

**Oxford Innovation Limited**  
Financial statements  
For the year ended 31 March 2009

## Officers and professional advisers

Company registration number	2177191
Registered office	Oxford Centre for Innovation Mill Street OXFORD OX2 0JX
Directors	C C Green P D Leo A J Strivens T C Willis
Secretary	M Henry
Bankers	Bank of Scotland Cambridge Corporate Centre 24 Hills Road CAMBRIDGE CB21 1JW  HSBC Bank Plc Midland House West Way Botley OXFORD OX2 0PL
Solicitors	Manches LLP 9400 Garsington Road Oxford Business Park OXFORD OX4 2HN
Auditor	Grant Thornton UK LLP Chartered Accountants Registered Auditor 1 Westminster Way OXFORD OX2 0PZ

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## Report of the directors

The directors present their report and the financial statements of the company for the year ended 31 March 2009.

### Principal activities

The principal activities of the company during the year were the provision of innovation advisory services, the management of innovation centres and the management of business angel investment networks.

### Results and dividends

Turnover for the period was £6,251,912, 6% down on last year (2008: £6,675,362).

Profit before taxation for the period was £609,768, down 48% on the prior period (2008: £1,181,258).

Profit after taxation for the year amounted to £612,532, 41% down on the prior year (2008: £1,042,316).

Particulars of dividends paid are detailed in note 23 to the financial statements.

The directors believe that the company is suitably positioned to achieve its strategic objective of profitable growth over the coming years.

### Financial risk management objectives and policies

The company is exposed to a variety of financial risks resulting from its operating activities. The board is responsible for coordinating the company's risk management and focuses on securing the company's cash flows.

The company does not actively engage in the trading of financial assets and has no financial derivatives. The most significant financial risks to which the company is exposed to are described below:

#### **Credit risk**

The company's credit risk is primarily attributable to its trade debtors. The amounts presented in the balance sheet are net of any allowance for doubtful debts, as estimated by the directors. The company has no significant concentration of credit risk, with exposure spread over a large number of customers.

#### **Cash flow risks**

The company seeks to manage risks to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Short term flexibility is achieved by the use of an overdraft facility and management actively monitors future cashflow requirements on a regular basis.

## Report of the directors (continued)

### The directors

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

C C Green	
D R Kingham	Resigned 31 January 2009
P D Leo	
A J Strivens	
T C Willis	

### Directors' responsibilities

The directors are responsible for preparing the report of the directors 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 elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss 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 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 will continue in business.

The directors are responsible for keeping proper accounting records that 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 1985. 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.

In so far as the directors are aware:

- there is no relevant audit information of which the company's auditor is unaware; and,
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

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

## Report of the directors (continued)

### Auditor

Grant Thornton UK LLP, having expressed their willingness to continue in office, will be deemed to be reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the company receives notice under section 488(1) of the Companies Act 2006.

ON BEHALF OF THE BOARD

A J Strivens  
Director



## Report of the independent auditor to the members of Oxford Innovation Limited

We have audited the financial statements of Oxford Innovation Limited for the year ended 31 March 2009 which comprise the principal accounting policies, the profit and loss account, the balance sheet and notes 1 to 23. These financial statements have been prepared under the historical cost convention and the accounting policies set out on pages 8 to 10.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and auditor

The directors' responsibilities for preparing the Report of the Directors and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it. Our responsibilities do not extend to any other information.

### Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

## Report of the independent auditor to the members of Oxford Innovation Limited (continued)

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2009 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Report of the Directors is consistent with the financial statements.

GRANT THORNTON UK LLP  
REGISTERED AUDITOR  
CHARTERED ACCOUNTANTS  
OXFORD

## Accounting policies

### Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards and are unchanged from last year.

### Group accounts

The company was at the end of the year a wholly owned subsidiary of SQW Group Limited, which is incorporated in the EEC, and so, in accordance with Section 228 of the Companies Act 1985, the company is not required to produce, and has not published, group accounts.

### Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is a wholly-owned subsidiary and is included in the consolidated financial statements of SQW Group Limited, which are publicly available.

### Related parties transactions

As a wholly owned subsidiary of SQW Group Limited, the company is exempt from the requirements of FRS 8 to disclose transactions with other members of the group headed by SQW Group Limited on the grounds that consolidated financial statements are publicly available from Companies House.

### Turnover

Turnover includes amounts receivable, net of Value Added Tax, for services provided to customers.

Turnover is made up of amounts due to the company in respect of services performed and Innovation Centre space occupied during the year.

Where the success of a project can be reasonably assessed, turnover is recognised on a percentage of completion basis, reflecting the partial performance to date. Revenue recognised in excess of invoiced amounts is included within debtors as accrued income. Conversely, where revenue recognised is less than invoiced amounts, the balance is disclosed as deferred income.

When losses are anticipated on projects, the loss is recognised in full during the year in which it is first foreseen.

## Accounting policies (continued)

### Fixed assets

All fixed assets are initially recorded at cost.

### Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Leasehold improvements	-	Over the life of the lease
Fixtures and fittings	-	2 - 7 years
Computer and office equipment	-	2 - 7 years

### Investments

Investments are included at cost less amounts written off. Profits or losses arising from disposals of fixed asset investments are treated as part of the result from ordinary activities.

### Operating lease agreements

Leases where substantially all of the risks and rewards of ownership are not transferred to the company are treated as operating leases. Rentals under operating leases are charged against profits on a straight-line basis over the period of the lease.

### Pension costs

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

### Deferred taxation

Deferred tax is measured on all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured on an undiscounted basis using rates of tax that have been enacted or substantively enacted by the balance sheet date.

## Accounting policies (continued)

### Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

### Foreign exchange

Transactions denominated in foreign currencies are translated at the rate of exchange on the day the transaction occurs or at the contracted rate if the transaction is covered by a forward exchange contract.

Assets and liabilities denominated in a foreign currency are translated at the exchange rate ruling on the balance sheet date or, if appropriate, at a forward contract rate. Exchange differences arising in the accounts of individual undertakings are included in the profit and loss account.

### Deferred government grants

Deferred government grants in respect of capital expenditure are treated as deferred income and are credited to the profit and loss account over the estimated useful life of the assets to which they relate.

### Share-based payment

All equity-settled share-based payment arrangements granted after 7 November 2002 that had not vested prior to 1 April 2005 are recognised in the financial statements.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the company's estimate of shares that will eventually vest, updated at each balance sheet date. Fair value of the equity-settled share-based payments is measured by use of a Black Scholes model.

All equity-settled share-based payments are ultimately recognised as an expense in the profit and loss account with a corresponding credit to share based payment reserve.

Estimates are revised subsequently if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options that have vested are not exercised.

## Profit and loss account

	Note	Year to 31 Mar 09 £	Year to 31 Mar 08 £
Turnover	1	6,251,912	6,675,362
Cost of sales		<u>(4,690,729)</u>	<u>(4,662,131)</u>
Gross profit		1,561,183	2,013,231
Other operating charges	2	<u>(951,415)</u>	<u>(831,973)</u>
<b>Profit on ordinary activities before taxation</b>	3	<b>609,768</b>	1,181,258
Tax on profit on ordinary activities	6	2,764	(138,942)
<b>Profit for the financial year</b>	20	<u><b>612,532</b></u>	<u>1,042,316</u>

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the year as set out above.

## Balance sheet

	Note	31 Mar 09 £	31 Mar 08 £
<b>Fixed assets</b>			
Tangible assets	7	908,841	1,004,813
Investments	8	46,667	55,169
		<u>955,508</u>	<u>1,059,982</u>
<b>Current assets</b>			
Debtors	9	2,138,303	3,187,428
Cash at bank		345,586	239,904
		<u>2,483,889</u>	<u>3,427,332</u>
<b>Creditors: amounts falling due within one year</b>	10	<b>(1,037,161)</b>	<b>(1,977,618)</b>
<b>Net current assets</b>		<u>1,446,728</u>	<u>1,449,714</u>
<b>Total assets less current liabilities</b>		<u>2,402,236</u>	<u>2,509,696</u>
<b>Provisions for liabilities</b>			
Government grants	12	(447,448)	(475,440)
<b>Net assets</b>		<u>1,954,788</u>	<u>2,034,256</u>
<b>Capital and reserves</b>			
Called-up equity share capital	16	695,486	695,486
Share premium account	18	720,000	720,000
Other reserves	19	19,000	11,000
Profit and loss account	20	520,302	607,770
<b>Shareholders' funds</b>	21	<u>1,954,788</u>	<u>2,034,256</u>

These financial statements were approved by the directors on 19 May 2009 and are signed on their behalf by:

A J Strivens  
 Director

## Notes to the financial statements

### 1 Turnover

The turnover and profit before tax are attributable to the principal activities of the company.  
 An analysis of turnover is given below:

	Year to 31 Mar 09	Year to 31 Mar 08
	£	£
United Kingdom	6,076,022	6,550,362
Rest of the world	175,890	125,000
	<u>6,251,912</u>	<u>6,675,362</u>

Turnover attributable to the following divisions of the company is given below :

	Year to 31 Mar 09	Year to 31 Mar 08
	£	£
Innovation Services	2,880,617	3,220,188
Innovation Centres	3,371,295	3,455,174
	<u>6,251,912</u>	<u>6,675,362</u>

### 2 Other operating charges

	Year to 31 Mar 09	Year to 31 Mar 08
	£	£
Administrative expenses	<u>951,415</u>	<u>831,973</u>

### 3 Profit on ordinary activities before taxation

Profit before taxation is stated after charging/(crediting):

	Year to 31 Mar 09	Year to 31 Mar 08
	£	£
Amortisation of government grants	(27,992)	(85,156)
Depreciation of owned fixed assets	159,120	178,543
Impairment of investments	8,502	-
Operating lease costs:		
Rent	425,434	376,815
Auditor's remuneration:		
Audit fees	8,502	8,000
Other fees – Taxation	2,000	2,000
Net profit on foreign currency translation	<u>(11,993)</u>	<u>(3,648)</u>

The directors of the company propose that SQW Group Limited enters into a liability limitation agreement with Grant Thornton UK LLP, the statutory auditor, in respect of the statutory audit for the year ended 31 March 2009. The proportionate liability agreement follows the standard terms in Appendix B to the Financial Reporting Council's June 2008 Guidance on Auditor Liability Agreements, and will be proposed for approval at the forthcoming Annual General Meeting.

#### 4 Particulars of employees

The average number of staff (on a full time equivalent basis) employed by the company during the financial year (including directors) amounted to:

	<b>Year to 31 Mar 09 No</b>	Year to 31 Mar 08 No
Number of direct staff	<b>63</b>	61
Number of administrative staff	<b>9</b>	10
	<u><b>72</b></u>	<u>71</u>

The aggregate payroll costs of the above were:

	<b>Year to 31 Mar 09 £</b>	Year to 31 Mar 08 £
Wages and salaries	<b>2,650,117</b>	2,643,917
Social security costs	<b>288,195</b>	272,451
Other pension costs	<b>266,362</b>	71,288
	<u><b>3,204,674</b></u>	<u>2,987,656</u>

#### 5 Directors

Remuneration in respect of directors was as follows:

	<b>Year to 31 Mar 09 £</b>	Year to 31 Mar 08 £
Emoluments receivable	<b>236,178</b>	250,414
Value of company pension contributions to money purchase schemes	<b>83,148</b>	42,559
	<u><b>319,326</b></u>	<u>292,973</u>

Emoluments of highest paid director:

	<b>Year to 31 Mar 09 £</b>	Year to 31 Mar 08 £
Total emoluments (excluding pension contributions)	<b>76,509</b>	96,125
Value of company pension contributions to money purchase schemes	<b>55,113</b>	25,217
	<u><b>131,622</b></u>	<u>121,342</u>

The number of directors who accrued benefits under company pension schemes was as follows:

	<b>Year to 31 Mar 09 No</b>	Year to 31 Mar 08 No
Money purchase schemes	<b>3</b>	3

The remuneration of those directors who are also directors of the ultimate parent company, SQW Group Limited, is disclosed in those accounts.

## 6 Taxation on ordinary activities

### (a) Analysis of (credit)/charge in the year

	Year to 31 Mar 09 £	Year to 31 Mar 08 £
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year at 28% (2008 - 30%)	12,600	244,688
Over provision in prior year	<u>(19,981)</u>	<u>(86,217)</u>
Total current tax	<u>(7,381)</u>	158,471
Deferred tax:		
Origination and reversal of timing differences	4,617	(19,529)
Tax (credit)/charge on profit on ordinary activities	<u>(2,764)</u>	<u>138,942</u>

### (b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 28% (2008 - 30%).

	Year to 31 Mar 09 £	Year to 31 Mar 08 £
Profit on ordinary activities before taxation	<u>609,768</u>	<u>1,181,258</u>
Profit on ordinary activities by rate of tax	170,735	354,377
Marginal Rate Relief	(4,198)	-
Expenses not deductible for tax purposes	18,589	6,069
Capital allowances for period in excess of depreciation	(12,292)	(19,896)
Other short term timing differences	(2,239)	-
Adjustments to tax charge in respect of previous periods	(19,981)	(86,217)
Group relief	<u>(157,995)</u>	<u>(95,862)</u>
Total current tax (note 6(a))	<u>(7,381)</u>	<u>158,471</u>

7 Tangible fixed assets

	Leasehold improvements £	Fixtures and fittings £	Computer and office equipment £	Total £
Cost				
At 1 April 2008	1,377,510	172,230	393,987	1,943,727
Additions	11,624	20,231	31,293	63,148
At 31 March 2009	<u>1,389,134</u>	<u>192,461</u>	<u>425,280</u>	<u>2,006,875</u>
Depreciation				
At 1 April 2008	539,750	92,397	306,767	938,914
Charge for the year	96,145	29,819	33,156	159,120
At 31 March 2009	<u>635,895</u>	<u>122,216</u>	<u>339,923</u>	<u>1,098,034</u>
Net book value				
<b>At 31 March 2009</b>	<u><b>753,239</b></u>	<u><b>70,245</b></u>	<u><b>85,357</b></u>	<u><b>908,841</b></u>
At 31 March 2008	<u>837,760</u>	<u>79,833</u>	<u>87,220</u>	<u>1,004,813</u>

8 Investments

	Group Companies £	Other £	Total £
Cost			
At 1 April 2008 and at 31 March 2009	<u>1</u>	<u>55,168</u>	<u>55,169</u>
Impairment			
Impairment in the year	-	8,502	8,502
At 31 March 2009	<u>-</u>	<u>8,502</u>	<u>8,502</u>
Net book value			
<b>At 31 March 2009</b>	<u><b>1</b></u>	<u><b>46,666</b></u>	<u><b>46,667</b></u>
At 31 March 2008	<u>1</u>	<u>55,168</u>	<u>55,169</u>

## 8 Investments (continued)

Details of the principal investments in which the company holds 20% or more of the nominal value of any class of share capital are shown below. All companies in which the company holds an interest are incorporated in the United Kingdom.

	<b>Holding</b>	<b>Proportion held</b>	<b>Nature of business</b>
The Oxfordshire Investment Opportunity Network Limited	Sole member	100%	Investment networks
OIEST Limited	Ordinary shares	100%	Employee share trust
Innovox Limited	Ordinary shares	29%	Business accelerator

The directors do not consider Innovox Limited to be an associate as they do not exert significant influence over the company.

The other investments above represent shares in unquoted companies. In the opinion of the directors the market value of these shares is not less than the cost shown above.

## 9 Debtors

	<b>31 Mar 09</b>	31 Mar 08
	<b>£</b>	£
Trade debtors	<b>625,459</b>	1,030,743
Amounts owed by group undertakings	<b>904,500</b>	1,665,000
Other debtors	<b>58,103</b>	109,820
Prepayments and accrued income	<b>535,329</b>	362,336
Deferred tax asset	<b>14,912</b>	19,529
	<b><u>2,138,303</u></b>	<u>3,187,428</u>

All debtors are repayable within one year of the balance sheet date.

## 10 Creditors: amounts falling due within one year

	<b>31 Mar 09</b>	31 Mar 08
	<b>£</b>	£
Trade creditors	<b>231,504</b>	237,760
Amounts owed to group undertakings	<b>32,770</b>	-
Corporation tax	<b>12,600</b>	244,688
Other taxation and social security	<b>172,865</b>	207,119
Other creditors	<b>82,581</b>	109,274
Accruals and deferred income	<b>504,841</b>	1,178,777
	<b><u>1,037,161</u></b>	<u>1,977,618</u>

## 11 Deferred taxation

The movement in the deferred taxation provision during the year was:

	<b>31 Mar 09</b>	31 Mar 08
	£	£
Provision brought forward	<b>19,529</b>	-
Profit and loss account movement arising during the year	<b>(4,617)</b>	19,529
Provision carried forward	<b><u>14,912</u></b>	<u>19,529</u>

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	<b>Year to</b>	Year to
	<b>31 Mar 09</b>	31 Mar 08
	£	£
Depreciation in excess of capital allowances	<b><u>14,912</u></b>	<u>19,529</u>

## 12 Government grants

	<b>31 Mar 09</b>	31 Mar 08
	£	£
Received and receivable:		
At 1 April	<b>959,109</b>	1,378,993
Receivable during period	-	50,000
Transferred on disposals	-	(469,884)
At 31 March	<b><u>959,109</u></b>	<u>959,109</u>
Amortisation:		
At 1 April	<b>483,669</b>	780,352
Credit for the period	<b>27,992</b>	85,156
Transferred on disposals	-	(381,839)
At 31 March	<b><u>511,661</u></b>	<u>483,669</u>
Net balance at 31 March	<b><u>447,448</u></b>	<u>475,440</u>

Under the terms of the above grants an element of the grants is repayable to the grantor if certain conditions are not met. It is the directors' intention to abide by the terms of the grants and the directors do not consider it likely that any amounts will be repayable.

### 13 Commitments under operating leases

At the year end the company had annual commitments under non-cancellable operating leases as set out below.

	<b>Land and buildings</b>	
	<b>31 Mar 09</b>	31 Mar 08
	<b>£</b>	<b>£</b>
Operating leases which expire:		
Within 1 year	79,306	-
Within 2-5 years	-	83,715
After more than 5 years	<u>368,560</u>	<u>354,012</u>
	<u><b>447,866</b></u>	<u><b>437,727</b></u>

### 14 Contingent liabilities

The company has given guarantees regarding borrowings of other group companies by way of an offset arrangement. At the period end there was no liability (2008 - £nil).

### 15 Related party transactions

No transactions with related parties were undertaken such as are required to be disclosed under Financial Reporting Standard 8.

### 16 Share capital

Authorised share capital:

	<b>31 Mar 09</b>	31 Mar 08
	<b>£</b>	<b>£</b>
100,000,000 Ordinary shares of £0.01 each	<u><b>1,000,000</b></u>	<u><b>1,000,000</b></u>

Allotted, called up and fully paid:

	<b>No</b>	<b>31 Mar 09</b>	<b>No</b>	31 Mar 08
		<b>£</b>		<b>£</b>
Ordinary shares of £0.01 each	<u><b>69,548,600</b></u>	<u><b>695,486</b></u>	<u><b>69,548,600</b></u>	<u><b>695,486</b></u>

## 17 Share-based payments

Details of all share-based options over shares in the parent company, SQW Group Limited, during the period are detailed below:

	Year to 31 Mar 09		Year to 31 Mar 08	
	No	Weighted average exercise price p	No	Weighted average exercise price p
Outstanding at the beginning of the year	607,084	23p	-	-
Granted during the year	285,997	30p	607,084	23p
Expired during the year	(396,917)	24p	-	-
Outstanding at the end of the year	<u>496,164</u>	<u>27p</u>	<u>607,084</u>	<u>23p</u>
Exercisable at the year end	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The options over shares in SQW Group Limited, the parent company, outstanding at 31 March 2009 for the company had a weighted average remaining contractual life of 1 year and 4 months (2008: 1 year and 7 months).

Equity-settled share-based payments are measured at fair value (excluding the effect of non-market based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed over the vesting period, based on the company's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

Application of the fair value measurement results in a charge to operating expenses for the year ended 31 March 2009 of £8,000 (2008 - £11,000). The charge has been made to the company's profit and loss account as the employees' services are provided to the company. The total intrinsic carrying amount of liabilities in respect of vested benefits for the company at 31 March 09 was £19,000 (2008 - £11,000).

Fair value is measured using the Black Scholes pricing model and includes the information set out in the tables below. The expected life used in the model assumes that vesting conditions will be met and all options will be exercised at the earliest opportunity.

The following assumptions were used in the Black Scholes model for options granted during the year:

### Year to 31 Mar 09

Date of issue	Number granted	Weighted average exercise price p	Expected volatility %	Expected life Years	Risk free rate % p.a.	Weighted average fair value at grant p
1 Oct 08	285,997	30	20	3	1.0	4.5

17 Share-based payments (continued)

Similarly, the following assumptions were used in the prior year:

Year to 31 Mar 08

Date of issue	Number granted	Weighted average exercise price p	Expected volatility %	Expected life Years	Risk free rate % p.a.	Weighted average fair value at grant p
30 Sept 07	407,086	20	10	2.8	4.5	10
1 Oct 07	199,998	30	10	2.7	4.5	4

18 Share premium account

There was no movement on the share premium account during the financial year.

19 Other reserves

	31 Mar 09 £	31 Mar 08 £
Share based payment reserve (note 17)	19,000	11,000
	<u>19,000</u>	<u>11,000</u>

20 Profit and loss account

	Year to 31 Mar 09 £	Year to 31 Mar 08 £
Balance brought forward	607,770	265,454
Profit for the financial year	612,532	1,042,316
Equity dividends paid	(700,000)	(700,000)
Balance carried forward	<u>520,302</u>	<u>607,770</u>

21 Reconciliation of movements in shareholders' funds

	<b>Year to 31 Mar 09</b>	Year to 31 Mar 08
	<b>£</b>	£
Profit for the financial year	<b>612,532</b>	1,042,316
Equity dividends paid (note 23)	<b>(700,000)</b>	(700,000)
Share based payment reserve (note 17)	<b>8,000</b>	11,000
	<u>          </u>	<u>          </u>
Net (reduction) / addition to shareholders' funds	<b>(79,468)</b>	353,316
Opening shareholders' funds	<b>2,034,256</b>	1,680,940
	<u>          </u>	<u>          </u>
Closing shareholders' funds	<b>1,954,788</b>	2,034,256
	<u>          </u>	<u>          </u>

22 Ultimate parent company

The directors consider that the ultimate parent undertaking of this company is SQW Group Limited, which is registered in England and Wales, by virtue of its 100% shareholding in the company.

23 Dividends

During the year the company paid a dividend of £700,000 (2008: £700,000) to its parent company, SQW Group Limited.