris performed well for the year ended 31 March 2012. Audited results reported: sales of £150m (2011 - £136m); pre-exceptional operating profits of £24m (2011 - £22m); and pre-exceptional profits before tax of £3m (2011 - £3m).

Morris is well positioned to address the market challenges, largely due to the strength of its management team, its established brand of affordable, but high quality homes and its renewed bank facility.

In line with previous years, Morris has commenced the current financial year cautiously, with some slippage in volume, albeit that this is largely offset by strong operating margins.

In considering the valuation of our holding in Morris, we believe that discounting the net tangible worth remains an appropriate valuation basis rather than using price earnings multiples. Using this approach (and applying a discount of 44% recognising gearing and that Morris is unlisted) results in an un-changed valuation of £5.1m for our equity interest, which when combined with our loan stock (fair valued at par) gives an un-changed total valuation of £9.3m (2011 - £9.3m).

Other investments

We continue to hold a number of other small unquoted investments and made two further investments during the year.

AMG, the video and data transmission security business, continues to perform well, against a difficult economic background in some of its overseas markets. Under its AMG Panogenics brand, its exciting new 360 degree security camera has now been launched and has already attracted significant interest and new orders.

Moneybarn (formerly Duncton) continues to make steady progress as the demand for loans for car purchases shows resilience against an unfavourable economic background. We took the opportunity to invest a further small amount in Moneybarn during the year when one of the founding shareholders sold a portion of his shares.

Nevis Range, the outdoor sports facility, has found the economic climate to be challenging and a poor ski season did not help. However some very successful mountain bike events and investments such as the 'high ropes' courses and attractive base station coffee shop have helped keep visitors coming and, more importantly, spending.

We have supported Vascular Flow Technology Ltd (formerly Tayside Flow Technology Ltd) (VFT) over many years. VFT continues to make slow but steady progress under its new CEO, Bill Allan, and with the financial support of a new investor.

During the year we made two further investments in companies where we believe there are exciting growth opportunities. MLex, a specialist provider of regulatory market intelligence and analysis for financial and legal professionals, is a company we have worked with for a number of years. We invested £0.1m in a small working capital fundraise by the company during the year.

Duvet & Pillow Warehouse Limited is one of the fastest growing on line retailers in the home furnishings sector in the UK. During the year we provided the company with an £0.5m injection of working capital by means of a convertible loan ahead of a further fundraise in the autumn to be managed by Quayle Munro. This is an exciting growth story and we look forward to working with the management team to deliver its business plan.

We have reviewed the valuations of our small unquoted investments and have made one small adjustment to the carrying valuation of AMG.

Net assets and liquidity

At 30 June 2012, net asset value per share was 696p (2011 - 908p) which reflects the goodwill impairment referred to earlier.

As at 30 June 2012, the Group has cash resources of £14.9m. We will continue to buy in shares when opportunities arise and where this is financially beneficial to the Company. Given the low level of market activity in our shares, this also provides liquidity for shareholders. Over many years the Company has been successful in making investments in businesses in which we have some involvement and, very selectively, we expect to continue this policy in the future.

Dividend
The Company paid a final dividend of 22p per share during November 2011 and an interim dividend of 11p per share in April this year. It is now proposed to pay a final dividend of 22p per share, in line with last year. The final dividend will be paid on 15 November 2012 to shareholders who are on the register on 19 October 2012.

Board and management
Andrew Adams was appointed Chief Executive in March this year and following the re-organisation of our business in Edinburgh, Rob Cormie resigned from the Board in July.

The process to identify and appoint a new non-executive Chairman to take over from Andrew Tuckey is well advanced and we expect to make an announcement by the time of the AGM in November. As previously announced Andrew will step down from the Board following the AGM and will remain with the Group as a Senior Adviser.

Staff
We are fortunate to have a high quality and dedicated team of both professional and support staff and on your behalf we would like to thank them for all their hard work during the past year.

Prospects
As indicated above, last year's results were adversely affected by the timing of deal completions; we have therefore started the current financial year with a high level of revenues. This, taken together with a strong pipeline of new business and a significantly lower cost base, promises well for the year and we are confident in achieving a good result.

Andrew Tuckey **Andrew Adams**

19 September 2012

Corporate responsibility Quayle Munro associates Corporate Responsibility ("CR") with good business practice and places the highest importance on integrity in all its activities, considers its impact on society and the environment, and seeks to maintain high ethical standards.

The Group's CR focus remains principally on the Group's employees and clients, the local communities in which it operates, and the environment generally.

Employees
The continued success of the business is directly attributed to the quality and expertise of its people. The Group, therefore, recognises the importance of attracting high calibre staff through reputation and competitive offering; and retaining staff by providing a healthy workplace and recognising and rewarding strong performance and initiative.

As part of an ongoing commitment to achieving these goals, Quayle Munro is an equal opportunities employer and does not judge applications for employment by race, gender, age, disability, sexual orientation, nationality or political bias.

The Group operates a 360 degree appraisal process to better identify and support the ongoing training requirements of all its employees and to encourage communication within the Company at all levels.

Clients
The Group's CR approach to its clients is encapsulated in the business' ethos, namely high quality independent financial advisory services: long relationships and outstanding track record of successful execution. The Group recognises that its continued success and strong reputation depends on acting with integrity in everything it does.

For Quayle Munro, CR in the marketplace is about responsible behaviour in developing, marketing and delivering its services to clients.

Environment
During the last three years Quayle Munro worked with a group of Sustainable Environmental Management students from Scottish Agricultural College ("SAC"). With their advice the Company has made improvements relating to its direct environmental impacts. The students benefited by gaining valuable practical experience.

Local community
The Group actively encourages its employees in their support of charities through matched funding.

Group operating and financial review

Introduction
Quayle Munro Holdings PLC, as an AIM listed company, is not subject to the statutory requirement to provide an operating and financial review ("OFR"). However, where applicable, the Board adopts and voluntarily applies certain core aspects of the framework – with the exception of the following areas, commented on in the Highlights of the year, Our business and the Chairman and Chief Executive's statement:

- Nature, objectives and strategies;
- Key performance indicators;
- Current and future development and performance;
- Other elements of performance; and
- Financial position.

In applying this framework, the Directors believe that they have discharged their responsibilities under the Companies Act 2006 to provide a balanced and thorough review of the development and performance of the business.

Resources, risks and relationships
The Group aims to safeguard the assets that give it competitive advantage, being its good reputation, its intellectual capital and its people.

Reputation
Codes of conduct across the Group provide a framework for responsible business practices.

Employees
The Group aims to recruit and retain employees who are able to fulfil their potential in meeting the Group's objectives.

Relationships
The Group's performance is influenced by stakeholders, other than our shareholders, principally our clients and employees. The Group's approach with all these parties is founded on open and honest dealings.

Risk management
The Group's risk management process balances cost against risk within the constraints of the Group's risk appetite and is consistent with the prudent management required of a regulated organisation. The risk management framework is based on the following principles:

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

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

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

Reputational risk
Loss of reputation is the most significant risk to a business operating in the professional services sector. However, this risk would crystallise only as a consequence of a failure in managing the Group's other principal risks.

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

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

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

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

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

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

Regulatory compliance risk
Quayle Munro Limited is authorised and regulated by the Financial Services Authority ("FSA"). The regulated business is monitored by the Group Compliance Director.

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

Corporate governance

Quayle Munro Holdings PLC, as an AIM listed company, is not governed by the UK Corporate Governance Code 2010. Nevertheless, the Board, where applicable, applies certain core aspects of the Principles of Good Governance and the Code of Best Practice as outlined below.

The Board and its Committees

Board composition and independence

The Board comprises the Chairman and Chief Executive, and four Non-Executive Directors. The Non-Executive appointments are considered independent. The number of Non-Executive Directors currently appointed is considered appropriate for the size of the Company and currently represents a majority of the Board.

Operation of the Board

The Board is responsible to the shareholders for the overall management of the Group. The Board's main roles are: to provide leadership of the Group within a framework of prudent and effective controls which enables risks to be assessed and managed; and to ensure that the necessary financial and human resources are in place for the Group to meet its objectives and thus increase shareholder value. A statement of the Directors' responsibilities in respect of the financial statements is set out on page 15 and a statement on going concern is given on page 13. The Board has a formal schedule of matters specifically reserved to it for decision.

The Board meets regularly. The Non-Executive Directors ensure that the strategies proposed by the Executive Directors are fully considered. Briefing papers are distributed to all Directors in advance of Board meetings. Where necessary, independent professional advice is available to all Directors at the Company's expense.

Audit Committee

This Committee comprises the Non-Executive Directors. It meets as a minimum, twice a year and provides a forum for reporting by the Group's external auditors. Executive Directors may attend the Committee, however the Committee also meets independently with the Group's external auditors.

The Committee assists the Board in observing its responsibility for ensuring that the Group's financial and accounting systems provide accurate information and that the Group's published financial statements represent a true and fair reflection of this position. It also ensures that appropriate accounting policies, controls and compliance procedures are in place, advises the Board on the appointment of external auditors and on their remuneration and discusses the nature, scope and results of the audit with the external auditors. It also keeps under review the cost effectiveness, independence and objectivity of the external auditors.

Remuneration Committee

This Committee comprises the Non-Executive Directors. It meets at least once a year. It is responsible for endorsing the senior management and organisational structure, reviewing arrangements for succession planning and management development, determining the remuneration of the Executive Directors and reporting where appropriate to the Board.

Nominations Committee

This Committee is appointed by the Board and comprises the Non-Executive Directors. It meets as required and is responsible for evaluating the skills and characteristics that are needed in Board candidates.

Communications with shareholders

Communications with shareholders are given high priority.

The reporting calendar is dominated by the publication of interim and final results each year, in which the Board reports to shareholders on its stewardship of the Group. In addition, the Chairman meets periodically with major shareholders to discuss governance and Group strategy.

The Chairman ensures that there is feedback to the Board following meetings with the shareholders and the Company's brokers.

The Board uses the Annual General Meeting to communicate with private investors and welcomes their participation. The Chairman of both the Audit and Remuneration Committees will be available at Annual General Meetings to answer questions.

Internal Control

The Directors are responsible for maintaining the Group's systems of internal control and for reviewing its effectiveness. These systems manage rather than eliminate the risk of failure, and they can provide only reasonable and not absolute assurance against material financial mis-statement or loss.

The Board obtains its assurances on the effectiveness of the control system from the periodic review of performance against budgets, reports from the regular executive meetings held to monitor and guide the Group's performance and its compliance with capital investment guidelines.

After due consideration the Directors have decided that the establishment of an internal audit function is unnecessary.

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

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and Parent Company financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group for that period. In preparing these Group and Company financial statements the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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

Directors' remuneration report

While quoted companies have a statutory requirement to provide a Directors' remuneration report ("DRR"), Quayle Munro Holdings PLC, as an AIM listed Company, does not have a statutory requirement to provide a DRR as described in Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 and does not comply with this legislation. However, in compliance with AIM rule 19, the Board has determined, where applicable, to adopt and apply certain core aspects of the DRR contained in Schedule 8.

Remuneration Committee
The Remuneration Committee is chaired by I. T. McLean, and its other members are B. Finlayson, T. W. N. Guinness and N. S. L. Lyons.

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

Remuneration policy
The Group's policy on Directors' remuneration is that the overall remuneration package should be sufficiently competitive to attract, retain and motivate high quality executives capable of achieving the Group's objectives and therefore enhancing shareholder value. The package consists of basic salary, elected benefits, share options, performance related bonuses, and long term incentive plans, with a significant proportion being based on performance and dependent on achieving demanding targets. Taking into account its size and activities, the Directors believe that the Group is compliant with the Financial Services Authority revised remuneration code.

Directors' remuneration
The remuneration of the Directors for the year to 30 June 2012 was as follows:

	Basic salary and fees £'000	Performance related bonuses, shares and deferred cash* £'000	Compensation for loss of office £'000	**Total 2012 £'000**	Total 2011 £'000
Executive Directors:					
A. M. L. Tuckey	250	219	–	469	949
A. D. Adams	200	300	–	500	1,065
R. D. Cormie[1]	200	125	145	470	687
J. C. Elliot[2]	–	–	–	–	45
C. M. van Tulleken[3]	–	–	–	–	248[4]
Non-Executive Directors:					
N. S. L. Lyons	50	–	–	50	50
I. T. McLean	30	–	–	30	30
B. Finlayson	25	–	–	25	25
T. W. N. Guinness	25	–	–	25	25

1 Retired from the Board on 25 July 2012.
2 Retired from the Board on 9 November 2010.
3 Retired from the Board on 31 December 2010.
4 Includes compensation for loss of office.
* IFRS 2 share based and deferred cash accounting costs in respect of the 2010 jointly owned equity share awards, 2011 deferred cash awards and the long term incentive plan.

Interests in options and other share schemes

The Group operates a number of share based incentive schemes which play an important role in aligning key revenue generators with the interests of shareholders.

An executive share option scheme has been established which extends to selected employees within the Group including the Directors. The scheme has been approved by the Inland Revenue under paragraph 1, Schedule 9 of the Income and Corporation Taxes Act 1988. In addition, unapproved share option schemes were adopted on 15 March 1995, 11 April 2008, and 2 June 2010. Under these schemes the Group operates a long term incentive plan ("LTIP"). Vesting of options under the LTIP is subject to meeting performance targets for the advisory business profit growth. If all performance targets are met 254,893 options will be granted.

The Directors' interests at 30 June 2012, in options over ordinary 10p shares of the Company, were as follows:

Executive share options

	Scheme	Options at 30.06.12	Options at 30.06.11	Date of grant	Option price (p)	Nominal exercise date From	To
A. M. L. Tuckey	Unapproved	12,000	12,000	31.10.08	378	31.10.09	30.10.18
	Approved	6,000	6,000	31.10.08	470	31.10.11	30.10.18
	LTIP	14,762	14,762	01.07.10	0	31.12.10	31.12.20
	LTIP	14,762	–	01.07.11	0	31.12.11	31.12.21
	Total	47,524	32,762				
A. D. Adams	LTIP	11,184	11,184	01.07.10	0	31.12.10	31.12.20
	LTIP	11,184	–	01.07.11	0	31.12.11	31.12.21
	Total	22,368	11,184				
R. D. Cormie[1]	Approved	4,095	4,095	18.09.08	732.5	20.09.11	19.09.18
	Unapproved	20,905	20,905	18.09.08	491.0	20.09.11	19.09.15
	LTIP	11,184	11,184	01.07.10	0	31.12.10	31.12.20
	LTIP	11,184	–	01.07.11	0	31.12.11	31.12.21
	Total	47,368	36,184				

[1] Retired from the Board on 25 July 2012.

The market price of the related shares was 475p at 30 June 2012.

Directors' remuneration report (continued)

Under all option and other share schemes, at 30 June 2012, Director and employee interests are as follows:

Share awards

	Options			Options	Shares	
	At 30 June 2012			Post 30 June 2012	At 30 June 2012	Total
	Approved option granted No.	Un-approved option granted No.	[1]LTIP option granted No.	[2]LTIP option awarded not yet granted No.	[3]2010 share award granted No.	Share awards & options No.
A. M. L. Tuckey	6,000	12,000	29,524	44,287	26,795	118,606
A. D. Adams	–	–	22,368	33,550	53,591	109,509
R. D. Cormie[4]	4,095	20,905	22,368	–	23,754	71,122
Employees	13,549	57,318	21,024	29,486	65,893	187,270
Former employees	4,690	88,719	–	–	–	93,409
	28,334	178,942	95,284	107,323	170,033	579,916

1 Vested LTIP options.
2 Awarded but not yet granted. These options will be granted on 1 July 2013 subject to profitability performance targets being met.
3 2010 performance related bonus awarded in shares utilising the JOE structure. Shares vest between 31 December 2011 and 31 December 2014.
4 Retired from the Board on 25 July 2012.

Under IFRS 2 the cost of the LTIP and JOE share based bonus is apportioned against profits over the vesting period.

The Quayle Munro Holdings PLC Employee Benefit Trust 2008 will be utilised to satisfy the LTIP awards. The scheme held 236,025 shares at 30 June 2012 (30 June 2011 – 206,605 shares).

The Quayle Munro Holdings PLC Employees' Share Trust held 229,473 shares at 30 June 2012 (30 June 2011 – 229,473). These shares will be utilised to satisfy the 2010 JOE award. As at 30 June 2012 59,440 shares were unallocated due to leavers.

Fully diluted losses per share (169.3)p (2011 - (21.2)p) do not reflect the LTIP (items 1 and 2) and if all the LTIP and JOE awards listed above are eventually granted, the fully diluted shares referred to in note 11 (4.4m) would increase by 0.3m shares (2011 – 0.4m).

In the 30 June 2011 accounts, a second performance related bonus awarded in shares utilising the JOE structure was referred to however this was replaced by a deferred cash bonus award scheme. The deferred cash bonus scheme has the same amortisation profile but it has been reclassified in the balance sheet as a creditor under long term payables.

Ian T. McLean

On behalf of the Board

Ian McLean
Chairman of the Remuneration Committee

19 September 2012

Directors' report

Company registration number

SC 72014

Directors

The Directors who held office during the year and subsequent to the year end are listed on page 6, except for R. D. Cormie who retired from the Board on 25 July 2012.

Results and dividends

The Directors present their report and submit the audited consolidated financial statements of the Group for the year ended 30 June 2012. These are the Group's fifth annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

The loss for the year attributable to the ordinary shareholders amounted to £7.5m (2011 – loss, £1.0m).

The Directors recommend a final dividend of 22p (2011 – 22p) per ordinary share which, with the interim dividend of 11p (2011 – 10p) per ordinary share paid on 10 April 2012, makes a total of 33p (2011 – 32p) per ordinary share amounting to £1.5m (2011 – £1.4m) for the year. The final dividend will be paid on 15 November 2012 to shareholders on the register on 19 October 2012.

Principal activities

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

Business review and future developments

A review of the business and the future developments, including the principal risks and uncertainties, of the Group is presented in the reports on pages 3 to 13.

Financial instruments

The Group's financial risk management objectives and policies are discussed in the risk management section of the Group operating and financial review on page 13 and note 24.

Major interests in shares

The Company was aware of the following interests, other than those of the Directors, representing 3% or more of the issued ordinary share capital of the Company as at 18 September 2012.

	No. of shares	Percentage holding
I. Q. Jones	627,933	13.8%
J. C. Elliot	613,058	13.4%
Vidacos Nominees Ltd	434,843	9.5%
P. M. R. Norris	288,525	6.3%
The Quayle Munro Holdings PLC Employee Benefit Trust 2008	236,025	5.2%
The Waterloo Corporation	232,234	5.1%
The Quayle Munro Holdings PLC Employees' Share Trust	229,473	5.0%
York Capital Limited	229,079	5.0%
C. M. van Tulleken	197,094	4.3%

Directors' report (continued)

Directors and their interests

The Directors at 30 June 2012 and their interests in the share capital of the Company (all beneficially held, other than with respect to options to acquire ordinary shares which are detailed in the analysis of options included in the report on Directors' remuneration), are as follows:

	30 June 2012		As at 30 June 2011	
	Ordinary shares No.	Ordinary shares issued under JOE[2] & employee share schemes No.	Ordinary shares No.	Ordinary shares issued under JOE[2] employee share scheme No.
Beneficial:				
A. M. L. Tuckey	26,111	26,795	26,111	26,795
A. D. Adams	178,228	53,591	178,228	53,591
R. D. Cormie[1]	2,631	27,119	2,631	40,996
T. W. N. Guinness	29,167	–	29,167	–
I. T. McLean	15,583	–	15,583	–
B. Finlayson[3]	7,914	–	7,914	–
N. S. L. Lyons	9,000	–	9,000	–

[1] Retired from the board on 25 July 2012.

[2] Directors' interests are subject to vesting criteria.

[3] B. Finlayson holds power of attorney in respect of 133 shares held by his son, Fionnlagh Finlayson. He does not have the power to vote these shares but they are included in his interests above.

Re-election of Directors

The only Director due to retire this year in terms of the articles of association is Andrew Tuckey who, although eligible, is not offering himself for re-election. In addition, Ian McLean, having served on the Board for more than 10 years, is offering himself for re-election. Ian McLean was appointed a Director in March 2002. Notwithstanding his presence on the Board for a period of more than 10 years, the Board considers Ian McLean, to be independent in character and judgement. He brings experience to the Board's deliberations and is considered to be free from any business or other relationship that could materially interfere with his independent judgement.

Director's indemnities

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

Supplier payment policy and practice

It is the Company's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the Company and its suppliers, provided that all trading terms and conditions have been complied with.

At 30 June 2012, the Company had an average of 11 days (2011 – 10 days) purchases owed to trade payables.

Directors' statement as to disclosure of information to auditors

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

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

Allotment Authority (Resolution 6)

Resolution 6, which will be proposed as an ordinary resolution, authorises the Directors to allot ordinary shares in the capital of the Company and to grant rights to subscribe for, or to convert any security into, shares in the Company up to a maximum nominal amount of £152,000, which figure represents approximately 33.3% of the issued share capital of the Company as at 18 September 2012, the latest practicable date prior to publication of this document. The authority granted by this resolution will expire on 14 February 2014 or, if earlier, at the conclusion of the next Annual General Meeting of the Company.

Shareholders last granted such general authority to the Directors of the Company at the Annual General Meeting of the Company held on 9 November 2011. Resolution 6 seeks to renew this authority. Whilst the Directors' have no current plans to utilise this authority, the authority will assist the Company in raising further capital from time to time by issuing shares when the Directors consider the prevailing market conditions to be suitable and such allotments to be in the best interests of shareholders as a whole.

Disapplication of Pre-emption Rights (Resolution 7)
Resolution 7, which is proposed as a special resolution, seeks to provide the Directors of the Company with authority to allot equity securities (as defined by section 560 of the Companies Act 2006) or sell treasury shares for cash without first offering them to existing shareholders in proportion to their existing shareholdings. There may be occasions when the Directors of the Company will need the flexibility to finance business opportunities by the issue of ordinary shares in the capital of the Company without a pre-emptive offer to existing shareholders.

Shareholders last granted authority to the Directors to disapply pre-emption rights at the Annual General Meeting of the Company held on 9 November 2011. This authority, which expires at the conclusion of this year's Annual General Meeting, is limited to the allotment of equity securities up to an aggregate nominal amount of £23,000, approximately 5% of the Company's issued share capital as at 18 September 2012. Resolution 7 seeks to renew this authority which, unless previously renewed, revoked or varied, will expire on 14 February 2014 or, if earlier, at the conclusion of the next Annual General Meeting of the Company.

Market Purchase Authority (Resolution 8)
In certain circumstances, and subject to the relevant legislative provisions, it may be advantageous for the Company to have the flexibility to purchase its own shares. Resolution 8 seeks authority from the Company's shareholders to purchase up to 456,000 of its ordinary shares, representing approximately 10% of the Company's issued share capital as at 18 September 2012. Shareholders granted the Company authority to make market purchases of its own shares, up to a limit of approximately 10% of the issued share capital of the Company, at the Annual General Meeting of the Company in November 2011. Such authority will expire at the conclusion of this year's Annual General Meeting.

The Directors intend to exercise this power only when, in light of market conditions prevailing at the time, they believe that the effect of such purchases will be to increase earnings per share and that such purchases are in the best interest of the Company's shareholders generally, consistent with the Directors' duty to act in the way most likely to promote the success of the Company for the benefit of its shareholders as a whole. Other investment opportunities, appropriate gearing levels and the overall position of the Company will be taken into account before deciding upon this course of action.

If the Company buys back any of its shares, the Company may cancel such shares or hold them in treasury. The Directors believe it is advantageous for the Company to have this choice and would consider holding any shares repurchased pursuant to resolution 8 as treasury shares. The Directors further believe that the holding of treasury shares would provide the Company with increased flexibility in managing its share capital.

The authority sought by resolution 8 will expire on 14 February 2014 or, if earlier, at the conclusion of the next Annual General Meeting of the Company. Resolution 8 sets out the minimum and maximum prices which may be paid for any ordinary share purchased under this authority.

By order of the Board

Andrew R Walls

Andrew Walls
Company Secretary

19 September 2012

Independent auditors' report
To the members of Quayle Munro Holdings PLC

We have audited the Group and Parent Company financial statements (the "financial statements") of Quayle Munro Holdings PLC for the year ended 30 June 2012 which comprise the Group Statement of Comprehensive Income, the Group and Parent Company Statement of Financial Position, the Group and Parent Company Statement of Changes in Equity, the Group and Parent Company Statement of Cash Flows and the 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 and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of Directors and auditors
As explained more fully in the Statement of Directors' responsibilities set out on page 15, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements
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 30 June 2012 and of the Group's loss and Group's and Parent Company's cash flows for the year then ended;
- The Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- The Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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.

Catrin Thomas

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

19 September 2012

Notes:

(a) The maintenance and integrity of the Quayle Munro Holdings PLC website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Group statement of comprehensive income
For the year ended 30 June 2012

	Notes	2012 £'000	2011 £'000
Continuing operations			
Revenue	3	5,339	11,474
Administrative expenses		(5,433)	(6,776)
Impairment of goodwill		(5,815)	–
Impairment of investments held as available-for-sale		–	(2,019)
Gain on sale of available-for-sale investments		15	-
Gain on sale of associate	4	–	167
Exceptional expenses	5	(198)	(202)
Other operating expenses and gains		(936)	(2,198)
		(12,367)	(11,028)
Group operating (loss)/profit		(7,028)	446
Finance income	9	524	439
Other finance income – pensions	29	47	32
		571	471
(Loss)/Profit for the year from continuing operations		(6,457)	917
Discontinued operations			
Loss for the year from discontinued operations	17	(1,614)	(755)
(Loss)/Profit on ordinary activities before tax		(8,071)	162
Tax credit/(expense)	10	544	(1,123)
Loss on ordinary activities after tax		(7,527)	(961)
Loss for the year attributable to equity holders of the Company		(7,527)	(961)
Other comprehensive income/(expense)			
Gain on valuation of available-for-sale financial assets		190	368
Actuarial (loss)/gain on defined benefit pension scheme		(846)	213
Total comprehensive expense for the year		(8,183)	(380)
Earnings per share (pence)			
Basic loss per share	11	(183.4)p	(23.2)p
Diluted loss per share	11	(169.3)p	(21.2)p

Group statement of financial position
At 30 June 2012

	Notes	2012 £'000	2011 £'000
Non-current assets			
Property, plant and equipment	13	388	742
Intangible assets	14	5,815	11,630
Financial assets	15	10,925	10,070
Defined benefit pension scheme surplus	29	109	785
Deferred tax asset	10	110	–
		17,347	23,227
Current assets			
Trade and other receivables	18	1,642	5,571
Current tax asset		690	49
Cash and short-term deposits	19	14,932	17,494
		17,264	23,114
Total assets		34,611	46,341
Current liabilities			
Trade and other payables	20	1,311	4,137
Current tax liabilities		–	456
Provisions	21	654	–
		1,965	4,593
Non-current liabilities			
Financial liabilities	22	583	260
Deferred tax liability	10	–	50
Long-term provisions	21	302	–
		885	310
Total liabilities		2,850	4,903
Net assets		31,761	41,438
Capital and reserves			
Equity share capital	25	11,145	11,145
Revaluation reserve		9,493	9,303
Other reserves		2,895	2,953
Retained earnings		8,228	18,037
Total equity		31,761	41,438

The financial statements on pages 23 to 61 were approved by the Board of Directors on 19 September 2012 and signed on its behalf by:

Andrew Tuckey
Chairman

Company statement of financial position
At 30 June 2012

	Notes	2012 £'000	2011 £'000
Non-current assets			
Financial assets – unlisted	15	10,925	10,069
Investments – subsidiary undertakings	15	9,083	14,898
		20,008	24,967
Current assets			
Trade and other receivables	18	298	203
Current tax asset		21	49
Amounts due from subsidiary undertakings	31	2,048	1,864
Cash and short-term deposits	19	14,361	15,124
		16,728	17,240
Total assets		36,736	42,207
Current liabilities			
Trade and other payables	20	91	159
Amounts due to subsidiary undertakings	31	7,642	5,796
Total liabilities		7,733	5,955
Net assets		29,003	36,252
Capital and reserves			
Equity share capital	25	11,145	11,145
Revaluation reserve		7,810	7,620
Other reserves		2,705	2,942
Retained earnings		7,343	14,545
Total equity		29,003	36,252

The financial statements on pages 23 to 61 were approved by the Board of Directors on 19 September 2012 and signed on its behalf by:

Andrew Tuckey
Chairman

Group statement of changes in equity
For the year ended 30 June 2012

	Equity share capital £'000	Revaluation reserve £'000	Capital redemption reserve £'000	Merger reserve £'000	Share option expense reserve £'000	Own shares reserve £'000	Total other reserves £'000	Retained earnings £'000	Total equity and reserves £'000
Balance at 30 June 2010	9,277	6,916	155	1,229	2,080	(730)	2,734	24,179	43,106
Comprehensive income									
Loss for the year	–	–	–	–	–	–	–	(961)	(961)
Gain on revaluation of investments	–	368	–	–	–	–	–	–	368
Actuarial gain on defined benefit pension scheme	–	–	–	–	–	–	–	213	213
Total comprehensive income	–	368	–	–	–	–	–	(748)	(380)
Re-classification of previous impairment	–	2,019	–	–	–	–	–	–	2,019
Transactions with owners									
Share-based payments	–	–	–	–	2,372	–	2,372	–	2,372
Issue of shares	1,868								1,868
Movement of shares in Employee Benefit Trust	–	–	–	–	–	(2,153)	(2,153)	29	(2,124)
Equity dividends paid	–	–	–	–	–	–	–	(5,423)	(5,423)
Balance at 30 June 2011	11,145	9,303	155	1,229	4,452	(2,883)	2,953	18,037	41,438
Comprehensive income									
Loss for the year	–	–	–	–	–	–	–	(7,527)	(7,527)
Gain on revaluation of investments	–	190	–	–	–	–	–	–	190
Actuarial loss on defined benefit pension scheme	–	–	–	–	–	–	–	(846)	(846)
Total comprehensive income	–	190	–	–	–	–	–	(8,373)	(8,183)
Transactions with owners									
Share-based payments	–	–	–	–	362	–	362	–	362
Movement of shares in Employee Benefit Trust	–	–	–	–	–	(420)	(420)	–	(420)
Equity dividends paid	–	–	–	–	–	–	–	(1,436)	(1,436)
Balance at 30 June 2012	11,145	9,493	155	1,229	4,814	(3,303)	2,895	8,228	31,761

Company statement of changes in equity
For the year ended 30 June 2012

	Equity share capital £'000	Revaluation reserve £'000	Capital redemption reserve £'000	Merger reserve £'000	Own shares reserve £'000	Total other reserves £'000	Retained earnings £'000	Total equity and reserves £'000
Balance at 30 June 2010	9,277	5,233	155	3,804	(730)	3,229	21,080	38,819
Comprehensive income								
Loss for the year	–	–	–	–	–	–	(1,141)	(1,141)
Gain on revaluation of investments	–	368	–	–	–	–	–	368
Total comprehensive income	–	368	–	–	–	–	(1,141)	(773)
Re-classification of previous impairment	–	2,019	–	–	–	–	–	2,019
Transactions with owners								
Issue of shares	1,868	–	–	–	–	–	–	1,868
Movement of shares in Employee Benefit Trust	–	–	–	–	(287)	(287)	29	(258)
Equity dividends paid	–	–	–	–	–	–	(5,423)	(5,423)
Balance at 30 June 2011	11,145	7,620	155	3,804	(1,017)	2,942	14,545	36,252
Comprehensive income								
Loss for the year	–	–	–	–	–	–	(5,766)	(5,766)
Gain on revaluation of investments	–	190	–	–	–	–	–	190
Total comprehensive income	–	190	–	–	–	–	(5,766)	(5,576)
Transactions with owners								
Movement of shares in Employee Benefit Trust	–	–	–	–	(237)	(237)	–	(237)
Equity dividends paid	–	–	–	–	–	–	(1,436)	(1,436)
Balance at 30 June 2012	11,145	7,810	155	3,804	(1,254)	2,705	7,343	29,003

Group statement of cash flows
For the year ended 30 June 2012

	Notes	2012 £'000	2011 £'000
Operating activities			
(Loss)/profit before tax		(8,071)	162
Adjustments to reconcile (loss)/profit before tax to net cash flow used in operating activities			
Finance income	9	(524)	(439)
Depreciation	13	161	180
Share-based payments		572	2,372
Loss/(gain) on disposal of property, plant and equipment		10	(6)
Gains on disposals of financial assets		(15)	(167)
Impairment of goodwill	14	5,815	–
Impairment of financial assets		–	2,019
Movement in pensions		(51)	(181)
Decrease/(increase) in assets		3,929	(3,271)
(Decrease)/increase in liabilities		(1,547)	570
Cash generated from operations		279	1,239
Income taxes paid		(691)	(1,545)
Net cash flow used in operating activities		(412)	(306)
Investing activities			
Finance income received		392	334
Proceeds from sales of available-for-sale financial assets		16	167
Proceeds from sales of plant and equipment		2	93
Payments to acquire plant and equipment	13	(38)	(278)
Payments to acquire available-for-sale financial assets	15	(666)	(47)
Net cash flow (used in)/generated from investing activities		(294)	269
Financing activities			
Dividends paid to equity shareholders of the parent	12	(1,436)	(5,423)
Own shares purchased		(420)	(283)
Net cash flow used in financing activities		(1,856)	(5,706)
Decrease in cash and cash equivalents	28	(2,562)	(5,743)
Cash and cash equivalents at the beginning of the year	19	17,494	23,237
Cash and cash equivalents at the end of the year	19	14,932	17,494

Company statement of cash flows
For the year ended 30 June 2012

	Notes	2012 £'000	2011 £'000
Operating activities			
Loss before tax		(5,766)	(1,137)
Adjustments to reconcile profit/(loss) before tax			
to net cash flow generated from/(used in) operating activities			
Finance income		(516)	(1,529)
Loss on disposal of financial assets		–	336
Impairment of goodwill	14	5,815	–
Impairment of financial assets		–	2,019
(Increase)/decrease in assets		(95)	136
Increase/(decrease) in liabilities		1,726	(3,393)
Write off of intercompany loans		–	1,091
Cash generated from/(used in) operations		1,164	(2,477)
Income taxes received		28	–
Net cash flow generated from/(used in) operating activities		1,192	(2,477)
Investing activities			
Finance income received		384	222
Proceeds from sales of available-for-sale financial assets		–	167
Payments to acquire available-for-sale financial assets	15	(666)	(47)
Net cash flow (used in)/generated from investing activities		(282)	342
Financing activities			
Dividends paid to equity shareholders of the parent	12	(1,436)	(5,423)
Own shares purchased		(237)	(287)
Net cash flow used in financing activities		(1,673)	(5,710)
Decrease in cash and cash equivalents	28	(763)	(7,845)
Cash and cash equivalents at the beginning of the year	19	15,124	22,969
Cash and cash equivalents at the end of the year	19	14,361	15,124

Notes to the Group and Company financial statements

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

The financial statements of Quayle Munro Holdings PLC and its subsidiaries (the "Group and Parent Company financial statements") for the year ended 30 June 2012 were authorised for issue by the Board of Directors on 19 September 2012 and the balance sheet was signed on the Board's behalf by Andrew Tuckey. Quayle Munro Holdings PLC is a public limited company incorporated and domiciled in Scotland. The Company's ordinary shares are traded on the Alternative Investment Market.

The Group and Parent Company financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as adopted by the European Union, and IFRIC Interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention as modified by the revaluation of available-for-sale financial assets . The Company has taken advantage of the exemption provided under section 408 of the Companies Act 2006 not to publish its individual statement of comprehensive income and related notes. The Company's loss for the year after tax was £5.8 million (2011 – loss £1.1 million).

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

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

2. Accounting policies

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

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

Judgements and key sources of estimation uncertainty

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

Estimates and assumptions

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

Impairment of non-financial assets

The Group and Company assess whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill is tested for impairment annually and at other times when such indicators exist. Further details are given in note 14.

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

Impairment of available-for-sale financial assets

The Group and Company classify certain financial assets as available-for-sale and recognise movements in their fair value in equity. When the fair value declines, Management makes assessments about the decline in value to determine whether it is a permanent impairment that should be recognised in the statement of comprehensive income. At 30 June 2012 £Nil was recognised as impairment losses on available-for-sale assets (2011 – £2.0m).

Pensions

The cost of defined benefit pension plans is ascertained using actuarial valuations. The actuarial valuation involved making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to uncertainty. Further details are given in note 29.

Share-based payments
The Group and Company measure the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Judgement is required in determining the most appropriate valuation model for a grant of equity instruments, depending on the terms and conditions of the grant. Management also requires the use of judgement in determining the most appropriate inputs to the valuation model including expected life of the option, volatility and dividend yield. The assumptions and models used are disclosed in note 26.

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

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

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

Revenue recognition
Revenue comprises fee income from the provision of professional advisory services. Where fees are earned on the execution of a significant act, such as fees arising from negotiating or arranging a transaction for a third party, they are recognised as revenue when that act has been completed. Fees and corresponding expenses in respect of other services are recognised in the statement of comprehensive income as the right to consideration or payment accrues through performance of services.

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

Property, plant and equipment
Property, plant and equipment are stated at cost, or in the case of property at re-valued amount, less accumulated depreciation and accumulated impairment losses. Such cost includes costs directly attributable to making the asset capable of operating as intended.

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

Land and buildings	10 years
Office equipment	3 to 5 years

The carrying values of property, plant and equipment are reviewed for impairment in periods when events or changes in circumstances indicate the carrying value may not be recoverable. The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end. Property disposals are recognised by reference to the date of sale which is taken as the date of exchanging legally binding missives.

Segmental reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments. The chief operating decision-maker has been identified as the Board.

Notes to the Group and Company financial statements (continued)

2. Accounting policies (continued)

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

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

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

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

Share capital and dividends
Ordinary shares are classified as equity.

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

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

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

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

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

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

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

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

Deferred taxation
Deferred taxation is provided in full on temporary differences (at the rates of taxation based on tax rates and laws enacted at the balance sheet date) between the tax bases of the assets and liabilities and their carrying amounts in the financial statements. Deferred taxation assets are recognised only to the extent that it is probable that sufficient taxable profits will be available against which temporary differences can be utilised.

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

- Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

For the purpose of impairment testing, goodwill is allocated to the related cash-generating units monitored by Management, usually at business segment level or statutory company level as the case may be. Where the recoverable amount of the cash-generating unit is less than its carrying amount, including goodwill, an impairment loss is recognised in the statement of comprehensive income.

Pensions
The Group operates one defined benefit scheme, which was closed to new entrants in 2000 and involved 12 deferred members at 30 June 2012. On 1 July 2009, all members became deferred and from this time membership to a defined contribution scheme is available.

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

The interest element of the defined benefit cost represents the change in present value of the scheme obligations resulting from the passage of time, and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year. The expected return on plan assets is based on an assessment made at

2. Accounting policies (continued)

the beginning of the year of long-term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the year. The differences between the expected return on plan assets and the interest cost is recognised in the statement of comprehensive income as other finance income or cost.

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

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

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

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

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

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

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

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

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

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

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

Impairment of financial assets
The Group assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

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

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

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

New standards and interpretations
a) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 July 2011.

There have been no new standards effective during the year that are relevant to the Group.

Annual Improvements 2010: This set of amendments includes changes to six standards and one IFRIC. One such amendment is to IAS 1 '*Presentation of Financial Statements*' relating to the statement of changes in equity. This clarifies that entities may present the required reconciliations for each component of other comprehensive income either in the statement of changes in equity or in the

Notes to the Group and Company financial statements (continued)

2. Accounting policies (continued)

notes to the financial statements. The Group have opted to present the reconciliations for each component of other comprehensive income in the statement of changes in equity.

Amendment to IFRS 7, 'Financial instruments: Disclosures' on de-recognition (Oct 2010): These amendments arise from the IASB's review of off-balance sheet activities. The amendments will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particuarly those involving securitisation of financial assets. Earlier application subject to EU endorsement is permitted.

IAS 24 (revised), 'Related party disclosures' (effective 1 January 2011).

IFRIC 19, 'Extinguishing financial liabilities with equity investments' (effective 1 July 2010).

Amendment to IFRIC 14, 'Prepayments of a minimum funding requirement (effective 1 January 2011)

Amendments to IFRS 7, 'Financial instruments: Disclosures' on Transfers of assets (effective 1 July 2011)

b) New and amended standards, and interpretations mandatory for the first time for the financial year beginning 1 July 2012, and not adopted early.

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

International Accounting Standards (IAS/IFRS)	Effective date*
Amendment to IAS 12, 'Income taxes' on deferred tax	1 January 2012
Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income	1 July 2012
IFRS 10, 'Consolidated financial statements'	1 January 2013
IFRS 11, 'Joint Arrangements'	1 January 2013
IFRS 13, 'Fair value measuement'	1 January 2013
IAS 27, (revised 2011), 'Separate financial statements'	1 January 2013
IFRS 12, 'Disclosures of interests in other entities'	1 January 2013
Amendment to IFRS 7, 'Financial instruments: Disclosures', on offsetting financial assets and financial liabilities	1 January 2013
Amendment to IAS 19, 'Employee benefits'	1 January 2013
Amendment to IAS 32, 'Financial instruments: Presentation', on offsetting financial assets and financial liabilities	1 January 2014
IFRS 9, 'Financial instruments', on 'classification and measurement' of financial assets	1 January 2015

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

3. Revenue

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

	2012 £'000	2011 £'000
Rendering of professional advisory services		
Continuing operations	5,339	11,474
Discontinued operation	2,921	3,270
Total revenue	8,260	14,744

4. Disposal of associate

In November 2009 the Group sold its 49.9% interest in Submersible Technology Services (Holdings) Limited. Under the completion agreement further consideration of £0.2m was received during the financial year 2011.

5. Exceptional expenses

Exceptional expenses incurred during the period totalled £0.2m (2011 – £0.2m). These include redundancy costs of £0.2m (2011 – £0.1m) and the buyback cost of options of £Nil (2011 – £0.1m).

6. Segment information

Management has determined the operating segments based on the reports reviewed by the executive management team and the Board (the Chief Operating Decision Maker) that are used to make strategic decisions. The Group is managed primarily by class of business and presents the segmental analysis on that basis. The Group's activities are organised in two primary divisions: Advisory Business, and Other (Head Office).

The following tables present revenue, expenditure and certain asset information regarding the Group's business segments for the year ended 30 June 2012 and the year ended 30 June 2011.

Year ended 30 June 2012	Note	Advisory Business £'000	Other £'000	Total £'000
Continuing operations				
Revenue		5,280	59	5,339
Overheads		(5,748)	(621)	(6,369)
Operating loss		(468)	(562)	(1,030)
Exceptional expenses		(198)	–	(198)
Gain on sale of investments		–	15	15
Finance income		–	524	524
Other finance income		–	47	47
Impairment of goodwill		–	(5,815)	(5,815)
Discontinued operations				
Loss for the year from discontinued operations	17	(1,614)	–	(1,614)
Group loss before tax		(2,280)	(5,791)	(8,071)
Total assets		2,970	31,641	34,611
Total liabilities		(2,672)	(178)	(2,850)
Total assets includes:				
Additions to non-current assets		33	666	699

Notes to the Group and Company financial statements (continued)

6. Segment information (continued)

Year ended 30 June 2011	Advisory Business £'000	Other £'000	Total £'000
Continuing operations			
Revenue	11,202	272	11,474
Overheads	(8,089)	(1,087)	(9,176)
Operating profit/(loss)	3,113	(815)	2,298
Gain on sale of investments	–	167	167
Finance income	–	471	471
Impairment of investments held as available-for-sale	–	(2,019)	(2,019)
Discontinued operations			
Loss for the year from discontinued operations	(755)	–	(755)
Group profit/(loss) before tax	2,358	(2,196)	162
Total assets	9,255	37,086	46,341
Total liabilities	(4,744)	(159)	(4,903)
Total assets includes:			
Additions to non-current assets	278	47	325

During the year, certain customers, all within the Advisory Business segment, accounted for greater than 10% of the Group's total revenues:

	2012 £'000	2012 % of revenue	2011 £'000	2011 % of revenue
Customer 1	1,300	15.9	–	–
Customer 2	–	–	2,086	14.1
Customer 3	–	–	2,000	13.4
Customer 4	–	–	1,797	12.2

£Nil was outstanding in relation to Customer 1 at 30 June 2012.
£2m was outstanding in relation to Customer 3 at 30 June 2011, this was received in September 2011.

7. Other operating charges

Other operating charges include:

	2012 £'000	2011 £'000
Depreciation	161	180
Operating lease rentals	396	396
Audit of the Group financial statements	28	27
Other fees to auditors – auditing the accounts of subsidiaries	24	22
– all other services	13	13

8. Staff costs and Directors' remuneration

(a) Staff and Directors' costs

	2012 £'000	2011 £'000
Wages and salaries	4,657	6,450
Social security costs	577	808
Other pension costs	213	259
Share-based payments	933	2,631
	6,380	10,148

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

	2012 No.	2011 No.
Advisory services	37	37
Administration	11	10
	48	47

8. Staff costs and Directors' remuneration (continued)

(b) Directors' emoluments

	2012 £'000	2011 £'000
Cash based payments	780	1,779
Share-based and deferred cash payments	644	1,177
Pension contributions	–	20
Compensation for loss of office	145	148
Aggregate emoluments	1,569	3,124

	2012 No.	2011 No.
Number of Directors accruing benefits under:		
Defined contribution schemes	–	1

During the year the aggregate amount of gains made by Directors on the exercise of share options was £Nil (2011 – £0.2m).

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

	2012 £'000	2011 £'000
Emoluments	500	1,065

9. Finance income

	2012 £'000	2011 £'000
Bank interest receivable	306	222
Investment income received from available-for-sale investments	218	217
Total finance income	524	439

10. Taxation

(a) Tax on profit on ordinary activities

Tax credit/(expense) in the statement of comprehensive income	2012 £'000	2011 £'000
Current income tax:		
UK corporation tax	–	(1,103)
Adjustment in respect of previous years	384	21
Total current income tax	384	(1,082)
Deferred tax:		
Origination and reversal of temporary differences	160	(41)
Tax credit/(expense) in the statement of comprehensive income	544	(1,123)

(b) Reconciliation of the total tax charge

The tax charge in the statement of comprehensive income for the year is lower than the effective rate of corporation tax in the UK of 25.5% (2011 – 27.5%). The differences are explained below:

	2012 £'000	2011 £'000
Accounting (loss)/profit before income tax	(8,071)	162
Accounting profit multiplied by the UK effective rate of corporation tax	2,058	(45)
UK dividends not taxable	1	–
Depreciation in excess of capital allowances	(23)	1
Expenses not deductible for tax purposes	(1,558)	(420)
Gain on non-current asset disposal	–	45
Trading losses carried back	(342)	–
Share-based payments	(238)	(723)
Share scheme deduction	105	37
Adjustment in respect of previous years	384	21
Short term timing differences	160	(41)
Loss on non-current asset disposal	(3)	2
Total tax credit/(expense) reported in the statement of comprehensive income	544	(1,123)

The standard rate of Corporation Tax in the UK changed from 26% to 24% with effect from 1 April 2012. Accordingly, the Group's profits for this accounting period are taxed at an effective rate of 25.5%.

Further changes to the UK Corporation Tax system were announced on 21 March 2012. The main rate of Corporation Tax will be reduced from 24% to 23% with effect from 1 April 2013. This reduction will be reflected in the financial statements for the year ended 30 June 2013.

Notes to the Group and Company financial statements (continued)

10. Taxation (continued)

(c) Deferred tax*
The deferred tax included in the balance sheet is as follows:

Group	2012 £'000	2011 £'000
Deferred tax asset/(liability)		
Share-based payments	129	50
Pension costs	1	1
Accelerated capital allowances	(20)	(101)
	110	(50)

* Deferred tax has been calculated using the rate in operation at 30 June 2012 (24%)

(d) Discontinued operation
There was no gain or loss on discontinuance. The tax expense relating to the loss for the year of £1.6m (2011–loss £0.8m) from the ordinary activities of the discontinued operation was £Nil (2011–£Nil).

11. Earnings per ordinary share

The earnings per share attributable to the equity shareholders of the Company are based on the following data:

	2012	2011
Earnings per share (pence)		
Basic loss per share	(183.4)	(23.2)
Diluted loss per share	(169.3)	(21.2)
Losses (£'000)		
Loss for the year attributable to equity holders of the Company	(7,527)	(961)

Weighted average number of shares in issue

	2012 000	2011 000
Basic weighted average number of shares	4,104	4,150
Effect of dilutive potential ordinary shares:		
Share options and awards	342	375
Dilutive weighted average number of shares	4,446	4,525

Share options and awards do not reflect the 30 June 2012 awarded, but not yet granted LTIP and JOE shares. If all LTIP and JOE awards are eventually granted, the fully diluted employee share options would increase by 0.3m (2011 – 0.4m) shares.

12. Dividends paid and proposed

	2012 £'000	2011 £'000
Declared and paid during the year		
Equity dividends on ordinary shares:		
Final dividend paid November 2011/November 2010	958	831
Special dividend paid November 2010	–	4,154
Interim dividend paid April 2012/April 2011	478	438
Dividends paid	1,436	5,423
Proposed for approval by shareholders at the AGM:		
Final dividend	1,004	912

Notes to the Group and Company financial statements (continued)

13. Property, plant and equipment

Group	Land and buildings £'000	Office equipment £'000	Total £'000
Cost or valuation:			
As at 1 July 2010	36	909	945
Additions	–	278	278
Disposals	–	(87)	(87)
At 1 July 2011	36	1,100	1,136
Additions	–	38	38
Disposals	–	(278)	(278)
At 30 June 2012	36	860	896
Accumulated depreciation and impairment:			
As at 1 July 2010	5	209	214
Provided during the year	4	176	180
At 1 July 2011	9	385	394
Provided during the year	4	157	161
Impairment loss	5	214	219
Eliminated on disposals	–	(266)	(266)
At 30 June 2012	18	490	508
Net book value at 30 June 2012	18	370	388
Net book value at 30 June 2011	27	715	742
Net book value at 30 June 2010	31	700	731

14. Intangible assets

	Goodwill £'000
Cost:	
At 1 July 2010	11,630
Movements in the year	–
At 30 June 2011 and 1 July 2011	11,630
Movements in the year	–
At 30 June 2012	11,630
Accumulated impairment:	
At 1 July 2010	–
Provided during the year	–
At 30 June 2011 and 1 July 2011	–
Provided during the year	5,815
At 30 June 2012	5,815
Net book value at 30 June 2012	**5,815**
Net book value at 30 June 2011	11,630
Net book value at 30 June 2010	11,630

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

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

	2012 £'000	2011 £'000	2010 £'000
CGU – London advisory	11,630	11,630	11,630

Impairment of goodwill
The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding discount rates, revenue growth rates and expected changes to direct costs during the period. These assumptions have been revised during the current year in light of the current economic environment which has resulted in more conservative estimates about the future. Management estimates discount rates that reflect current market assessments of the time value of money and the risks specific to the CGU. A reduction in advisory capacity in London and the Edinburgh re-organisation has led to an increase in the discount rate applied to the future cash flows. The revenue growth rates are based on management's view of the advisory industry. Growth in the advisory sector is expected to continue to be low, but volatile as has been seen in recent years. Changes in direct costs are based on past practices and expectations of future changes in the market.

14. Intangible assets (continued)

The Group prepares cash flow forecasts derived from the most recent budget approved by the Board and extrapolates cash flows for a four year financial outlook thereafter (also including a terminal value calculation) and takes a conservative stance drawn from past experience. The discount rate applied to the cash flow projections is 20% per annum (2011 – 17.5%). A key assumption is revenue growth, which is inherently difficult to predict for an advisory business. On this basis cash flows for the first five years are extrapolated using a nil growth rate per annum and thereafter are also extrapolated using a nil% growth rate, which is a conservative growth rate for the advisory business.

At 30 June 2012, before impairment testing, goodwill of £11.6m was allocated to the advisory CGU. Following the departure of certain key individuals and the consequent cessation of advisory activities in specialist sectors, the Board concluded that impairment was appropriate. The CGU has therefore been reduced to its recoverable amount through recognition of an impairment loss against goodwill of £5.8m.

15. Financial assets

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Financial assets – non-current				
Available-for-sale financial assets	10,925	10,070	10,925	10,069
Investment in subsidiaries	–	–	9,083	14,898
	10,925	10,070	20,008	24,967

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Additional information in respect of movements during the year in available-for-sale financial assets is as follows:				
Balance at 1 July	10,070	9,655	10,069	9,654
Additions	666	47	666	47
Impairment previously recognised through reserves	–	2,019	–	125
Impairment through statement of comprehensive income	–	(2,019)	–	(125)
Change in revaluation	190	368	190	368
Realisations	(1)	–	–	–
Balance at 30 June	10,925	10,070	10,925	10,069

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

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

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

Morris Group Limited ('Morris') has been valued on a discounted net assets basis. The Morris net assets (presuming the shareholders loan stock to be part of capital) have been discounted as explained in the Chairman and Chief Executive's statement.

At 30 June 2012, the holdings of share capital, the percentage of each class of share held, the distributable profit and any reserves of companies in which more than 15% of the nominal value of any class of allotted share capital is held (excluding investments in associates and Group undertakings, see note 16), either directly or indirectly were as follows:

Name of company	Class of capital	Aggregate proportion of voting rights and shares held %	Share capital and reserves £'000	Deemed cost of investment £'000	Profit/(loss) for the period £'000
AMG Systems Limited (accounts to 31.12.11)	'A' Ordinary Shares of 1p each	19.75	1,594	723	528
Morris Group Limited (accounts to 31.3.12)	'A' Ordinary Shares of 10p each	22.96	56,617	501*	3,838
Nevis Range Development Company Plc (accounts to 31.10.11)	Ordinary Shares of £1 each and 'B' Ordinary Shares of 1p each	29.86	2,413	433	(78)

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

The carrying value of the Group's investment held in Morris Group Limited is split between loan stock of £4.2m and shares £5.1m (2011 – £4.2m loan stock and £5.1m shares).

During the year the Company made an additional investment in Moneybarn plc and two new investments in Duvet & Pillow Warehouse Limited and MLex Limited.

Notes to the Group and Company financial statements (continued)

16. Investments

Details of Group undertakings
Details of the subsidiary undertakings are as follows:

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

17. Discontinued operation

On 26 July 2012 the Group announced externally its discussions with the senior mangement team in Scotland to buy out the Edinburgh based advisory business. The agreement was finalised on 19 September 2012.

Analysis of the result of discontinued operation	2012 £'000	2011 £'000
Revenue	2,921	3,270
Administrative expenses	(3,202)	(3,412)
Other operating expenses	(158)	(613)
Restructuring provision	(956)	–
Impairment of assets	(219)	–
Loss before tax of discontinued operation	(1,614)	(755)

18. Trade and other receivables

Group	2012 £'000	2011 £'000
Trade receivables	1,018	4,880
Less: Allowance for doubtful debts	(216)	(26)
	802	4,854
Other receivables	100	76
Prepayments and accrued income	740	641
	1,642	5,571

Trade receivables are denominated in the following currencies:

	2012 £'000	2011 £'000
Sterling	746	4,503
US Dollar	–	11
Euro	56	340
	802	4,854

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

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

	2012 £'000	2011 £'000
91-120 days	367	199
Less: Allowance for doubtful debts	(216)	(26)
	151	173

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

Movement in the allowance for doubtful debts	2012 £'000	2011 £'000
Balance at 1 July	26	26
Amounts written off during the year	(26)	–
Amounts provided against during the year	216	–
Balance at 30 June	216	26

Company	2012 £'000	2011 £'000
VAT	16	6
Prepayments and accrued income	282	197
	298	203

Notes to the Group and Company financial statements (continued)

19. Cash and short-term deposits

	2012 £'000	2011 £'000
Group		
Cash at bank and in hand	1,228	3,412
Short-term deposits	13,704	14,082
	14,932	17,494
Company		
Cash at bank and in hand	657	1,044
Short-term deposits	13,704	14,080
	14,361	15,124

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

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

20. Trade and other payables

	2012 £'000	2011 £'000
Group		
Trade payables	63	200
Other payables, including bonus accrual	710	2,993
Accruals	226	410
Other taxes and social security costs	312	534
	1,311	4,137
Company		
Trade payables	–	3
Other payables	30	53
Accruals	47	89
Other taxes and social security costs	14	14
	91	159

21. Provisions

Restructuring provision	2012 £'000	2011 £'000
At 1 July	–	–
Provision made in the year	956	–
At 30 June	956	–
Current	654	–
Non-current	302	–
	956	–

The restructuring provision relates to redundancy costs and property costs incurred on the disposal of the Edinburgh based advisory business.

22. Financial liabilities

Group	2012 £'000	2011 £'000
Non-current		
Social security contributions on share-based payments and deferred cash bonus scheme	583	260

23. Obligations under leases

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

	2012 £'000	2011 £'000
Not later than one year	354	452
After one year but not more than five years	1,772	1,771
After five years	997	1,487
	3,123	3,710

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

24. Financial instruments

Group and Parent Company

Interest rate risk
The Group and Company's cash balances are held in accounts that bear interest directly related to bank base rate. The sensitivity of the balance of cash at the year end to a 1% movement either way in bank base rate would equate to an annual effect of £0.2m (2011 – £0.2m) on profit before tax and equity (Company – £0.2m (2011 – £0.2m)). 1% is considered to be the highest expected movement in the short-term.

Notes to the Group and Company financial statements (continued)

24. Financial instruments (continued)

Liquidity risk
Liquidity risk reflects the risk that the Group and Company will have insufficient resources to meet its financial obligations as they fall due. The Group and Company's strategy to managing liquidity risk is to ensure that the Group and Company has sufficient liquid funds to meet all its potential liabilities as they fall due, including anticipated shareholder distributions. The Group and Company cash reserves at 30 June 2012 are considered sufficient to support the Group and Company within the current trading environment and to provide a strong base for future growth. The Group and Company did not carry any borrowings at 30 June 2012.

The table below summarises the maturity profile of the Group's financial liabilities at 30 June 2012 and 2011 based on contractual undiscounted payments.

Group **Year ended 30 June 2012**	On demand £'000	Less than 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	> 5 years £'000	Total £'000
Trade and other payables	290	125	332	–	–	747

Year ended 30 June 2011	On demand £'000	Less than 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	> 5 years £'000	Total £'000
Trade and other payables	610	1,315	309	–	–	2,234

Company **Year ended 30 June 2012**	On demand £'000	Less than 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	> 5 years £'000	Total £'000
Trade and other payables	47	–	–	–	–	47

Year ended 30 June 2011	On demand £'000	Less than 3 months £'000	3 to 12 months £'000	1 to 5 years £'000	> 5 years £'000	Total £'000
Trade and other payables	92	–	–	–	–	92

The Group and Company's policy on managing their liquidity risk is set out in the Treasury Policies section of the Group operating and financial review.

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

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

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

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

Fair values of financial assets and financial liabilities
The Directors consider the carrying value of financial assets and liabilities to be a good approximation for fair value. For the valuation of unlisted available-for-sale assets see note 15. The Directors also consider that due to their short term nature, the carrying value of other financial assets and liabilities is a good approximation of fair value.

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

Group **At 30 June 2012**	Loans and receivables £'000	Available-for-sale financial assets £'000	Amortised cost £'000	Total book value £'000	Total fair value £'000
Financial assets					
Cash	14,932	–	–	14,932	14,932
Available-for-sale investments	–	10,925	–	10,925	10,925
Trade and other receivables	1,642	–	–	1,642	1,642
Financial liabilities					
Trade and other payables	–	–	1,311	1,311	1,311
At 30 June 2011					
Financial assets					
Cash	17,494	–	–	17,494	17,494
Available-for-sale investments	–	10,070	–	10,070	10,070
Trade and other receivables	5,571	–	–	5,571	5,571
Financial liabilities					
Trade and other payables	–	–	4,137	4,137	4,137

Notes to the Group and Company financial statements (continued)

24. Financial instruments (continued)

Company At 30 June 2012	Loans and receivables £'000	Available-for-sale financial assets £'000	Amortised cost £'000	Total book value £'000	Total fair value £'000
Financial assets					
Cash	14,361	–	–	14,361	14,361
Available-for-sale investments	–	10,925	–	10,925	10,925
Trade and other receivables	298	–	–	298	298
Financial liabilities					
Trade and other payables	–	–	91	91	91
At 30 June 2011					
Financial assets					
Cash	15,124	–	–	15,124	15,124
Available-for-sale investments	–	10,069	–	10,069	10,069
Trade and other receivables	203	–	–	203	203
Financial liabilities					
Trade and other payables	–	–	159	159	159

25. Equity share capital

Allotted, called up and fully paid share capital – Group and Company	2012 Number 000	2011 Number 000	2012 £'000	2011 £'000
Ordinary shares of 10 pence each				
At 1 July	4,560	4,302	456	430
Issued	–	258	–	26
At 30 June	4,560	4,560	456	456

At 30 June 2012, the Company held 465,498 shares (2011 – 436,078) in the Quayle Munro Holdings PLC Employee Benefit Trust 2008 and the Quayle Munro Holdings PLC Employees' Share Trust.

On 5 November 2010 the Company issued 258,001 new ordinary shares. 229,473 of these were awarded under a Joint Ownership structure with the Quayle Munro Holdings PLC Employees' Share Trust, and 28,528 shares were issued on the exercise of options under the approved and un-approved share option schemes.

Share premium – Group and Company	2012 £'000	2011 £'000
At 1 July	10,689	8,847
Premium on share issue	–	1,842
At 30 June	10,689	10,689

26. Share-based payments

Share options may be granted to all members of staff. Once granted the only vesting requirement is continued employment until vesting date (except for the LTIP scheme which is subject to profit performance targets being met). The exercise price of the options is normally equal to the market price of the shares on the date of the grant. The contractual life of an approved option granted is ten years and of an unapproved option seven years.

The expense recognised for share-based and deferred cash payments in respect of employee services received during the year to 30 June 2012 is £0.9m (2011 – £2.6m).

The total expected costs (as amended for leavers as at the date of 30 June 2012) of the JOE, LTIP and deferred cash schemes are:

	30 June 2010 £'000	30 June 2011 £'000	30 June 2012 £'000	30 June 2013 £'000	30 June 2014 £'000	30 June 2015 £'000	Total £'000
JOE	536	675	299	107	40	–	1,657
LTIP	–	1,210	258	206	76	–	1,750
Deferred cash	–	355	330	247	108	34	1,074

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

	2012 No.	2012 WAEP	2011 No.	2011 WAEP
Outstanding as at 1 July	354,512	£6.08	337,089	£7.93
Granted during the year	61,957	£0.00	112,957	£3.47
Forfeited during the year	(64,146)	(£8.35)	(82,874)	(£10.82)
Exercised*	(49,763)	(£1.49)	(12,660)	(£0.07)
Outstanding at 30 June	302,560	£5.11	354,512	£6.08
Exercisable at 30 June	302,560	£5.11	210,152	£5.77

* The weighted average share price at the date of exercise for the options exercised is £5.99 (2011 – £7.68).

For the share options outstanding as at 30 June 2012, the weighted average remaining contractual life is 5.19 years (2011 – 5.76 years).

61,957 approved and un-approved options (including LTIP) were granted during the year (2011: 112,957). The weighted average exercise price of options granted during the year was £nil (2011: £3.47). The range of exercise prices for options outstanding at the end of the year was £nil to £12.86 (2011 – £nil to £15.28).

The fair value of equity-settled share options granted is estimated as at the date of grant using a Black Scholes model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the years ended 30 June 2012 and 30 June 2011.

Notes to the Group and Company financial statements (continued)

26. Share-based payments (continued)

	Awards in the year 2012	2011
Approved Company share option scheme:		
Fair value at measurement date	–	128.19p – 157.91p
Share price	–	£6.50 – £8.18
Weighted average exercise price	–	£7.07
Expected volatility	–	40%
Option life	–	4.5 to 10 years
Expected dividend yield	–	3.69% to 4.00%
Risk – free interest rate	–	0.5% to 1.7%

	Awards in the year 2012	2011
Unapproved share option scheme:		
Fair value at measurement date	–	128.19p – 166.99p
Share price	–	£7.50 – £8.13
Weighted average exercise price	–	£3.17
Expected volatility	–	40%
Option life	–	4.5 to 10 years
Expected dividend yield	–	3.69% to 4.62%
Risk – free interest rate	–	0.6% to 1.4%

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

27. Deferred cash award

In the 2011 accounts part of the bonus awarded was to be issued under a JOE scheme. However, this was subsequently treated as a deferred cash bonus scheme. The amortisation profile remains unchanged. This has been reclassified on the balance sheet under creditors as a long term payable.

28. Additional cash flow information

Analysis of Group net cash	1 July 2011 £'000	Cash flow £'000	30 June 2012 £'000
Cash and cash equivalents	3,412	(2,184)	1,228
Deposits repayable after 24 hours	14,082	(378)	13,704
Total	17,494	(2,562)	14,932

	1 July 2010 £'000	Cash flow £'000	30 June 2011 £'000
Cash and cash equivalents	465	2,947	3,412
Deposits repayable after 24 hours	22,772	(8,690)	14,082
Total	23,237	(5,743)	17,494

Analysis of Company net cash	1 July 2011 £'000	Cash flow £'000	30 June 2012 £'000
Cash and cash equivalents	1,044	(387)	657
Deposits repayable after 24 hours	14,080	(376)	13,704
Total	15,124	(763)	14,361

	1 July 2010 £'000	Cash flow £'000	30 June 2011 £'000
Cash and cash equivalents	197	847	1,044
Deposits repayable after 24 hours	22,772	(8,692)	14,080
Total	22,969	(7,845)	15,124

Notes to the Group and Company financial statements (continued)

29. Pension and other post-retirement benefits

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

	Long term rate of return expected at 30 June 2012 %	Value at 30 June 2012 £'000	Long term rate of return expected at 30 June 2011 %	Value at 30 June 2011 £'000
Scheme assets at fair value				
Cash	2.5	90	3.5	375
Property	4.7	6	6.0	23
Equities	6.5	684	6.0	2,303
Government issued bonds	3.0	45	4.3	216
Corporate issued bonds	4.3	74	5.5	101
Insurance contracts	4.3	1,094	5.5	634
Total market value of assets	4.92	1,993	5.5	3,652
Present value of scheme liabilities		(1,884)		(2,867)
Surplus in the scheme		109		785

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

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

Analysis of the amount charged to other finance income	2012 £'000	2011 £'000
Expected return on scheme assets	173	176
Interest cost on scheme liabilities	(126)	(144)
Other finance income	47	32

Taken to other comprehensive income/(expense)	2012 £'000	2011 £'000
Actual return	(197)	405
Less: expected return on the scheme assets	(173)	(176)
	(370)	229
Experience gains and losses arising on the scheme liabilities	(345)	(61)
Changes in assumptions underlying the present value of the scheme liabilities	(131)	45
Actuarial gains and losses recognised in other comprehensive income/(expense)	(846)	213

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

Main assumptions:	2012 %	2011 %
Discount rate	4.3	5.5
Inflation rate (RPI)	2.8	3.5
Inflation rate (CPI)	2.1	2.8
Increase in pensions in payment for benefits accrued before 6 April 1997	0.0	0.0
Increase in pensions in payment for benefits accrued after 6 April 1997	2.7	3.3
Rate of increase in deferred pensions	2.1	2.8

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

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

	2012 £'000	2011 £'000
As at 1 July	2,867	2,733
Interest cost	126	144
Benefits paid	(1,719)	(26)
Actuarial losses	610	16
As at 30 June	1,884	2,867

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

Notes to the Group and Company financial statements (continued)

29. Pension and other post-retirement benefits (continued)

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

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

	2012 £'000	2011 £'000
As at 1 July	3,652	2,998
Expected return on scheme assets	173	176
Employer contributions	135	294
Benefits paid*	(1,719)	(26)
Fees paid	(12)	(19)
Actuarial (losses)/gains	(236)	229
As at 30 June	1,993	3,652

* Represents transfer value requests and annuity purchases.

	2012 £'000	2011 £'000	2010 £'000	2009 £'000	2008 £'000
Fair value of scheme assets	1,993	3,652	2,998	2,486	2,749
Present value of defined benefit obligation	(1,884)	(2,867)	(2,733)	(2,394)	(2,070)
Surplus in the scheme	109	785	265	92	679
Experience adjustments arising on plan liabilities	(345)	(61)	(152)	(49)	(52)
Experience adjustments arising on plan assets	(370)	229	42	(640)	81

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

30. Net asset value per share

The net asset value per share was 696p (2011 – 908p) based on net assets of £31.8m (2011 – £41.4m) and on 4.6m (2011 – 4.6m) ordinary shares in issue at 30 June 2012.

31. Related party transactions

Group
All transactions between the Parent Company and its subsidiary undertakings are classified as related party transactions. Transactions between the Company and its subsidiaries have been eliminated on consolidation and are therefore not disclosed.

Management considers key management personnel to be the Board of Directors and detailed disclosure of the individual remuneration of the Board members is given in the remuneration report on page 16.

Summary key management remuneration is as follows:

	2012 £'000	2011 £'000
Short term employee benefits	780	1,947
Termination benefits	145	-
Share-based and deferred cash payments	644	1,177
	1,569	3,124

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

	1 July 2011 £'000	Loans advanced in the year £'000	30 June 2012 £'000
East of Scotland Investments Limited	100	-	100
New Boathouse Capital Limited	1,768	-	1,768
Quayle Munro Limited	3,928	1,846	5,774
	5,796	1,846	7,642

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

	1 July 2011 £'000	Loans advanced in year £'000	30 June 2012 £'000
Quayle Munro Holdings PLC Employees' Share Trust	1,864	184	2,048

32. Post balance sheet events

On 19 September 2012 the disposal of the Edinburgh based project advisory business to its senior mangement team was completed. The senior mangement team will, through the establishment of Quayle Munro Project Finance LLP, purchase the existing engagements and work-in-progress of the former Edinburgh office for the sum of £1.

Notice of Annual General Meeting

NOTICE is hereby given that the thirty second Annual General Meeting (the "Meeting") of Quayle Munro Holdings PLC (the "Company") will be held at 12 noon on 14 November 2012 at 22 Berners Street, London, W1T 3LP for the purpose of transacting the following business:

Ordinary Resolutions
To consider and, if thought fit, pass Resolutions 1 to 6 (inclusive), each of which will be proposed as an ordinary resolution:

1. To receive the Annual Report and Accounts of the Company for the financial year ended 30 June 2012 together with the Directors' and auditors' reports thereon.
2. To declare a final dividend of 22p per ordinary share for the financial year ended 30 June 2012.
3. To re-elect I.T. McLean as a Director of the Company.
4. To re-appoint PricewaterhouseCoopers LLP as auditors of the Company to hold office from the conclusion of the Annual General Meeting until the conclusion of the next meeting at which accounts are laid before the Company.
5. To authorise the Directors of the Company to determine the auditors' remuneration.
6. That, in substitution for any existing authority under section 551 of the Companies Act 2006 but without prejudice to the exercise of any such authority prior to the date of this resolution, the Directors of the Company (the "Directors") be generally and unconditionally authorised in accordance with that section to exercise all powers of the Company to allot shares in the Company and to grant rights ("relevant rights") to subscribe for, or to convert any security into, shares in the Company up to an aggregate nominal amount of £152,000 to such persons and on such terms as the Directors may determine, such authorisation to expire at midnight on 14 February 2014 or, if earlier, at the conclusion of the next Annual General Meeting of the Company, unless previously renewed, revoked or varied by the Company in general meeting, save that the Company may at any time before the expiry of this authorisation make an offer or enter into an agreement or other arrangement which would, or might, require shares to be allotted or relevant rights to be granted after the expiry of this authorisation and the Directors may allot shares or grant relevant rights in pursuance of any such offer, agreement or other arrangement as if the authorisation conferred hereby had not expired.

Special Resolutions
To consider and, if thought fit, pass Resolutions 7 and 8 (inclusive), each of which will be proposed as a special resolution:

7. That subject to the passing of resolution number 6 set out in the notice of Annual General Meeting of the Company dated 19 September 2012 (the "Section 551 Resolution") and in substitution for any existing authority under sections 570 and 573 of the Companies Act 2006 (the "2006 Act") but without prejudice to the exercise of any such authority prior to the date of this resolution, the Directors of the Company (the "Directors") be empowered in accordance with those sections to allot equity securities (within the meaning of section 560 of the 2006 Act) for cash, either pursuant to the Section 551 Resolution or by way of a sale of treasury shares, in each case as if section 561(1) of the 2006 Act did not apply to any such allotment, provided that this power shall be limited to:

   (a) the allotment of equity securities in connection with an offer of such securities to all holders of ordinary shares of £0.10 each in the capital of the Company (the "Ordinary Shares") in proportion (as nearly as may be) to the respective number of Ordinary Shares held by them but subject to such exclusions, limits or restrictions or other arrangements as the Directors may deem necessary or appropriate to deal with treasury shares, fractional entitlements, record dates or any legal, regulatory or practical problems in or under the laws of any territory, or the requirements of any regulatory body or any stock exchange in any territory or otherwise howsoever; and

   (b) the allotment of equity securities (otherwise than pursuant to sub-paragraph (a) of this resolution) up to an aggregate nominal amount of £23,000 (being approximately 5% of the issued share capital of the Company as at 18 September 2012),

   provided such power shall expire at midnight on 14 February 2014 or, if earlier, at the conclusion of the next Annual General Meeting of the Company, unless previously renewed, revoked or varied, save that the Company may before such expiry, make an offer or enter into an agreement or other arrangement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer, agreement or other arrangement as if such expiry had not occurred.

8. That the Company be generally and unconditionally authorised in accordance with section 701 of the Companies Act 2006 (the "2006 Act") to make market purchases (within the meaning of section 693(4) of the 2006 Act) of ordinary shares of £0.10 each in the capital of the Company (the "Ordinary Shares") and to cancel or hold in treasury such shares, provided that:

    (a) the maximum number of Ordinary Shares hereby authorised to be purchased shall be 456,000 (representing approximately 10% of the issued share capital of the Company as at 18 September 2012);

    (b) the minimum price which may be paid for any Ordinary Share is £0.10, exclusive of the expenses of purchase (if any) payable by the Company;

    (c) the maximum price, exclusive of the expenses of purchase (if any) payable by the Company, which may be paid for any Ordinary Share shall not be more than an amount equal to 5 per cent. above the average market value of the Ordinary Shares for the five business days immediately preceding the date on which the Ordinary Share is contracted to be purchased; and

    (d) unless previously varied, revoked or renewed, the authority hereby conferred shall expire at midnight on 14 February 2014 or, if earlier, at the conclusion of the next Annual General Meeting of the Company, save that the Company may, prior to such expiry, enter into a contract to purchase Ordinary Shares under such authority which will or may be executed wholly or partly after the expiration of such authority and may make a purchase of Ordinary Shares pursuant to any such contract.

Recommendation

The Directors believe that the above Resolutions are in the best interests of the Company and its members as a whole, consistent with the Directors' duty to act in the way most likely to promote the success of the Company for the benefit of its members as a whole. Accordingly, the Directors unanimously recommend that members vote in favour of the above proposed ordinary and special Resolutions as they intend to do in respect of their own beneficial holdings.

By order of the Board

Andrew R Walls

Andrew Walls
Company Secretary

19 September 2012

Registered office:
102 West Port
Edinburgh EH3 9DN

Notice of Annual General Meeting (continued)

Notes:

1. As a member, you are entitled to appoint one or more proxies to exercise all or any of your rights to attend, speak and vote at the Meeting. A proxy need not be a member of the Company. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise the rights attached to any one share.

2. A Form of Proxy is enclosed. To be valid, your Form of Proxy and any power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority should be sent to the Company's Registrars at Capita Registrars, PXS, 34 Beckenham Road, Beckenham, Kent, BR3 4TU so as to arrive no later than 48 hours before the time appointed for holding the Meeting.

3. If you appoint a proxy, this will not prevent you attending the Meeting and voting in person if you wish to do so.

4. In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, to have the right to attend and vote at the Meeting a member must first have his or her name entered in the Company's register of members by no later than 6pm on 13 November 2012 or, if the Meeting is adjourned, at 6pm on the day two days prior to the adjourned meeting. Changes to entries on that register after that time shall be disregarded in determining the rights of any member to attend and vote at the meeting.

5. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) thereof by utilising the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

6. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's ("EUI") specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID RA 10) no later than 48 hours before the time appointed for the Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

7. CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

8. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

9. Except as provided above, members who have general queries about the Meeting should use the following means of communication (no other methods of communication will be accepted):

   - Calling our shareholder helpline on 0871 664 0300 (calls cost 10 pence per minute plus network extras, from outside the UK: +44 (0) 20 8639 3399).

   You may not use any electronic address provided either in this Notice of Meeting or any related documents (including the chairman's letter and Form of Proxy) to communicate with the Company for any purpose other than those expressly stated.

10. Copies of Directors' service contracts will be available for inspection for at least 15 minutes prior to the Meeting and during the Meeting.