

Company Registered No. 4807864

**WYG Management Services
Limited**

Report and Financial Statements

31 March 2012

WYG Management Services Limited

Report and financial statements 2012 Contents

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WYG Management Services Limited

Report and financial statements 2012

Officers and professional advisers

Directors

C Anderson
G Olver
A Gillespie

Company secretary

G Arber
B Whitworth

Registered office

Arndale Court
Headingley
Leeds, LS6 2UJ

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Benson House
33 Wellington Street
Leeds, LS1 4JP

Solicitors

Eversheds LLP
Bridgewater Place
Water Lane
Leeds, LS11 5BZ

Company registered number

4807864

WYG Management Services Limited

Directors' Report

The directors present their report and the audited financial statements for the period ended 31 March 2012. The financial year end moved to 31 March in 2011 so the prior period reports nine months' results compared to the current year of twelve months.

Business review and principal activities

WYG Management Services Limited ("the Company") is incorporated and domiciled in England and operates as surveyors, valuers, assessors and undertakes other property related works. The Company's turnover primarily derives from activities in the United Kingdom.

The results for the Company show an operating profit before exceptional items of £529,000 (nine months to 31 March 2011: 1,811,000 loss), a pre-tax loss of £712,000 (nine months to March 2011: £10,493,000 loss) for the year/period and revenue of £12,501,000 (nine months to March 2011: £11,149,000). The directors do not recommend the payment of a dividend (2011: £nil).

Exceptional items

The Company has incurred exceptional costs in the financial year. These exceptional costs arose predominantly from the restructuring of the Company in particular costs relating to the closure of offices.

Future outlook

Trading conditions remain challenging. There remains a lack of confidence and liquidity in many areas in which we trade, but there are also some encouraging signs in respect of opportunities and new contract wins. We have restructured to focus on areas of strength and opportunity to be well positioned to benefit when overall economic conditions improve.

On 15 July 2011, WYG Plc announced the completion of a major financial restructuring. This comprised:

- the placing ('Placing') of in aggregate 64,000,000 new Ordinary Shares at a price of 50 pence per new Ordinary Share with new institutional investors (equivalent to one pence per Ordinary Share on a pre share consolidation basis), raising gross proceeds of approximately £32 million (approximately £30 million net of expenses)
- the conversion of approximately £51 million of the Group's net debt (excluding certain restricted cash balances) into 4,540,758 Convertible Shares.

Since the Group completed the financial restructuring, the Company's balance sheet has been significantly strengthened (further details are in note 15).

Principal risks and uncertainties

The management of the business and the execution of the Company's strategy are subject to a number of risks. The key business risks and uncertainties affecting the Company are considered to relate to competition and employee retention. Further discussion of these risks and uncertainties, in the context of the Group as a whole, is provided in the Group's annual report which does not form part of this report. The financial risk management objectives and policies of the Company are detailed in note 13 of the financial statements.

Key performance indicators

The directors of WYG Plc manage the Group's operations on a divisional rather than statutory basis. For this reason, the Company's directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company.

The development, performance and position of the Group is discussed in the Group's annual report which does not form part of this report.

Donations

The Company made charitable donations amounting to £700 (9 months to March 2011: £1,700) during the year. No political donations were made in either year/period.

Employee information

The Company's policy is to ensure the adequate provision for the health, safety and welfare of its employees and of other people who may be affected by its activities.

WYG Management Services Limited

Directors' Report

The Company treats applications for employment from disabled persons equally with those of other applicants having regard to their ability, experience and the requirements of the job. Where existing employees of the Company become disabled every effort is made to provide them with continuing suitable work within the Company.

The success of the Company depends upon the skill and motivation of its workforce and it is the Company's policy that employees are kept informed of matters affecting their employment and of the financial results of the Company on a regular basis.

Directors

The directors who served during the period and up to the date of signing the financial statements are disclosed on page 1.

Going concern

As set out in note 1, the directors are of the opinion that the Company has adequate resources to continue in operational existence for the foreseeable future. The financial statements have, therefore, been prepared on the going concern basis.

Trade creditors

The Company's policy is to settle invoices promptly according to terms and conditions as far as is practicable. At 31 March 2012 the amount due to trade creditors for the Company represented 32 days (2011: 54 days) purchases received from those creditors.

Statement of directors' responsibilities in respect of the Annual Report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have elected to prepare the financial statements in accordance with 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 profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards (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 enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement on disclosure of information to the independent auditors

So far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware.

Each director has taken all reasonable steps to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

WYG Management Services Limited

Directors' Report


Independent auditors

PricewaterhouseCoopers LLP have expressed their willingness to be re-appointed. A resolution to re-appoint them as independent auditors will be proposed at the Annual General Meeting.

Cautionary statement

Certain statements contained in this report, including those under the "Future outlook" heading constitute forward-looking statements. Such forward-looking statements involve risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such statements.

On behalf of the Board



A Gillespie
Director
6 July 2012

WYG Management Services Limited

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WYG MANAGEMENT SERVICES LIMITED

We have audited the financial statements of WYG Management Services Limited for the year ended 31 March 2012 which comprise the Income Statement, the Balance Sheet, the Cash Flow Statement, the Statement of Changes in Equity 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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices 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 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 report 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 company's affairs as at 31 March 2012 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Randal Casson

Randal Casson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Leeds

9 July 2012

WYG Management Services Limited

Income Statement For the year ended 31 March 2012

		Before exceptional items	Exceptional items	Total	Before exceptional items	Exceptional items	Total
		2012	2012	2012	9 months to March 2011	9 months to March 2011	9 months to March 2011
Note		£'000	£'000	£'000	£'000	£'000	£'000
		12,501	-	12,501	11,149	-	11,149
	2,5	(11,972)	(1,241)	(13,213)	(12,960)	(8,487)	(21,447)
		529	(1,241)	(712)	(1,811)	(8,487)	(10,298)
	4	-	-	-	(195)	-	(195)
		529	(1,241)	(712)	(2,006)	(8,487)	(10,493)
	6	-	-	-	-	-	-
		529	(1,241)	(712)	(2,006)	(8,487)	(10,493)

The accompanying notes to the financial statements are an integral part of this Income Statement.

Details of the exceptional items are given in note 5.

In 2011 the financial year end moved to 31 March so the prior period reports nine months' results compared to the current year of twelve months.

There is no other comprehensive income for the financial period.

WYG Management Services Limited

Balance Sheet As at 31 March 2012

	Note	2012 £'000	2011 £'000
Current assets			
Work in progress	8	345	681
Trade and other receivables	9	10,528	1,837
Cash and cash equivalents		29	650
Current tax assets		-	6
		<u>10,902</u>	<u>3,174</u>
Current liabilities			
Trade and other payables	11	(2,512)	(2,475)
		<u>(2,512)</u>	<u>(2,475)</u>
Net current assets		<u>8,3921</u>	<u>699</u>
Non-current liabilities			
Trade and other payables	11	(389)	(6,259)
Provisions, liabilities and other charges	12	(2,232)	(3,095)
		<u>(2,621)</u>	<u>(9,354)</u>
Net assets/(liabilities)		<u>5,769</u>	<u>(8,655)</u>
Equity/(deficit) attributable to owners			
Share capital	14	7,038	604
Share premium		17	17
Capital redemption reserve		150	150
Accumulated losses	15	(1,436)	(9,426)
Total equity/(deficit)		<u>5,769</u>	<u>(8,655)</u>

The accompanying notes to the financial statements are an integral part of this Balance Sheet.

The financial statements were approved by the Board of Directors on 6 July 2012 and signed on its behalf by:



A Gillespie

Director

6 July 2012

Company registration number 4807864

WYG Management Services Limited

Cash Flow Statement For the year ended 31 March 2012

	Note	2012 £'000	2011 £'000
Operating activities	16		
Cash (used in) / generated from operations		(621)	948
Interest paid		-	(345)
Net cash (used in) / generated from operating activities		<u>(621)</u>	<u>603</u>
Financing activities			
Repayments of obligations under finance leases		-	(3)
Net cash used in financing activities		<u>-</u>	<u>(3)</u>
Net (decrease)/increase in cash and cash equivalents		(621)	600
Cash and cash equivalents at beginning of year/period		650	50
Cash and cash equivalents at end of year/period		<u>29</u>	<u>650</u>

The accompanying notes to the financial statements are an integral part of this Cash Flow Statement.

WYG Management Services Limited

Statement of Changes in Equity For the year ended 31 March 2012

	2012 £'000	2011 £'000
Loss and total comprehensive income for the year/period attributable to the owners	(712)	(10,493)
Increase in share capital (see note 14)	6,434	-
Capital contribution (see note 15)	8,702	-
(Deficit)/equity attributable to the owners of the Company at beginning of year/period	(8,655)	1,838
Equity/(deficit) attributable to the owners of the Company at end of year/period	<u>5,769</u>	<u>(8,655)</u>

WYG Management Services Limited

Notes to the Financial Statements For the year ended 31 March 2012

1. Significant accounting policies

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), International Financial Reporting Interpretations Committee (IFRIC) interpretations endorsed by the European Union ("EU") and those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention with the exception of certain items which are measured at fair value as disclosed in the principal accounting policies set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

Going concern

These financial statements have been prepared on the going concern basis which assumes that the Company will continue in operational existence for the foreseeable future.

Revenue recognition

Revenue represents the value of work earned during the financial period on contracts by reference to total contract value and stage of completion.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Third party payments represent costs incurred by the Company on behalf of clients which are invoiced at no margin. Progress payments receivable in excess of the value of work executed on individual contracts are included in trade and other payables.

Unbilled revenue

As described above revenue represents the value of work earned during the financial period by reference to the total contract value and stage completion. Unbilled revenue is the difference between the revenue recognised and the amounts actually invoiced to customers. Where invoicing exceeds the amount of revenue recognised these amounts are included in trade and other payables. When consumables are used, a charge is made to cost of sales.

Exceptional items

Items that are both material and non-recurring and whose significance is sufficient to warrant separate disclosure and identification within the consolidated financial statements are referred to as exceptional items. Items that may give rise to classification as exceptional items include, but are not limited to, significant and material restructuring closures and reorganisation programmes, asset impairments, and the profit or losses on the closure of offices.

Leased assets

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

Assets held under finance leases are recognised as assets of the Company at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The

WYG Management Services Limited

Notes to the Financial Statements For the year ended 31 March 2012

1. Significant accounting policies (continued)

corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight line basis over the lease term.

Work in progress

Work in progress is stated at cost plus attributable profits less foreseeable losses and progress payments received and receivable. Cost comprises direct staff costs and attributable overheads. Attributable profit is that proportion of the total profit currently estimated to arise over the duration of a contract, as earned at the balance sheet date. Work-in-progress is recognised when projects are assessed for contract progress and the proportion of contract work completed at the balance sheet date is determined in relation to the total contract works. Appropriate provisions are made for slow moving and irrecoverable work-in-progress.

Cash & cash equivalents

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and other short-term highly liquid investments with a maturity of three months or less.

Foreign currency translation

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency').

Transactions in currencies other than the functional currency are recorded 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 on the balance sheet date. Gains and losses arising on retranslation are included in the income statement for the period, except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are recognised directly in equity.

Tax

The tax expense represents the sum of the tax currently payable and deferred tax along with any adjustments to prior year estimates.

The tax currently payable is based on taxable profit for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

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

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

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

WYG Management Services Limited

Notes to the Financial Statements For the year ended 31 March 2012

1. Significant accounting policies (continued)

Investments in subsidiary undertakings

Investments in subsidiary undertakings are stated in the Company's balance sheet at cost less any provision for impairment in value.

Employee benefits

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

Short term compensated absences

A liability for short-term compensated absences, such as holiday, is recognised in trade and other payables for the amount the Company may be required to pay as a result of the unused entitlement that has accumulated at the balance sheet date.

Financial instruments

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables do not carry any interest and are stated at amortised cost as reduced by appropriate allowances for estimated irrecoverable amounts. A provision for impairment is established where there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is recognised in the income statement.

Trade payables

Trade payables are not interest-bearing and are stated at amortised cost.

Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Significant judgements and key sources of estimation uncertainty

The preparation of the accounts requires the Company to make estimates, judgements and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. The directors base their estimates on historical experience and various other assumptions that they believe are reasonable under the circumstances, the results of which form the basis for making judgements about the carrying value of the assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Areas of judgement and sources of estimation uncertainty that have the most significant effect on the amounts recognised in the financial statements are:

- Revenue recognition and the assessment of the percentage of contract completion achieved. The Company assesses contract progress and determines the proportion of contract work completed at the balance sheet date in relation to the total contract works.
- Review of asset carrying values and impairment charges. The Company performs impairment testing in accordance with the accounting policy described within the significant accounting policies in the notes to the accounts. The calculation of recoverable amounts requires the use of estimates and assumptions consistent with the most recent budgets and plans that have been formally approved by management.

WYG Management Services Limited

Notes to the Financial Statements For the year ended 31 March 2012

1. Significant accounting policies (continued)

- Professional indemnity insurance. The Group operates a captive insurance company in the UK called Oakdale. This company provides reinsurance exclusively to certain companies within the Group. Provision is made on actuarial assessment of the reserve for future claims necessarily includes estimates as to the likely trend of future claims costs and as to the emergence of further claims subsequent to the year end. An actuarial review of claims is performed annually. To the extent that actual claims differ from those projected, the provisions could vary significantly.
- Work in progress and receivables valuation. The Company assess work in progress and trade receivables for exposure to losses. Provision is made in full for estimated losses.

New IFRS standards and interpretations not applied

The IASB and IFRIC have issued additional standards and interpretations which are effective for periods starting after the date of these financial statements.

The directors anticipate that the adoption of the following standards and interpretations will have no material impact on the Company's financial statements:

- IAS 12 'Income taxes - amendment', issued in December 2010, is effective for periods commencing on or after 1 January 2012 but not yet endorsed by the EU
- IFRS 7 'Financial Instruments – amendment', issued in October 2010, is effective for periods commencing on or after 1 July 2011 and endorsed by the EU on 23 November 2011
- IFRS 10 'Consolidated financial standards', issued in May 2011, is effective for periods commencing on or after 1 January 2013 but has not yet been endorsed by the EU
- IAS 27 'Separate financial statements – revised', issued in May 2011, is effective for periods ending on or after 1 January 2013 but has not yet been endorsed by the EU
- IFRS 9, 'Financial instruments', issued in October 2010. This addresses the classification and measurement of financial assets but will mainly affect financial institutions. The standard is not applicable until 1 January 2015 and has not yet been endorsed by the EU

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year beginning 1 April 2011 and have not been early adopted by the Company:

- IFRS 11 'Joint arrangements' issued in May 2011, is effective for periods commencing on or after 1 January 2013 but has not yet been endorsed by the EU
- IAS 28 'Investments in associates and joint ventures – revised', issued in May 2011, is effective for periods commencing on or after 1 January 2013 but has not yet been endorsed by the EU
- IFRS 13 'Fair value measurement' issued in May 2011, is effective for periods commencing on or after 1 January 2013 but has not yet been endorsed by the EU
- IFRS 1 'First time Adoption - amendment', issued in December 2010, is effective for periods commencing on or after 1 July 2011 but has not yet been endorsed by the EU
- IAS 19 'Employee benefits', issued in June 2011, is effective for periods commencing on or after 1 July 2012 but has not yet been endorsed by the EU
- IAS 1 'Financial statement presentation' regarding other comprehensive income, issued in June 2011, effective for periods commencing 1 July 2012 but has not yet been endorsed by the EU
- IFRS 12 'Disclosures of interests in other entities', issued May 2011, effective for periods commencing 1 January 2013

WYG Management Services Limited

Notes to the Financial Statements For the year ended 31 March 2012

1. Significant accounting policies (continued)

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 April 2011, but are not relevant to the Company:

- IAS 24 'Related Party Disclosures – amendment', issued in November 2009, is effective for periods commencing on or after 1 January 2011 and was endorsed by the EU on 19 July 2010;
- IFRIC 14 'Prepayments of a Minimum Funding Requirement – amendment', issued in November 2009, is effective for periods commencing on or after 1 January 2011 and was endorsed by the EU on 19 July 2010
- 'Improvements to IFRS (2010)', issued May 2010, is effected for periods commencing on or after 1 January 2011 and was endorsed by the EU on 18 February 2011

The various other minor amendments to existing standards have no impact on the Company's results at 31 March 2012.

WYG Management Services Limited

Notes to the Financial Statements For the year ended 31 March 2012

2. Operating Expenses

	2012 £'000	2011 £'000
Staff costs (note 3)	6,970	6,848
Other external and operating charges	6,243	14,599
	<u>13,213</u>	<u>21,447</u>

Operating loss has been arrived at after charging:

	2012 £'000	2011 £'000
Operating lease rentals – land and buildings	-	237
Operating lease rentals – plant and machinery	151	256
	<u>151</u>	<u>256</u>

During the period, the fees for services from the Company's auditors were borne by WYG Group Limited.

3. Employees and directors

The average monthly number of employees (including directors) was:

	2012 Number	2011 Number
By activity		
Technical	116	135
Administrative	14	21
	<u>130</u>	<u>156</u>
	£'000	£'000
Their aggregate remuneration comprised:		
Wages and salaries	5,702	5,645
Social security costs	844	848
Pension costs (note 19)	424	355
	<u>6,970</u>	<u>6,848</u>

In addition to the above permanent staff, the Company utilises the services of agency and temporary contract staff as circumstances require.

WYG Management Services Limited

Notes to the Financial Statements For the year ended 31 March 2012

3. Employees and directors (continued)

Key management compensation

The directors have identified 1 (2011: 4) key management personnel whose compensation was as follows:

	2012 £'000	2011 £'000
Short term employment benefits	119	456
Post employment benefits	12	13
Compensation for loss of office	-	278
	<u>131</u>	<u>747</u>

The key management figures given above include directors.

Directors

	2012 £'000	2011 £'000
Aggregate emoluments	119	456
Contributions to defined contribution pension schemes	12	13
Compensation for loss of office	-	278
	<u>131</u>	<u>747</u>

Directors accruing retirement benefits

	2012 Number	2011 Number
Defined contribution pension schemes	<u>1</u>	<u>1</u>

Highest paid director

	2012 £'000	2011 £'000
Emoluments	<u>131</u>	<u>120</u>

The emoluments disclosed above are in respect of the one director employed by the Company during the year/period. The remaining directors who served during the year/period are employed by a fellow subsidiary company to which they devote the substantial part of their time and accordingly they receive no remuneration, fees or benefits from the Company.

WYG Management Services Limited

Notes to the Financial Statements For the year ended 31 March 2012

4. Finance costs

	2012 £'000	2011 £'000
Inter company interest	-	195
	<u>-</u>	<u>195</u>

5. Exceptional items

	2012 £'000	2011 £'000
Employee termination costs	33	1,639
Office closure costs	819	1,060
Impairment of investments	-	5,788
Impairment of intra group receivables	389	-
	<u>1,241</u>	<u>8,487</u>

WYG Management Services Limited has incurred exceptional costs in the year. These arose predominantly from the impairment of intra group receivables which do not represent a cash cost in the current financial year, and the ongoing restructure of the company.

6. Tax

	2012 £'000	2011 £'000
Current tax:		
UK corporation tax on losses for the year/period at 26.0% (2011: 28%)	-	(1,326)
Adjustments in respect of prior years	-	1,326
	<u>-</u>	<u>-</u>

WYG Management Services Limited

Notes to the Financial Statements For the year ended 31 March 2012

6. Tax (continued)

Factors affecting the current tax charge for the year/period

The tax charge for the year is lower (2011: lower) than the standard rate of corporation tax in the UK when applied to reported loss. The differences are explained below:

	2012 £'000	2011 £'000
Loss before tax	(716)	(10,493)
Loss before tax multiplied by the standard rate of UK corporation tax rate of 26.0% (2011: 28%)	(185)	(2,938)
Losses carried forward / not used	(146)	1,283
Expenses not deductible for tax purposes	213	-
Permanent differences	126	1,662
Fixed asset timing differences	(8)	(7)
Total tax charge	-	-

A number of changes to the UK Corporation tax system were announced in the March 2011 budget statement to reduce the main rate of corporation tax from 28 per cent to a proposed rate of 23 per cent by 1 April 2014. Legislation reducing the main rate of corporation tax from 28 per cent to 26 per cent from 1 April 2011 was enacted by 29 March 2011 and legislation reducing the main rate of corporation tax to 25% from 1 April 2012 was enacted on 5 July 2011. The proposed further reductions of the main rate of corporation tax by 1 per cent per year to 23 per cent by 1 April 2014 are expected to be enacted separately each year.

The changes to the corporation tax rates would not have a material impact on the deferred tax assets and liabilities held on the balance sheet.

WYG Management Services Limited

Notes to the Financial Statements For the year ended 31 March 2012

7. Investments

	Shares in subsidiary undertakings £'000
Cost	
At 1 July 2010 and 1 April 2011	5,788
At 31 March 2012	<u>5,788</u>
Provision	
At 1 July 2010	-
Impairment	(5,788)
At 31 March 2011, 31 March 2012	<u>(5,788)</u>
Net book value	
At 31 March 2012	<u>-</u>
At 30 June 2011	<u>-</u>

Subsidiary companies held directly	Principal activity	Country of incorporation	Ordinar y shares % held
Tweeds Project Services Limited	Non-trading	England and Wales	100

8. Work-in-progress

	2012 £'000	2011 £'000
Work-in-progress	570	1,570
Provision	(225)	(889)
Net work-in-progress	<u>345</u>	<u>681</u>

The value of work in progress comprises the costs incurred on a contract plus an appropriate proportion of overheads and attributable profit. Profit is recognised on a percentage completion basis when the outcome of a contract or project can be reasonably foreseen. Provision is made in full for estimated losses.

WYG Management Services Limited

Notes to the Financial Statements For the year ended 31 March 2012

9. Trade and other receivables

	2012 £'000	2011 £'000
Amounts falling due within one year		
Amounts receivable on contracts	1,897	1,718
Less: provision for impairment of trade receivables	(38)	(184)
Trade receivables - net	<u>1,859</u>	<u>1,534</u>
Prepayments and accrued income	13	16
Other receivables	1	33
Amounts due from group undertakings	8,655	254
	<u>10,528</u>	<u>1,837</u>

The amounts due from group undertakings are unsecured obligations. It is not proposed that any group undertaking will seek repayment of monies owed unless the company recording the liability has the funds to enable it to do so.

At 31 March 2012 trade receivables of £38,000 (2011: £184,000) were considered for potential impairment. The amount provided for these balances was £38,000 (2011: £184,000). The allocation of the provision according to invoice due date is as follows:

	2012 £'000	2011 £'000
Between 0 and 150 days	33	58
Between 151 and 330 days	5	-
Greater than 330 days	-	126
	<u>38</u>	<u>184</u>

At 31 March 2012 trade receivables of £274,000 (2011: £277,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables according to invoice due date is as follows:

	2012 £'000	2011 £'000
Between 0 and 30 days	-	-
Between 31 and 60 days	276	249
Between 61 and 120 days	52	28
Between 121 and 150 days	5	-
Between 151 and 330 days	-	-
Greater than 330 days	(59)	-
	<u>274</u>	<u>277</u>

At 31 March 2012 trade receivables of £1,585,000 (2011: £1,257,000) were neither past due nor impaired.

WYG Management Services Limited

Notes to the Financial Statements For the year ended 31 March 2012

9. Trade and other receivables (continued)

Movements on the Company's position for impairment of trade receivables are as follows:

	2012	2011
	£'000	£'000
At 1 April, 1 July	184	75
Provision for receivables impairment	91	114
Receivables written off during the year/period as uncollectable	(237)	(5)
At 31 March	<u>38</u>	<u>184</u>

The creation and release of provision for impaired receivables have been included in operating expenses in the income statement.

The other classes within trade and other receivables do not contain impaired assets. There is no material difference between the carrying value and the fair value of financial assets and financial liabilities at the balance sheet date.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Company does not hold any collateral as security.

10. Deferred tax

	Accelerated tax depreciation £'000	Other temporary differences £'000	Deferred tax assets not recognised £'000	Total £'000
Deferred tax assets at 1 July 2010	50	278	-	328
Deferred tax liabilities at 1 July 2010	-	-	(328)	(328)
Credit/(charge) to income statement	(12)	660	(648)	-
Deferred tax assets at 1 April 2011	38	938	(976)	-
Prior period adjustment (Charge)/credit to income statement	4 (11)	285 246	(289) (235)	-
Deferred tax assets at 31 March 2012	<u>31</u>	<u>1,469</u>	<u>(1,500)</u>	<u>-</u>

Deferred tax assets have been recognised in respect of any significant temporary differences giving rise to deferred tax assets where it is probable that these assets will be recovered.

WYG Management Services Limited

Notes to the Financial Statements For the year ended 31 March 2012

11. Trade and other payables

	2012	2011
	£'000	£'000
Amounts falling due within one year		
Trade payables	388	432
Payments received on account	932	877
Social security and other taxes	721	799
Other payables	97	103
Accruals	374	264
	<u>2,512</u>	<u>2,475</u>
Amounts falling due in more than one year		
Amounts due to group undertakings	<u>389</u>	<u>6,259</u>

The amounts due to group undertakings are unsecured obligations. It is not envisaged that any group undertaking will seek repayment of monies owed unless the company recording the liability has the funds to enable it to do so.

12. Provisions, liabilities and other charges

	Vacant leasehold £'000	Redundancy £'000	Total £'000
At 30 June 2010	2,305	-	2,305
Additional provision	1,060	1,639	2,699
Utilised	(615)	(1,294)	(1,909)
	<u>2,750</u>	<u>345</u>	<u>3,095</u>
At 31 March 2011	2,750	345	3,095
Additional provision	819	-	819
Utilised	(1,337)	(345)	(1,682)
	<u>2,232</u>	<u>-</u>	<u>2,232</u>
At 31 March 2012	<u>2,232</u>	<u>-</u>	<u>2,232</u>

Vacant properties

The Company has a number of vacant leasehold properties, with the majority of the head leases expiring within the next five years. Provision has been made for the residual lease commitments together with other outgoings, after taking into account potential sub-tenant arrangements and assumptions relating to later periods of vacancy.

Redundancy

Provision is made for current estimated future costs of redundancy and ex gratia payments to be made where this has been communicated to those employees concerned.

WYG Management Services Limited

Notes to the Financial Statements For the year ended 31 March 2012

13. Financial instruments

The Company is exposed to a number of different market risks in the normal course of business including foreign currency risks, interest rate risks and credit risks.

Foreign currency risk

The Company is exposed to foreign currency risk on sales and purchases that are denominated in currencies other than Euros, however, the level of these transactions is minimal.

Credit risk

Credit risk arises from deposits with banks and credit exposure to customers, including outstanding receivables and invoiced work performed for these parties.

Policy for cash deposits is that only banks and institutions with an independently determined short-term credit rating of A1 and a long-term credit rating of at least AA- (under Standard & Poor's definitions) are used for investments.

The Company has a customer credit policy in place and the exposure to credit risk is monitored on an ongoing basis. At 31 March 2011 there were no significant concentrations of credit risk. The maximum exposure to credit risk is the carrying amount of each financial asset included on the balance sheet.

Interest rate risk

The Company does not have any floating rate financial liabilities and therefore is not exposed to any significant interest rate risks.

Fair values

The fair values of the financial assets and liabilities of the Company are considered to be materially equivalent to their book value. Fair values have been calculated by reference to cash flows discounted at prevailing interest rates.

Liquidity risk

Cash flow forecasting is performed in the operating entities of the WYG Plc and aggregated by group finance. Group finance monitors rolling forecasts of the group's liquidity requirements to ensure it has sufficient cash to meet operational needs.

WYG Management Services Limited

Notes to the Financial Statements For the year ended 31 March 2012

14. Share capital

On 30 March 2012 the Company underwent an internal balance sheet restructuring which resulted in an increase in share capital of £6,434,000.

	2012 £	2011 £
Issued and fully paid:		
7,400 ordinary shares of 50p each	3,700	3,700
4 "N" ordinary shares of 50p each	2	2
1 "R" ordinary shares of 50p each	1	1
3 "S" ordinary shares of 50p each	1	1
1 "T" ordinary shares of 50p each	1	1
600,000 5% redeemable £1 preference shares	600,000	600,000
	<hr/>	<hr/>
	603,705	603,705
Ordinary shares issued to WYG Group Limited	6,434,000	-
	<hr/>	<hr/>
	7,037,705	603,705
	<hr/> <hr/>	<hr/> <hr/>

Ordinary shares

Ordinary shares have voting rights of one vote per share. In the event of a winding-up they rank second.

"N" "R" "S" and "T" shares

"N" "R" "S" and "T" shares carry no voting rights. In the event of a winding up they rank second.

Redeemable preference shares

Redeemable preference shares are non-voting and are redeemable in the event of a winding-up, asset sale, transfer of controlling interest or when the holder reaches retirement age. If redeemed at retirement age they are redeemable at 20% par at that date and 20% par for each of the next four annual anniversaries. The shares rank first in order in the event of a winding-up.

15. Reserves

	Retained earnings/ (accumulated losses) £'000
Balance at 1 July 2010	1,067
Loss for the period	(10,493)
	<hr/>
Balance at 1 April 2011	(9,426)
Loss for the financial year	(712)
Capital contribution	8,702
	<hr/>
Balance at 31 March 2012	(1,436)
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On 30 March 2012 the Company underwent an internal balance sheet restructuring which resulted in an increase in a capital contribution reserve of £8,702,000. This revenue does not represent a realised gain available for distribution to shareholders. The reserve is included in retained earnings.

WYG Management Services Limited

Notes to the Financial Statements For the year ended 31 March 2012

16. Cash generated from operations

	2012 £'000	2011 £'000
Loss from operations	(712)	(10,298)
Adjustments for:		
Impairment of investments	-	5,788
Operating cash flows before movements in working capital	(712)	(4,510)
Decrease in work in progress	337	1,538
(Increase)/decrease in receivables	(45)	1,967
(Decrease)/increase in payables	(201)	1,953
Cash (used in)/generated from operations	(621)	948
Interest paid	-	(345)
Net cash (used in)/generated from operating activities	(621)	603

17. Contingent liabilities and guarantees

The Company and its subsidiary undertakings guarantee, to the Group's principal bankers, the overdrafts and loans, if any, of each Group company. At 31 March 2012 the Group's indebtedness to its principal bankers amounted to £0.1m (2011: £48.4m).

The Company (along with certain other WYG companies) is a member of a VAT group, and with the other members it is jointly and severally liable for any VAT due.

18. Financial commitments

At 31 March 2012, the Company had capital commitments outstanding of £nil (2011: £nil).

19. Retirement benefit schemes

The WYG group operates a defined contribution retirement benefit scheme for all UK qualifying employees with Scottish Equitable Plc. The assets of the schemes are held separately from those of the group in funds under the control of trustees.

The Company's contributions to the scheme for the period ended 31 March 2012 were £424,000 (2011: £355,000). Amounts outstanding at the end of the period were £33,000 (2011: £42,000).

20. Related party transactions

During the period the Company both purchased services from, and provided services to, fellow subsidiary companies. Intercompany balances between the respective companies reflect these transactions.

21. Ultimate parent undertaking

The ultimate parent undertaking is WYG Plc, a company registered in England & Wales. WYG Plc is both the smallest and largest group into which the Company's financial statements are consolidated. Copies of the Group financial statements can be obtained from The Secretary, WYG Plc, Arndale Court, Headingley, Leeds, LS6 2UJ.

The Company is a wholly-owned subsidiary of WYG Group Limited.

The results of the Company and its subsidiary undertakings are included in the consolidated financial statements of WYG Plc, and therefore the Company has taken the exemption provided by Section 400 of the Companies Act 2006 from preparing consolidated financial statements.