

AIM: BHL

28 December 2011

**Baydonhill plc**  
**(“Baydonhill” or “the Company”)**

**Interim results for the six month period ended 30 September 2011**

**Baydonhill makes good progress following strategic changes within the business.**

Baydonhill, the corporate and retail foreign exchange provider, announces its interim results for the six month period ended 30 September 2011.

**HIGHLIGHTS**

- Results represent the impact of the strategic changes made in the fourth quarter of 2010 and announced previously. Underlying Private Client and Corporate business continues to perform well in challenging economic conditions
- Gross profit (foreign exchange commission after affiliate commission and bank charges) before exceptionals down to £2.5 million from £3.0 million while administrative expenses fell to £2.49 million from £2.9 million
- Operating profit before exceptional items (to reflect mark-to-market adjustment of forward contracts in compliance with IAS 39) of £20,081 (2010: £180,659). Pre-tax loss of £147,598 (2010: profit of £91,244)

**Eric Peacock**, Chairman of **Baydonhill**, commented:

*“Following the strategic changes of late 2010 the company has made good progress in developing a higher quality of earnings from core revenues. The Company is seeing continued growth from new business and is looking to expand its sales operation in the New Year”.*

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## **Chairman's Statement**

### ***Performance Review***

Following the changes made at the end of the last fiscal year when the Company exited the Money Service Business sector, volumes have fallen as anticipated. The Company is pleased that the impact to profits has been minimised. During the period under review, the Company made a small loss before taxation and exceptional items of £65,002 (2010: Profit £91,244).

The Company continues to focus on the development of the Corporate Division in addition to working on several other strategic opportunities. New business growth from the Corporate Division remains strong although the current economic climate has had some impact on the growth of the core business.

The results from the Retail Division have been in line with expectations despite the current economic conditions.

### ***Outlook***

The Company expects to continue month-on-month new business revenue growth replacing revenue reductions arising from the strategic changes referred to above. The Company plans continued investment in IT infrastructure and is looking to expand sales activity in the New Year.

The economic environment continues to impact some areas of the business although new business growth remains strong. The Company plans to focus on continued improvement to its infrastructure for the remainder of the financial year.

**Eric Peacock**  
**Chairman**

28 December 2011

## INCOME STATEMENT

	Notes	Six months ended 30 September 2011 (unaudited) £	Six months ended 30 September 2010 (unaudited) £	Year ended 31 March 2011 (audited) £
<b>Continuing activities</b>				
Turnover		515,925,839	697,333,532	<b>1,465,444,124</b>
Cost of sales		(513,411,705)	(694,288,983)	<b>(1,458,896,795)</b>
Cost of sales – Exceptional items	<b>4</b>	(82,596)	-	<b>158,795</b>
<b>Total cost of sales</b>		<b>513,494,301</b>	<b>(694,288,983)</b>	<b>(1,458,738,000)</b>
<b>Gross Profit</b>		<b>2,431,538</b>	<b>3,044,549</b>	<b>6,706,124</b>
Administrative expenses		(2,494,053)	(2,863,890)	<b>(6,100,471)</b>
<b>Operating (loss) / profit</b>		<b>(62,515)</b>	<b>180,659</b>	<b>605,653</b>
Finance costs		(85,083)	(92,080)	<b>(167,453)</b>
Finance income		-	2,665	<b>29,001</b>
<b>(Loss) / Profit before taxation</b>		<b>(147,598)</b>	<b>91,244</b>	<b>467,201</b>
Taxation	<b>5</b>	37,129	(28,360)	<b>(70,239)</b>
<b>(Loss) / Profit for the period</b>		<b>(110,469)</b>	<b>62,884</b>	<b>396,962</b>
<b>(Loss)/Earnings per share</b>				
Basic	<b>7</b>	(0.19)	0.13p	<b>0.80p</b>
Diluted	<b>7</b>	(0.19)	0.13p	<b>0.72p</b>

## STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 September 2011 (unaudited) £	Six months ended 30 September 2010 (unaudited) £	Year ended 31 March 2011 (audited) £
(Loss) / Profit for the period	(110,469)	62,884	396,962
Other comprehensive income for the year, net of tax	-	-	-
<b>Total comprehensive (loss) / income for the year</b>	<b>(110,469)</b>	<b>62,884</b>	<b>396,962</b>

## STATEMENT OF FINANCIAL POSITION

	Notes	At 30 September 2011 (unaudited) £	At 30 September 2010 (unaudited) £	At 31 March 2011 (audited) £
<b>Non-current assets</b>				
Plant and equipment		32,407	46,421	41,145
Intangible assets		468,252	589,906	573,990
Investments in subsidiaries		10	10	10
Deferred tax	8	1,387,090	1,391,840	1,349,961
<b>Total non-current assets</b>		<b>1,887,759</b>	<b>2,028,177</b>	<b>1,965,106</b>
<b>Current assets</b>				
Trade and other receivables		74,008,685	127,158,015	106,984,758
Derivative financial assets – forward contracts		1,022,698	1,818,136	1,031,212
Cash and cash equivalents		7,646,800	6,690,747	15,386,282
<b>Total current assets</b>		<b>82,678,183</b>	<b>135,666,898</b>	<b>123,402,252</b>
<b>Current liabilities</b>				
Trade and other payables		(82,589,400)	(134,485,651)	(123,139,993)
Derivative financial liabilities – forward contracts		(555,724)	(1,471,551)	(369,945)
<b>Total current liabilities</b>		<b>(83,145,124)</b>	<b>(135,957,202)</b>	<b>(123,509,938)</b>
<b>Net current liabilities</b>		<b>(466,941)</b>	<b>(290,304)</b>	<b>(107,686)</b>
Total assets less current liabilities		1,420,818	1,737,873	1,857,420
<b>Non-current liabilities</b>				
Borrowings		(167,423)	(1,210,329)	(493,556)
<b>Net assets</b>		<b>1,253,395</b>	<b>527,544</b>	<b>1,363,864</b>
<b>Equity</b>				
Share capital		578,338	492,555	578,338
Share premium		4,672,645	4,246,427	4,672,645
Retained earnings		(3,997,588)	(4,237,539)	(3,887,119)
Equity component of convertible loans		-	26,101	-
<b>Equity shareholders funds</b>		<b>1,253,395</b>	<b>527,544</b>	<b>1,363,864</b>

## STATEMENT OF CHANGES IN EQUITY

	Share Capital £	Share Premium £	Equity component of convertible loan notes £	Retained Earnings £	Total Equity £
Balance at 1 April 2010	492,555	4,246,427	26,101	(4,300,423)	464,660
Total comprehensive income for the period	-	-	-	62,884	62,884
<b>Balance at 30 September 2010</b>	<b>492,555</b>	<b>4,246,427</b>	<b>26,101</b>	<b>(4,237,539)</b>	<b>527,544</b>
	Share Capital £	Share Premium £	Equity component of convertible loan notes £	Retained Earnings £	Total Equity £
Balance at 1 October 2010	492,555	4,246,427	26,101	(4,237,539)	527,544
Total comprehensive income for the period	85,783	426,218	(26,101)	350,420	836,320
<b>Balance at 31 March 2011</b>	<b>578,338</b>	<b>4,672,645</b>	<b>-</b>	<b>(3,887,119)</b>	<b>1,363,864</b>
	Share Capital £	Share Premium £	Equity component of convertible loan notes £	Retained Earnings £	Total Equity £
Balance at 1 April 2011	578,338	4,672,645	-	(3,887,119)	1,363,864
Total comprehensive income for the period	-	-	-	(110,469)	(110,469)
<b>Balance at 30 September 2011</b>	<b>578,338</b>	<b>4,672,645</b>	<b>-</b>	<b>(3,997,588)</b>	<b>1,253,395</b>

## STATEMENT OF CASH FLOW

	Notes	Six months ended 30 September 2011 (unaudited) £	Six months ended 30 September 2010 (unaudited) £	Year ended 31 March 2011 (audited) £
<b>Net cash (used in) / generated from operating activities</b>	<b>9</b>	<b>(7,588,672)</b>	<b>1,265,341</b>	<b>10,124,419</b>
<b>Investing activities</b>				
Interest received		-	2,665	29,001
Purchase of intangible assets		(21,725)	(35,500)	(137,975)
Purchase of plant and equipment		(2,015)	(27,194)	(32,204)
<b>Net cash used in investing activities</b>		<b>(23,740)</b>	<b>(60,029)</b>	<b>(141,178)</b>
<b>Financing activities</b>				
Decrease in borrowings		(99,000)	(59,098)	(177,638)
Issue of shares		-	-	36,000
Interest paid		(28,070)	(146)	-
<b>Net cash generated from financing activities</b>		<b>(127,070)</b>	<b>(59,244)</b>	<b>(141,638)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(7,739,482)</b>	<b>1,146,068</b>	<b>9,841,603</b>
Cash and cash equivalents at beginning of period		15,386,282	5,544,679	5,544,679
<b>Cash and cash equivalents at end of period</b>		<b>7,646,800</b>	<b>6,690,747</b>	<b>15,386,282</b>

## NOTES TO THE INTERIM RESULTS

### 1. General Information

The financial information set out in these interim results does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The Company's financial statements for the year ended 31 March 2011 which were prepared under International Financial Reporting Standards ("IFRS"), as adopted for use in the European Union, were filed with the Registrar of Companies. The auditors reported on these financial statements, their report was unqualified and did not include reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and, did not contain any statements under Section 498 (2) or Section 498 (3) of the Companies Act 2006.

### 2. Basis of Preparation

These interim financial statements are for the six month period ended 30 September 2011. They have been prepared on a basis consistent with IFRS as adopted for use in the European Union with the exception of IAS 34: Interim Financial Reporting. IFRS is subject to amendment and interpretation by the International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee ("IFRC") and there is an ongoing process of review and endorsement by the European Commission. The financial information has been prepared on the basis of IFRS that the Board of Directors expects to be applicable as at 31 March 2012.

These financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial instruments.

### 3. Principal Activities

The principal activities of the Company continue to be the provision of foreign currency exchange and related financial products and the arrangement of overseas mortgages.

### 4. Cost of Sales – Exceptional

	Six months ended 30 September 2011 (unaudited) £	Six months ended 30 September 2010 (unaudited) £	Year ended 31 March 2011 (audited) £
Unrealised fair value adjustment on forward contracts	82,596	-	(158,795)

The exceptional cost of sales item relates to the unrealised loss / (gain) arising from the fair value adjustment relating to outstanding contracts with both customers and the bank. As these contracts mature, the unrealised loss / (gain) will reverse. This adjustment is required in order to comply with IAS 39.

## 5. Taxation

	Six months ended 30 September 2011 (unaudited) £	Six months ended 30 September 2010 (unaudited) £	Year ended 31 March 2011 (audited) £
Current tax	-	-	-
Deferred tax	37,129	(28,360)	<b>(70,239)</b>
	<b>37,129</b>	<b>(28,360)</b>	<b>(70,239)</b>

Tax has been calculated using an estimated annual effective tax rate of 25 per cent. (31 March 2011: 15 per cent.) on the (loss) / profit before tax.

The difference between the total tax expense shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

	Six months ended 30 September 2011 (unaudited) £	Six months ended 30 September 2010 (unaudited) £	Year ended 31 March 2011 (audited) £
(Loss) / Profit before taxation	<b>(147,598)</b>	<b>91,244</b>	<b>467,201</b>
Tax on loss on ordinary activities at standard UK corporation tax rate of 26 per cent. (2011: 28 per cent.)	(38,375)	25,548	<b>130,816</b>
Effects of:			
Expenses not deductible for tax purposes	1,247	2,812	<b>11,858</b>
Change in tax rates	-	-	<b>(72,435)</b>
Total tax (credit) / expense for the period	<b>(37,129)</b>	<b>28,360</b>	<b>70,239</b>

## 6. Dividends

The Directors do not recommend the payment of an interim dividend.

## 7. (Loss)/Earnings per Share

The loss per share for the period ended 30 September 2011 is calculated on the loss for the period of £110,469 (2010: profit £62,884) based on the weighted number of shares in issue in the six month period to 30 September 2011 of 57,833,750 (2010: 49,255,490). Diluted loss and loss per share is calculated on the same basis as basic loss and loss per share because the effect of the potential ordinary shares reduces the net loss per share and is therefore anti-dilutive.

Basic earnings per share and diluted earnings per share for the year to 31 March 2011 are based on a profit of £396,962 and £414,836 respectively the difference related to the interest on the convertible loan and the tax effect of this. The basic earnings per share has been calculated on a weighted average of 49,915,356 Ordinary Shares in issue. Diluted profit per share is calculated on a weighted average of 57,950,934. For the share options and warrants, a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's share) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated is compared with the number of shares that would have been issued assuming the exercise of the share options.

## 8. Deferred Tax

	Six months ended 30 September 2011 (unaudited) £	Six months ended 30 September 2010 (unaudited) £	Year ended 31 March 2011 (audited) £
Opening balance	1,349,961	1,420,200	<b>1,420,200</b>
Credit / (charge) to the Income Statement in the period	37,129	(28,360)	<b>(70,239)</b>
Closing balance	<b>1,387,090</b>	<b>1,391,840</b>	<b>1,349,961</b>

### Recognition of deferred tax

Despite the loss in the period under review, the Directors consider it appropriate to recognise the deferred asset arising principally from trading losses incurred in previous years. In order to recognise the deferred tax asset arising from prior period trading losses, the Directors must be satisfied that it is probable that future taxable profit will be available against which the unused tax losses can be utilised. The Company prepared a five year profit forecast with underlying assumptions in line with those experienced in the period to 30 September 2011. The forecast indicated that the losses would be utilised in full by March 2015, and the Directors therefore decided it would be appropriate to continue to recognise the deferred tax asset in full.

### Other factors affecting future tax

As at 30 September 2011, trading losses of approximately £4.3 million (31 March 2010: £4.2million) are available to carry forward against future profits of the same trade. These tax losses will reduce the corporation tax charge in future years until they have been utilised.

**9. NET CASH (USED IN) / GENERATED FROM OPERATING ACTIVITIES**

	<b>Six months ended 30 September 2011 (unaudited)</b>	<b>Six months ended 30 September 2010 (unaudited)</b>	<b>Year ended 31 March 2011 (audited)</b>
Operating (loss) / profit	62,515	180,659	<b>605,653</b>
Depreciation charge	10,753	5,493	<b>15,779</b>
Amortisation charge	127,463	103,679	<b>222,070</b>
Decrease/ (Increase) in receivables	32,984,587	(42,636,967)	<b>(22,801,470)</b>
(Decrease) / Increase in payables	(40,773,990)	43,612,477	<b>32,082,387</b>
<b>Cash (used in) / generated from operations</b>	<b>(7,588,672)</b>	<b>1,265,341</b>	<b>10,124,419</b>

**10. Copies of the Interim Results**

Copies of this interim announcement will be available to download from the Company's website at [www.baydonhillfx.com](http://www.baydonhillfx.com) and at the Company's registered office, 160 Brompton Road, London, SW3 1HW.