Registered number: 05522098

NUCLEUS FINANCIAL GROUP LIMITED

DIRECTORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2012

COMPANY INFORMATION

DIRECTORS	A C D Bloch P R Bradshaw D R Ferguson S J Geard J P Gibson A J Mathieson J A A Samuels L van der Walt N B Wilson
COMPANY SECRETARIES	A J Mathieson N Megaw
REGISTERED NUMBER	05522098
REGISTERED OFFICE	One London Wall London United Kingdom EC2Y 5AB
INDEPENDENT AUDITORS	PricewaterhouseCoopers LLP Erskine House 68-73 Queen Street Edinburgh EH2 4NH
BANKERS	The Royal Bank of Scotland Aldgate Union 7th Floor 10 Whitechapel High Street London E1 8DX

NUCLEUS FINANCIAL GROUP LIMITED
FOR THE YEAR ENDED 31 DECEMBER 2012

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NUCLEUS FINANCIAL GROUP LIMITED

CHAIRMAN'S STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012

2012 was always going to be a challenging year with the implementation of the Retail Distribution Review (RDR) dominating industry development and activity. We were, of course, fortunate in that the business was established fundamentally in accord with the precepts of that review and we avoided the scale of structural change endured by many of our competitors.

However, the strong growth which we have experienced historically was interrupted adversely as we dealt with the ramifications of our historic platform administrator, Scottish Friendly Insurance Services Ltd, selling their business to Citibank International plc. Although it considerably strengthens our strategic position going forward, assuming the responsibilities of Isa and Sipp provider as well as changing our onshore single premium bond provider to Sanlam was disruptive in terms of management time and attention, presented tactical service challenges and had significant one off cost implications.

Under the circumstances our key results of net new inflows on the platform of £1bn, an increase of revenue from £9.7m (2011) to £13.6m and a small, but important profit after tax of £138k represent a credible performance. It was also very impressive that a further 70 IFA firms *(2011: 27)* signed up to the Nucleus business, reflecting our greater maturity and experience in the market.

In a further demonstration of the company's maturity, the Board was pleased to appoint Grant Thornton as our provider of internal audit services.

We were all also very pleased when Stuart Geard chose to join us in the role of Managing Director. Stuart was well known to all of the Board through his work as chairman of the Audit and Risk Committee and his appointment provides a substantial strengthening of our management team as service delivery grows ever more complex and substantial.

Looking forward, we are in a strong position to expand volumes and market share. We can expect more substantial competition as the whole industry faces up to the challenges of RDR, but the reality that we are unencumbered by legacy cost, business lines and staff issues creates a very substantial competitive advantage.

As ever, my thanks are due to my Board colleagues for their continued support, all of our Financial Adviser audience for their tireless commitment to ensuring that our platform delivers what they and their clients need rather than the substantial red herrings often chased by our industry and, of course, to all the management and staff whose commitment to quality remains unsurpassed.

P R Bradshaw

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2012

The Directors present their annual report and the audited consolidated financial statements and auditors' report for the year ended 31 December 2012. Nucleus Financial Group Limited ("the Company") is the parent company of a group of companies comprising Nucleus Financial Group Limited and its subsidiaries Nucleus Financial Services Limited and Nucleus IFA Services Limited ("the Group" or "Nucleus").

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 year. Under that law the Directors have prepared the Group and the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 the Group and of the profit or loss of the Company and the Group 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 UK Accounting Standards 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 and Group 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 the Group and to 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 the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for the maintenance and integrity of the Group's corporate website. The Directors understand that uncertainty regarding legal requirements is compounded as information published on the internet is accessible in many countries with different legal requirements relating to the preparation and dissemination of financial statements.

The maintenance and integrity of the Group's 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.

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

NUCLEUS FINANCIAL GROUP LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2012

PRINCIPAL ACTIVITIES

The Company's principal activity is that of a holding company.

The Company has two subsidiaries, Nucleus Financial Services Limited ("NFS") and Nucleus IFA Services Limited ("NIFAS").

NFS is regulated by the Financial Conduct Authority ("FCA"). The FCA was formed as a result of the separation of the Financial Services Authority ("FSA") into two parts and this separation was enacted recently in the Financial Services Act 2012. The FCA-regulated activities of the Group are predominantly those relating to a Limited Licence Investment Firm. In addition, NFS has additional FCA and Her Majesty's Revenue and Customs ("HMRC") obligations relating to its activities as an operator of a Self Invested Personal Pension scheme ("a Sipp Operator") and also those relating to the management of Individual Savings Accounts ("an Isa Manager"). Finally, NFS is required to hold and control client money as part of its activities and is therefore subject to the FCA's client money rules.

NIFAS is not regulated and it provides services encompassing sales, marketing and platform development exclusively to NFS.

Both subsidiaries' financial statements and NFS' Pillar 3 statement can be found on the Group's corporate website www.nucleusfinancial.com.

BUSINESS REVIEW AND FUTURE OUTLOOK

The Nucleus wrap platform allows clients to invest directly, or via various 'tax wrappers' including a proprietary Isa and Sipp together with a range of non-proprietary onshore and offshore life assurance bonds, into a broad range of underlying assets, including cash, unit trusts, Oeics, ETFs, investment trusts and other securities.

Particular features of the Nucleus model are a commitment to transparency and to put the client centre stage. This is delivered via the Company's culture and the influence of those advisers who use and hold shares, directly or indirectly, in Nucleus.

In 2012 much of the focus within the broader retail financial services market was on the changes required to implement the Retail Distribution Review ("RDR").

Probably the most significant aspect of RDR impacting Nucleus is new rules that determine how financial advisers may be remunerated for investment advice. From 1 January 2013, advisers can only be remunerated directly by their clients for advice given. This principle is referred to as adviser charging.

The FSA confirmed that the adviser charging rules continue to require financial advisers to disclose and manage any conflict of interest which may arise from adviser firms (or advisers) holding a financial interest in a platform. The new regulations have made the business model of one of our shareholders, Nucleus IFA Company Ltd, redundant and Nucleus has provided a letter of support to allow NIFAC to continue as a going concern while the model remains under review. The support is capped at £250k and any liabilities arising under this agreement can be absorbed within Nucleus' normal operating cash flows.

While wrap platforms and most Nucleus users have been operating in accordance with the RDR principles, 2012 wrap platform sector growth was slower than had been expected, as advisers invested in ensuring their business models were fully compliant with the detail of the new regulations.

BUSINESS REVIEW AND FUTURE OUTLOOK (continued)

During 2012 Nucleus outperformed its sector, achieving 39% growth in assets under administration against sector growth of 32.4% (source: Fundscape Platform Report Feb 2013). The number of adviser firms using the platform increased to 438 *(2011: 369),* the number of adviser users increased to 1,394 *(2011: 897)* and we closed the year with 42,877 *(2011: 33,853)* retail clients. Our pricing remained unchanged and consistent with prior years and the 39% growth in assets generated a 40% increase in revenue to £13.6m *(2011: £9.7m).*

We undertook significant projects to take ownership of our Isa and Sipp tax wrappers and to launch a new onshore bond. Although this resulted in £340k of non-recurring costs we now have much greater control over our proposition and this will allow us to generate better client outcomes and operate more profitably in future.

Aside from this transitional work our service delivery remained good and Nucleus retained a top 3 position throughout 2012 in the Platforum rankings and was second overall in the CoreData Investment Platform Survey dated July 2012.

We also continued to invest in our platform proposition with particular emphasis on improving operational efficiency and enhancing our adviser and client experience.

Core to Nucleus' success is the quality of its management and staff and the culture of the organisation. During 2012 there were some changes in the management team. Andrew Smith, chief operating officer, departed in August and we would note the significant contribution he made during his tenure. The management team was greatly strengthened by the appointment of Stuart Geard (formerly chair of our Audit & Risk Committee) as Managing Director, replacing John McNeil who left mid-year.

In keeping with the growth of the business and our future ambitions, we continued to invest in our sales, customer service, communication, legal, finance and compliance teams.

We consider functionality, service, price and culture to be critical success factors in our sector and we will continue to invest to ensure we remain in the forefront in each of these areas. We are particularly interested in exploring those areas where we can offer users a wider range of products and services and we are working on several initiatives that will further extend the capability and reach of the Nucleus wrap.

These initiatives will complement the milestone achieved in November when Nucleus became the first company to offer life insurance protection on a UK platform. In 2013 we have already launched a comprehensive suite of trusts to encourage better tax planning and we are currently running a pilot project that allows clients to seamlessly purchase from a range of annuities.

The ability of wrap platforms to operate profitability has become a major subject of discussion within the sector, particularly in light of the considerable sums invested by some of our peers. It therefore gives us considerable pleasure to report that Nucleus reached a sustainable break-even position last year. Our reported profit after tax is £138k, a significant improvement on the £962k loss reported for 2011. Adjusted for the non-recurring costs referred to above, our underlying operating profit after tax for the year is £358k.

Looking to the future, the Group will continue with its current activities and invest further in growing the business beyond its current boundaries.

RISK MANAGEMENT FRAMEWORK

The Board's objective with regard to risk management is to deliver the Nucleus strategy and business plan supported by a robust, scalable and enterprise-wide governance, risk management and control framework. Consequently, Nucleus operates an approach to risk management in assigning risk management responsibilities which is commonly referred to as the "three lines of defence" model.

RISK MANAGEMENT FRAMEWORK (continued)

The activities within each of the three lines are:

- **First line of defence**

Business lines have responsibility for managing their identified risks through a sound set of processes and controls.

- **Second line of defence**

The risk, compliance and finance functions constitute the second line of defence.

The role of the second line functions is to develop and maintain the risk management policies and framework, review the effectiveness of the operation of the risk management practices by operational management and provide support and advice to the business risk owners in reporting risk related information within the Group, including management information on risk matters to the Audit and Risk Committee and the Board.

- **Third line of defence**

Nucleus utilises internal audit as its third line of defence and to obtain independent assurance on the effectiveness of its control environment. Internal audit, through a risk based approach, provides assurance to the Audit and Risk Committee and the Board on how effectively risks are assessed and managed. Findings arising from these audit processes are reported to both the Audit and Risk Committee and the Board.

During 2012 the Board strengthened the Group's third line by appointing Grant Thornton LLP to provide internal audit services to the Group. Internal Audit reports directly to the chair of the Audit and Risk Committee.

KEY RISKS AND UNCERTAINTIES

The following key risks relate to Nucleus' business and the sector in which it operates. The risks and uncertainties described below are not intended to be exhaustive and are not the only ones that may face the Group. Additional risks and uncertainties not presently known to the Directors or that the Directors currently deem immaterial, may also have an adverse effect on the Group's business and financial condition.

The Group operates in a heavily regulated industry

Any change in the laws or regulations affecting platform operators could have a material adverse effect on the Group's ability to carry on its activities, which in turn could have a material adverse effect on the Company's performance.

Furthermore, if NFS was to commit a serious breach of any of the regulations that apply to it there could be both financial (including, without limitation, fines and/or the cost of being required to take remedial action) and regulatory consequences, which could adversely impact the Group's business, operations and financial condition.

NFS is required to have available to it, and to maintain, a sufficient level of capital as determined by the requirements applicable to a BIPRU Limited Licence €125k firm and a non-insured Sipp Operator.

KEY RISKS AND UNCERTAINTIES (continued)

With regard to developments in the platform sector, the implementation in January 2013 of the FSA's Retail Distribution Review and how this impacts platform operators and Nucleus' target audience continues to be a focus as the FCA considers the effectiveness of the industry's adoption of the new requirements.

Additionally, the FCA is in consultation with relevant participants with regard to aspects of regulation that impact Nucleus' operations, such as client money and Sipps. Any changes to these regulations could have an impact on the operational and regulatory capital requirements that Nucleus is required to adhere to.

Reliance on financial advisers

As with all platform operators in the financial adviser market, the recruitment and retention of financial advisers is an important part of the Group's growth plans. Changes in the regulatory and/or the competitive environment may render the Group's service offerings unattractive to financial advisers and have an adverse effect on the Group's revenues.

Nucleus also provides a platform solution to Paradigm Partners LLP and approximately one third of new business arises through this arrangement which is fixed until 2016.

Reliance on key suppliers

Nucleus relies on the following key suppliers: Citibank International plc ("Citi"), to which custody and administration services are outsourced; Scottish Friendly Assurance Society and Sanlam UK Limited, which provide the onshore bonds, and Royal London 360 which provides the offshore bond. Bravura Solutions Limited provides the technology underpinning the platform via a sub license from Citi. Operational and corporate banking facilities are provided by Royal Bank of Scotland plc.

Access to capital

Nucleus is an unlisted private company limited by shares. As an unlisted company, the ability of the Company to raise additional capital is ordinarily restricted to its existing shareholders. However where additional capital is required in order to meet its regulatory obligations the Directors are empowered to utilise other sources of capital outside of the immediate shareholder community.

Exposure to securities markets

Nucleus' income is currently derived from a fully variable basis point fee applied to client assets under administration. As such, Nucleus' income is exposed to variations in this fee due to external market movements. Whilst there is some mitigation of this risk within aspects of the Nucleus' cost base, Nucleus is ultimately exposed to variations in its financial results due to market movements outside of its control.

Competition risk

There can be no assurance that other companies will not compete more aggressively than at present with Nucleus. This may be in terms of winning new clients, attracting advisers and sourcing acquisition targets. Competition may come from companies that have greater development, marketing, financial and personnel resources than the Group. Competitors may develop products and services that are more effective or economically viable than those developed by Nucleus.

KEY RISKS AND UNCERTAINTIES (continued)

Liquidity risk

Liquidity risk is the risk that a company will incur losses because it is unable to secure the necessary funds or is forced to obtain funds at higher interest rates than under normal conditions due to a mismatch between the maturities of its assets and liabilities. Nucleus manages its liquidity risk through an evaluation of its working capital requirements supported by reviewing its cash and cash facilities on an ongoing basis.

RESULTS AND KEY PERFORMANCE INDICATORS

The consolidated profit for the year, after taxation was £137,762 *(2011: loss £961,878)*. This was in line with Directors' expectations. The key performance indicators the Board use to assess financial performance are:

	2012	2011
	£	£
Assets under administration	**4,502,079,419**	*3,236,419,994*
Turnover	**13,641,555**	*9,723,373*
Consolidated operating profit / (loss)	**17,875**	*(965,637)*
Consolidated profit / (loss) after taxation	**137,762**	*(961,878)*
Net assets	**2,378,613**	*2,200,003*

The Directors also monitor the regulatory capital position of the Group on an ongoing basis.

GOING CONCERN

With regard to the assessment of the Company's and the Group's ability to continue as a going concern the Directors evaluate this taking into account:

- the latest three year business plan projections of the Company and the Group, stressed for significant events that would have a material impact on the Company and the Group's profitability, liquidity, solvency and its regulatory capital position;
- actual performance to date;
- access to capital to meet operational and regulatory requirements;
- known risks and uncertainties with consideration of the impact of these on the Group's solvency and liquidity position; and
- known and anticipated changes in the regulatory environment impacting platform operators.

The Directors also consider the robustness of its approach to assessing the Company and the Group's ability to continue as a going concern with reference to published guidance from the Financial Reporting Council and also the recent recommendations from the Sharman Inquiry of 2012 which sought to identify lessons for companies and auditors addressing going concern and liquidity risks following the recent credit crisis.

Having regard to these matters, the Directors believe it is appropriate to prepare the financial statements on a going concern basis.

NUCLEUS FINANCIAL GROUP LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2012

DIRECTORS

The Directors of the Company who were in office during the year were:

A C D Bloch
P R Bradshaw
D R Ferguson
S J Geard
A J Mathieson
J C Moore – resigned 20 January 2013
J A A Samuels
L van der Walt
N B Wilson

In addition, J P Gibson was appointed as a Director on 6 February 2013.

COMPANY SECRETARY

The names of the current Company Secretaries are listed on page 2. Changes to the Company Secretaries during the year were as follows:

A J Mathieson – resigned 1 May 2012, appointed 10 August 2012.
J McNeil – appointed 1 May 2012, resigned 10 August 2012.
N Megaw – appointed 2 May 2013.

PROVISION OF INFORMATION TO AUDITOR

Each of the persons who are Directors at the time when this Directors' report is approved has confirmed that:

- so far as that Director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- that Director has taken all the steps that ought to have been taken as a Director in order to be aware of any information needed by the Company and the Group's auditor in connection with preparing its report and to establish that the Company and the Group's auditor is aware of that information.

This report was approved by the Board on 27 June 2013 and signed on its behalf.

Alex Mathieson

A J Mathieson
Company Secretary

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NUCLEUS FINANCIAL GROUP LIMITED

We have audited the Group and parent company financial statements (the "financial statements") of Nucleus Financial Group Limited for the year ended 31 December 2012 which comprise of the Consolidated Profit and Loss Account, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, 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 Directors' 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 group's and the parent company's affairs as at 31 December 2012 and of the group's profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF NUCLEUS FINANCIAL GROUP LIMITED

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

28 June 2013

NUCLEUS FINANCIAL GROUP LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 £	*2011* *£*
TURNOVER	2	**13,641,555**	*9,723,373*
Cost of sales		**(7,110,156)**	*(5,473,146)*
GROSS PROFIT		**6,531,399**	*4,250,227*
Administrative expenses		**(6,614,710)**	*(5,307,450)*
Other operating income		**101,186**	*91,586*
OPERATING PROFIT / (LOSS)	3	**17,875**	*(965,637)*
Loss on disposal of fixed assets		**(122)**	-
Interest receivable and similar income		**18,408**	*7,294*
Interest payable and similar charges	7	**(3,742)**	*(738)*
PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		**32,419**	*(959,081)*
Tax on profit / (loss) on ordinary activities	8	**105,343**	*(2,797)*
PROFIT / (LOSS) FOR THE FINANCIAL YEAR	17	**137,762**	**(961,878)**

All amounts relate to continuing operations.

There were no recognised gains and losses for 2012 or 2011 other than those included in the Profit and Loss Account above.

There is no difference between the profit / (loss) on ordinary activities before taxation and the profit / (loss) for the year and their historical cost equivalents.

The notes on pages 18 to 34 form part of these financial statements.

NUCLEUS FINANCIAL GROUP LIMITED

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2012

	Note	2012 £	£	2011 £	£
FIXED ASSETS					
Tangible assets	9		231,509		169,123
CURRENT ASSETS					
DEBTORS: amounts falling due within one year	12	2,306,359		1,984,738	
DEBTORS: amounts falling due after more than one year	13	25,982		25,982	
Cash at bank and in hand		3,370,561		3,005,060	
		5,702,902		5,015,780	
CREDITORS: amounts falling due within one year	14	(3,527,296)		(2,984,900)	
NET CURRENT ASSETS			2,175,606		2,030,880
CREDITORS: amounts falling due after more than one year	15		(28,502)		-
NET ASSETS			2,378,613		2,200,003
CAPITAL AND RESERVES					
Called up share capital	16		19,183		19,183
Share premium account	17		15,737,418		15,737,418
Share-based payments reserve	17		40,848		-
Profit and Loss account	17		(13,418,836)		(13,556,598)
TOTAL SHAREHOLDERS' FUNDS	18		2,378,613		2,200,003

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 27 June 2013.

D R Ferguson
Director

The notes on pages 18 to 34 form part of these financial statements.

Registered number: 05522098

NUCLEUS FINANCIAL GROUP LIMITED

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2012

	Note	2012 £	£	2011 £	£
FIXED ASSETS					
Tangible assets	9	16,987		23,719	
Investments	10	2,645,002		2,645,002	
			2,661,989		2,668,721
CURRENT ASSETS					
DEBTORS: amounts falling due within one year	12	481,918		953,500	
DEBTORS: amounts falling due after more than one year	13	14,632,004		13,919,343	
Cash at bank and in hand		3,536		-	
		15,117,458		14,872,843	
CREDITORS: amounts falling due within one year	14	(1,908,046)		(1,634,441)	
NET CURRENT ASSETS			13,209,412		13,238,402
NET ASSETS			15,871,401		15,907,123
CAPITAL AND RESERVES					
Called up share capital	16		19,183		19,183
Share premium account	17		15,737,418		15,737,418
Share-based payment reserve	17		40,848		-
Profit and Loss account	17		73,952		150,522
TOTAL SHAREHOLDERS' FUNDS			15,871,401		15,907,123

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 27 June 2013.

D R Ferguson
Director

The notes on pages 18 to 34 form part of these financial statements.

NUCLEUS FINANCIAL GROUP LIMITED

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 £	*2011* *£*
Net cash inflow / (outflow) from operating activities	23	**388,601**	*(1,368,113)*
Returns on investments and servicing of finance	24	**13,473**	*7,741*
Capital expenditure and financial investments	24	**(104,017)**	*(76,691)*
CASH INFLOW / (OUTFLOW) BEFORE FINANCING		**298,057**	*(1,437,063)*
Financing	24	**(14,395)**	*7,866*
INCREASE / (DECREASE) IN CASH IN THE YEAR		**283,662**	*(1,429,197)*

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS
FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 £	*2011* *£*
Increase / (Decrease) in cash in the year		**283,662**	*(1,429,197)*
Cash inflow from increase in debt		**14,395**	-
CHANGE IN NET FUNDS RESULTING FROM CASH FLOWS	25	**298,057**	*(1,429,197)*
Other non – cash changes		**(64,274)**	-
MOVEMENT IN NET FUNDS IN THE YEAR		**233,783**	*(1,429,197)*
Net funds at 1 January	25	**3,005,060**	*4,434,257*
NET FUNDS AT 31 DECEMBER	25	**3,238,843**	*3,005,060*

The notes on pages 18 to 34 form part of these financial statements.

NUCLEUS FINANCIAL GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The Company's and the Group's financial statements have been prepared on a going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and the applicable accounting standards in the United Kingdom. The principal accounting policies are set out below.

1.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiary undertakings. As a consolidated Profit and Loss Account is published, the Company has taken advantage of the exemption contained within section 408 of the Companies Act 2006 not to present its own Profit and Loss Account. All profits or losses on intra-group transactions have been eliminated on consolidation. Uniform accounting policies have been applied across the Group.

1.3 Turnover

Turnover comprises fees earned by the Group from the provision of a "wrap" investment administration service. Fees are recognised net of Value Added Tax, rebates and discounts and are recorded in the period to which they relate and can be reliably measured. Fees are calculated based on a basis point rate applied daily to assets under administration on the platform.

1.4 Interest income

Interest Income is recognised in the Profit and Loss Account as it is earned.

1.5 Expense recognition

Expenditure incurred by the Group is recognised in the period to which it relates. Any expenses relating to a period that have not yet been invoiced are accrued and expenses paid but which relate to future periods are classified as prepayments within the Balance Sheet.

1.6 Finance costs

Interest expense is recognised in the Profit and Loss Account in the period to which it relates.

1.7 Tangible fixed assets

Tangible fixed assets are stated at historic cost less depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Impairment reviews are performed by the Directors when there has been an indication of potential impairment. There was no impairment of fixed assets in the year. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Short-term leasehold costs	Over 5 years	straight line
Furniture and fittings	Over 4 years	straight line
Office Equipment	Over 3 years	straight line

1. ACCOUNTING POLICIES (continued)

1.8 Investments

Investments in subsidiaries are valued at cost less any provision for impairment. Impairment reviews are performed by the Directors when there has been an indication of potential impairment. There was no impairment during the year.

1.9 Operating leases

Rentals under operating leases are charged to the Profit and Loss Account on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

1.10 Leased Assets

Where assets are financed by leasing agreements that give rights approximating to ownership, the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. Assets acquired under hire purchase contracts are depreciated over their useful lives on the following basis:

Office Equipment	Over 3 years	straight line

Depreciation on the relevant assets is charged to the Profit and Loss Account. There is no interest on the finance lease.

1.11 Pensions

The Company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the Company to the scheme in respect of the year. The assets of the scheme are held separately from those of the Company in an independently administered fund.

1.12 Share-based payments

(a) Share options

The Company operates two equity-settled share based payment compensation plans, under which the Group receives services from Directors and senior managers as consideration for equity instruments (options) of the Company. These are accounted for in accordance with FRS 20 "Share-based payments". The fair value of services received in exchange for the grant of options is recognised as an expense over the vesting period of these options.

Service conditions are included in the assumptions about the number of options expected to vest. The total amount to be expensed is determined by reference to the fair value of the options at the grant date and the number of options expected to vest. The relevant charge to the Profit and Loss Account is recognised over the vesting period on a straight line basis.

At the end of each reporting period, the Company revises its estimates of the number of options that are expected to vest to reflect latest expectations on the Group's ability to achieve the specified performance criteria and actual or anticipated leavers from the scheme. The Company recognises the impact of any revision to the prior year's estimates in the Profit and Loss Account, with a corresponding adjustment to equity. When the options are exercised the proceeds received net of any directly attributable transaction costs are credited to share capital and share premium account.

1. ACCOUNTING POLICIES (continued)

1.12 Share-based payments (continued)

(b) Growth Shares

The Company also operates a growth share scheme, under which the Company receives services from Directors and staff as consideration for Unrealised G Ordinary Shares. This scheme is accounted for as an equity-settled share based payment in accordance with FRS 20 "Share-based payments". Consequently, the fair value of services received in exchange for the grant of growth shares is recognised as an expense in the Profit and Loss Account during the vesting period.

Unrealised G shares form part of the share capital of the Company, are not transferable, are eligible to receive dividends and do not have any voting rights. Holders of Unrealised G Ordinary Shares are subject to good and bad leaver provisions and enter into individual subscription agreements that specify certain performance targets that are to be achieved during the period to 31 December 2015. If these performance targets are met these shares can be deemed by the Company's Remuneration and Nomination Committee to be Realised. The Remuneration and Nomination Committee also has the right to exercise discretion in determining if any awards are due under the Growth Share scheme.

Realised G Ordinary shares have the right to participate in any proceeds of a capital distribution amongst shareholders or participate in the proceeds of a sale of the Company should either occur before 31 December 2015. In the event of a listing of the Company on a recognised stock exchange or 31 December 2015, whichever is the earlier, any G Ordinary Shares that are deemed to have become Realised are converted into Ordinary Shares at a rate determined by the relative open market values of G Ordinary Shares and Ordinary Shares. In the event of a listing, the Company also has the option to settle the value of the Realised G Ordinary Shares in cash rather than issue Ordinary shares before the listing occurs. The Realised G Ordinary Shares only participate in any capital distribution or sale of the Company to the extent that the value generated exceeds a specified hurdle. This valuation hurdle is also taken into consideration in determining the open market value of a Realised G Ordinary Share.

The total amount to be recognised in the financial statements in respect of the Growth Share scheme is determined by reference to the fair value of the Unrealised G Ordinary Shares at the date of grant, calculated using the Black-Scholes methodology. Details of the assumptions used are included in Note 22. At the end of each reporting period, the Company reviews its estimate of the number of Unrealised G Ordinary Shares that is expected to become Realised at 31 December 2015 and then recognises the associated charge in the Profit and Loss Account throughout the remainder of the vesting period, with a corresponding adjustment to equity.

In the period since 31 December 2012 the Company has obtained Shareholder consent to amend the performance criteria associated with the existing Unrealised G Ordinary Shares and to issue a further 129,744 Unrealised G Ordinary shares. In addition, a proportion of existing and new Unrealised G Ordinary Shares will not be subject to the requirement to achieve performance targets during the vesting period. The vesting period associated with the existing Unrealised G Ordinary Shares and the new issue will be 31 December 2017.

1.13 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Profit and Loss Account as it excludes items of income or expense that are 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.

1.13 Taxation (continued)

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse, based on tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets and liabilities are not discounted.

1.14 Foreign currency

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

2. TURNOVER

The whole of turnover is attributable to the principal activity of the Group.

All turnover arose within the United Kingdom (*2011: United Kingdom*).

3. OPERATING PROFIT / (LOSS)

The operating profit / (loss) is stated after charging:

	2012	*2011*
	£	*£*
Depreciation of tangible fixed assets:		
- owned by the Group	**94,309**	*79,723*
- leased by the Group	**14,283**	*-*
Operating lease rentals:		
- land and buildings	**123,452**	*126,339*

4. AUDITORS' REMUNERATION

During the year the Group obtained the following services from the Group's auditor and its associate:

	2012	*2011*
	£	*£*
Fees payable to the Group's auditors for the audit of the Group's and subsidiaries' financial statements	**41,484**	*56,184*

4. AUDITORS' REMUNERATION (continued)

	2012 **£**	*2011* *£*
Fees payable to the Group's auditors and its associates in respect of:		
Other services relating to taxation	**-**	*40,896*
Client assets audit	**36,000**	*18,600*
All other services	**-**	33,648

5. STAFF COSTS

Staff costs, including Directors' remuneration, were as follows:

	2012 **£**	*2011* *£*
Wages and salaries	**3,417,803**	*2,555,190*
Share options granted to Directors and senior management	**40,848**	*-*
Social security costs	**390,500**	*259,657*
Other pension costs	**278,129**	*211,545*
	4,127,280	*3,026,392*

The average monthly number of employees, including the Directors, during the year was as follows:

	2012 **Number**	*2011* *Number*
Office management	**68**	*54*

6. DIRECTORS' REMUNERATION

	2012 **£**	*2011* *£*
Aggregated emoluments	**705,008**	*608,021*
Share options granted to Directors	**32,366**	*-*
	737,374	*-*
Company pension contributions to money purchase pension schemes	**38,607**	*31,750*

During the year retirement benefits were accruing to 3 Directors *(2011: 2)* in respect of money purchase pension schemes.

The highest paid Director received remuneration of £284,556 *(2011: £266,244)*.

The value of the Company's contributions paid to a money purchase pension scheme in respect of the highest paid Director amounted to £19,440 *(2011: £18,000)*.

7. INTEREST PAYABLE AND SIMILAR CHARGES

	2012 £	*2011 £*
Other interest	3,742	*738*
	3,742	*738*

8. TAX ON PROFIT / (LOSS) ON ORDINARY ACTIVITES

Group	**2012 £**	*2011 £*
Analysis of tax charge in the year		
UK corporation tax on profit for the year	13,742	*-*
Total current tax charge	13,742	*-*
Deferred tax:		
Origination and reversal of timing differences	(119,085)	*2,797*
Total deferred tax (credit) / charge	(119,085)	*2,797*
Tax on profit / (loss) on ordinary activities	(105,343)	*2,797*

Factors affecting tax charge for the year

The tax assessed for the year is different from the small companies' rate of corporation tax in the UK of 20.00% *(2011: 20.25%)* The differences are explained below:

	2012 £	*2011 £*
Profit / (loss) on ordinary activities before tax	32,419	*(959,081)*
Profit / (loss) on ordinary activities multiplied by small companies rate of corporation tax in the UK of 20.00% *(2011: 20.25%)*	6,483	*(194,214)*
Effects of:		
Expenses not deductible for tax purposes	34,234	*32,321*
Accelerated capital allowances / other timing differences	24,177	*161,893*
Utilisation of tax losses and other deductions	(51,152)	*-*
Current tax charge for the year	13,742	*-*

8. TAX ON PROFIT / (LOSS) ON ORDINARY ACTIVITES (continued)

Factors that may affect future tax charges

The potential deferred tax asset that has been fully provided in accordance with FRS 19 "Deferred tax" comprises:

	2012	*2011*
	£	*£*
Losses	**-**	*-*
Deferred tax asset at beginning of the year	-	*2,797*
Deferred tax asset / (charge) in the Profit and Loss Account for the year	**119,085**	*(2,797)*
Deferred tax asset at end of the year	**119,085**	*-*

Unrecognised deferred tax assets comprise:

	2012	*2011*
	£	*£*
Accelerated capital allowances	**2,024**	*29,269*
Short term timing differences	**4,783**	*1,589*
Losses	**2,166,504**	*2,289,449*
	2,173,311	*2,320,307*

The total potential deferred tax asset arising in respect of unutilised tax losses and timing differences at 31 December 2012 is £2,292,396 *(2011: £2,320,307)*. As a result of the uncertainty in the opinion of the Directors regarding the timing and extent of future profit generation by the Company, a deferred tax asset of £2,173,311 *(2011: £2,320,307)* has not been recognised.

Company

Analysis of tax charge in the year

There was no tax charge for the year *(2011: £nil)*

Factors affecting tax charge for the year

The tax assessed for the year is different from the small companies' rate of corporation tax in the UK of 20.00% *(2011: 20.25%)* The differences are explained below:

	2012	*2011*
	£	*£*
Loss on ordinary activities before tax	**(76,570)**	(56,764)
Loss on ordinary activities multiplied by small companies' rate of corporation tax in the UK of 20.00% (2011: 20.25%)	**(15,314)**	(11,495)

8. TAX ON PROFIT / (LOSS) ON ORDINARY ACTIVITES (continued)

	2012 £	*2011 £*
Effects of:		
Expenses not deductible for tax purposes	33,094	*31,491*
Non-taxable income	(300)	*(67,617)*
Transfer pricing adjustments	(70,785)	-
Group relief not paid for	49,224	-
Accelerated capital allowances / other timing differences	4,081	*47,621*
Current tax charge for the year	-	-

Factors that may affect future tax charges

Unrecognised deferred tax assets comprise:

	2012 £	*2011 £*
Accelerated capital allowances	2,024	*2,452*
Short term timing differences	4,783	*1,589*
Losses	175,336	*175,092*
	182,143	*179,133*

The deferred tax assets have not been recognised due to uncertainty, in the opinion of the Directors, regarding the timing and extent of future profits in the Company.

9. TANGIBLE FIXED ASSETS

Group

	Short-term leasehold costs £	Furniture and fittings £	Office Equipment £	Total £
Cost				
At 1 January 2012	51,800	84,316	237,697	373,813
Additions	-	7,600	163,501	171,101
Disposals	(18,216)	-	(25,161)	(43,377)
At 31 December 2012	33,584	91,916	376,037	501,537
Accumulated Depreciation				
At 1 January 2012	28,081	43,502	133,107	204,690
Charge for the year	6,732	16,014	85,846	108,592
Eliminated on disposal	(18,216)	-	(25,038)	(43,254)
At 31 December 2012	16,597	59,516	193,915	270,028
Net book value				
At 31 December 2012	16,987	32,400	182,122	231,509
At 31 December 2011	*23,719*	*40,814*	*104,590*	*169,123*

9. TANGIBLE FIXED ASSETS (continued)

The net book value of office equipment includes assets held under finance leases or hire purchase contracts with a net book value amounting to £49,991 (*2011: nil*).

Company

	Short-term leasehold £
Cost	
At 1 January 2012	51,800
Additions	-
Disposals	(18,216)
At 31 December 2012	33,584
Accumulated Depreciation	
At 1 January 2012	28,081
Charge for the year	6,732
Eliminated on disposal	(18,216)
As at 31 December 2012	16,597
Net book value	
At 31 December 2012	16,987
At 31 December 2011	*23,719*

10. FIXED ASSET INVESTMENTS

Company

	Shares in Group undertakings £
Cost	
At 1 January 2012	2,645,002
Additions	-
At 31 December 2012	2,645,002

Details of the subsidiary undertakings are shown in note 11 below and the trading activities of these subsidiaries are described in the Directors' Report. The Directors believe that the carrying value of the investments is supported by their underlying net assets.

11. SUBSIDIARY UNDERTAKINGS

The following were subsidiary undertakings of the Company:

Company name	Percentage Shareholding
Nucleus Financial Services Limited	100% ordinary shares
Nucleus IFA Services Limited	100% ordinary shares

Nucleus Financial Services Limited is incorporated in England and Wales. Nucleus IFA Services Limited is incorporated in Scotland.

Nucleus Financial Services has a 100% shareholding in NFS (Nominees) Ltd and a 100% shareholding in Nucleus Trustee Company Limited.

Nucleus Financial Group Limited is the only entity to produce consolidated financial statements.

12. DEBTORS
Amounts falling due within one year

	Group		Company	
	2012	*2011*	**2012**	*2011*
	£	*£*	**£**	*£*
Amounts owed by Group undertakings	**-**	*-*	**211,620**	*539,140*
Other debtors	**251,062**	*741,779*	**101,997**	*257,953*
Due from HMRC	**245,221**	*-*	**-**	*-*
Prepayments and accrued income	**1,690,991**	*1,242,959*	**168,300**	*156,407*
Deferred tax	**119,085**	*-*	**-**	*-*
	2,306,359	*1,984,738*	**481,918**	*953,500*

13. DEBTORS
Amounts falling due after more than one year

	Group		Company	
	2012	*2011*	**2012**	*2011*
	£	*£*	**£**	*£*
Amounts owed by Group undertakings	**-**	*-*	**14,606,022**	*13,893,361*
Other debtors	**25,982**	*25,982*	**25,982**	*25,982*
	25,982	*25,982*	**14,632,004**	*13,919,343*

14. CREDITORS

Amounts falling due within one year

	Group		Company	
	2012	*2011*	**2012**	*2011*
	£	*£*	**£**	*£*
Bank overdrafts	**81,839**	-	**339,761**	*418,303*
Trade creditors	**1,085,326**	*1,283,992*	**179,962**	*370,863*
Due to HMRC	**28,882**	-	**-**	
Taxation and social security	**123,196**	*89,694*	**109,454**	*89,694*
Other creditors	**60,347**	*58,701*	**34,985**	*6,487*
Accruals	**2,147,706**	*1,552,513*	**1,243,884**	*749,094*
	3,527,296	*2,984,900*	**1,908,046**	*1,634,441*

15. CREDITORS

Amounts falling due after more than one year

	Group		Company	
	2012	*2011*	**2012**	*2011*
	£	*£*	**£**	*£*
Other creditors	**28,502**	-	**-**	-
	28,502	-	-	-

16. CALLED UP SHARE CAPITAL

	2012	*2011*
	£	*£*
Company and Group		
Allotted, called up and fully paid		
1,000,000 (*2011: 1,000,000*) Ordinary Shares of 1p each	**10,000**	*10,000*
761,028 (*2011: 761,028*) B Ordinary Shares of 1p each	**7,610**	*7,610*
157,304 (*2011: 157,304*) G Ordinary Shares of 1p each	**1,573**	*1,573*
	19,183	*19,183*

In 2011 the Company issued G Ordinary Shares as part of an employee share ownership plan. During 2012 no G Ordinary Shares were issued (*2011: 157,304* at 5p each).

Of the G Ordinary Shares, 91,100 are held by Directors of the Company.

Since the 31 December 2012 the Company has received shareholder consent to amend the performance conditions and vesting period associated with these shares. Further details of this change are included in Note 26.

17. RESERVES

Group	Share-based payment reserve £	Share premium account £	Profit and Loss account £
At 1 January 2012	-	15,737,418	(13,556,598)
Share-based payments charge for the financial year	40,848	-	-
Profit for the financial year	-	-	137,762
At 31 December 2012	40,848	15,737,418	(13,418,836)

Company	£	£	£
At 1 January 2012	-	15,737,418	150,522
Share-based payments charge for the financial year	40,848	-	-
Loss for the financial year	-	-	(76,570)
At 31 December 2012	40,848	15,737,418	73,952

18. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

Group	2012 £	*2011 £*
Opening shareholders' funds	2,200,003	*3,154,016*
Share-based payments charge for the financial year	40,848	*-*
Profit / (Loss) for the financial year	137,762	*(961,878)*
Net proceeds of issue of G Ordinary Shares	-	*7,865*
Closing shareholders' funds	2,378,613	*2,200,003*

19. OPERATING LEASE COMMITMENTS

At 31 December 2012 the Group and Company had annual commitments under non-cancellable operating leases as follows:

Land and buildings

Group and Company	2012 £	*2011 £*
Expiry date:		
Within 1 year	88,452	*69,252*
Within 2 to 5 years	317,134	*317,134*
After more than 5 years	229,842	*304,238*

20. RELATED PARTY TRANSACTIONS

Transactions with and balances to / from related parties

Nucleus IFA Company Limited has a significant interest in the shareholding of the Company. During the year, the Company provided additional loans of £30,392 *(2011: £124,947)* to Nucleus IFA Company Limited in respect of expenses incurred on its behalf. Interest of £6,438 *(2011: £5,248)* was charged on loans during the year at an interest rate of 2.5% *(2011: 2.5%)*. At the Balance Sheet date, Nucleus IFA Company Limited owed the Company £78,396 *(2011: £255,301)*.

During the year the Company provided additional financial support of £13,298 *(2011: Nil)* to allow Nucleus IFA Company Limited to continue as a going concern while its shareholder model remains under review.

Sanlam UK Limited also has a significant interest in the shareholding of the Company. At the balance sheet date, the Company owed Sanlam UK Limited £13,275 (*2011: £77,400)* in respect of Board fees.

21. CONTROLLING PARTY

The Company's significant shareholders are Sanlam UK Limited, a company registered in England and Wales, and Nucleus IFA Company Limited, a company registered in Scotland.

22. SHARE-BASED PAYMENTS

Employee Share Ownership Trust

An Employee Share Ownership Trust (ESOT) was established on 2 December 2010. At inception the ESOT purchased 23,500 Ordinary shares from former employees and consultants that had become "bad leavers" under the terms of the Company's shareholder agreement. The Company gifted £235 to facilitate this initial purchase. Thereafter, the ESOT has disposed of 3,475 shares to employees exercising options under the 2008 Share Option Scheme. The Company has agreed to provide a loan facility to the ESOT to enable the ESOT to meet its external expenses. As at the balance sheet date £17,098 was due to the Company from the ESOT and this is included in external debtors on the Company and Group balance sheets. The Company has not consolidated the results of the ESOT on the grounds of materiality.

Share options

At the Balance Sheet date nil (*2011: 900*) Ordinary Share options which were granted in 2008 to eligible employees and consultants remained exercisable. These options expired in November 2012.

Directors and senior management hold options that entitle them to purchase 36,500 Ordinary Shares provided they remain in full-time employment and subject to satisfactory performance appraisals when the options are due to vest. The options vest in tranches between 31 December 2012 and 2015 and have a last expiry date of 28 February 2017.

Details of the share options are as follows:

22. SHARE-BASED PAYMENTS (continued)

	Date granted	Exercise price £	Exercisable from	Exercisable to	Equity based share options outstanding 31/12/2012	Equity based share options outstanding 31/12/2011
Directors' Scheme	25/01/2010	13.20	31/12/2012	31/12/2016	10,000	10,000
	25/01/2010	13.20	31/12/2013	31/12/2016	7,500	7,500
	25/01/2010	13.20	31/12/2014	31/12/2016	7,500	7,500
	27/07/2010	13.20	28/02/2013	28/02/2017	2,400	2,400
	27/07/2010	13.20	28/02/2014	28/02/2017	800	800
	27/07/2010	13.20	28/02/2015	28/02/2017	800	800
					29,000	29,000
Senior Management Scheme	25/01/2010	13.20	31/12/2012	31/12/2016	3,000	3,000
	25/01/2010	13.20	31/12/2013	31/12/2016	2,250	2,250
	25/01/2010	13.20	31/12/2014	31/12/2016	2,250	2,250
					7,500	7,500

The share options granted were valued using the Black-Scholes model. The significant assumptions used are shown in the table below:

Grant date	**27/07/2010**	**25/01/2010**
Price of the underlying Ordinary share	£13.20	£13.20
Effective strike price of the option	£13.20	£13.20
Expected volatility of the share price	50%	50%
Risk-free rate interest rate over the life of the option	1.72%	2.35%
Dividend yield	Nil	Nil
Fair value per option at grant date	£1.37	£1.41

The volatility measured is based on historical volatility of similar listed entities over 2008, 2009 and 2010.

Growth shares

G Ordinary Shares are granted to selected Directors and members of staff. Details of the rights and the conditions attached to these shares are included in note 1.12(b) Share-based payments.

22. SHARE-BASED PAYMENTS (continued)

Details of the G Ordinary Shares are as follows:

	Date granted	Par value £	Realisable	G Ordinary Shares in issue 31/12/2012	G Ordinary Shares in issue 31/12/2011
Growth share scheme	04/10/2011	0.05	31/12/2015	157,304	157,304

The G Ordinary Shares granted were valued as at the date of grant using the Black-Scholes model. The significant assumptions used are shown in the table below:

Grant date	**04/10/2011**
Price of the underlying Ordinary share	£24.67
Effective strike price of the G Ordinary Share	£24.10
Expected volatility of the share price	50%
Risk-free rate interest rate over the life of the G Ordinary Share	1.16%
Dividend yield	Nil
Fair value per G Ordinary Share at grant date	£10.26

The volatility measured is based on historical volatility of similar listed entities over 2009, 2010 and 2011.

During 2012 there was no charge to the Profit and Loss Account in respect of this scheme.

23. NET CASH FLOW FROM OPERATING ACTIVITIES

	2012 £	*2011 £*
Operating profit / (loss)	**17,875**	*(965,637)*
Share-based payments charge	**40,848**	-
Depreciation of tangible fixed assets	**108,592**	*79,723*
Increase in debtors	**(201,343)**	*(876,040)*
Increase in creditors	**422,629**	*393,841*
Net cash inflow / (outflow) from operating activities	**388,601**	*(1,368,113)*

24. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT

	2012 £	*2011* *£*
Returns on investments and servicing of finance		
Interest received	17,215	*1,765*
Interest paid	(3,742)	*5,976*
Net cash inflow from returns on investments and servicing of finance	13,473	*7,741*

	2012 £	*2011* *£*
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(104,017)	*(76,691)*
Net cash outflow from capital expenditure	(104,017)	*(76,691)*

	2012 £	*2011* *£*
Financing		
Issue of ordinary share capital	-	*7,866*
Capital element of repayments under finance leases and hire purchase agreements	(14,395)	*-*
	(14,395)	*7,866*

25. ANALYSIS OF CHANGES IN NET FUNDS

	1 January 2012 £	Cash in/(out) flow £	Other non-cash changes £	31 December 2012 £
Cash at bank and in hand	3,005,060	365,501	-	3,370,561
Bank overdraft	-	(81,839)	-	(81,839)
Lease agreement	-	14,395	(35,772)	(21,377)
	3,005,060	298,057	(35,772)	3,267,345
Debt:				
Debts falling due after more than one year	-	-	(28,502)	(28,502)
Net funds	3,005,060	298,057	(64,274)	3,238,843

26. POST BALANCE SHEET EVENTS

As at the date of signing the Group has obtained shareholder consent to make certain alterations to the existing Growth share scheme and to issue a further 129,744 Unrealised G Ordinary shares under a new scheme that will vest over the period to 31 December 2017. A number of these shares will not be subject to the achievement of specified performance criteria during the vesting period. In addition, the vesting period associated with the existing Unrealised G Ordinary Shares has been extended to 31 December 2017.