

**Oxford Innovation Limited**

Financial statements

For the year ended 31 March 2010

## Officers and professional advisers

<b>Company registration number</b>	2177191
<b>Registered office</b>	Oxford Centre for Innovation Mill Street Oxford OX2 0JX
<b>Directors</b>	C J Allington C C Green P D Leo D A McLaverty T C Willis
<b>Secretary</b>	M Henry
<b>Bankers</b>	Bank of Scotland Cambridge Corporate Centre 24 Hills Road Cambridge CB21 1JW  HSBC Bank Plc Midland House West Way Botley Oxford OX2 0PL
<b>Solicitors</b>	Manches LLP 9400 Garsington Road Oxford Business Park Oxford OX4 2HN
<b>Auditor</b>	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 2010.

### 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 £7,101,684, 14% up on last year (2009: £6,251,912).

Profit before taxation for the period was £494,544, down 19% on last year (2009: £609,768).

Profit after taxation for the year amounted to £338,036, 45% down on last year (2009: £612,532).

Particulars of dividends paid are detailed in note 24 to the financial statements.

In March 2010, Oxford Innovation purchased the Business Development arm of Fasset Limited, resulting in three new members joining the senior management team and the acquisition of two new contracts.

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 J Allington	Appointed 1 March 2010
C C Green	
P D Leo	
D A McLaverty	Appointed 30 November 2009
A J Strivens	Resigned 25 November 2009
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 which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for the financial year. Under that law the directors have elected to prepare financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgments and estimates that are reasonable and prudent
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 auditors are 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, are deemed to be reappointed under section 487(2) of the Companies Act 2006.

ON BEHALF OF THE BOARD

C C Green  
Director  
20 July 2010

# Independent auditor's report to the members of Oxford Innovation Limited

## Independent auditor's report to the members Oxford Innovation Limited

We have audited the financial statements of Oxford Innovation Limited for the year ended 31 March 2010 which comprise the profit and loss account, the balance sheet 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).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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 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 (APB's) Ethical Standards for Auditors.

## Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/UKNP](http://www.frc.org.uk/apb/scope/UKNP).

## Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2010 and of its profit 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.

# Independent auditor's report to the members of Oxford Innovation Limited (continued)

## **Opinion on other matter prescribed by the Companies Act 2006**

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

## **Matters on which we are required to report by exception**

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

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

Tracey James  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
OXFORD  
21 July 2010

## 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 400 of the Companies Act 2006, 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)

### Goodwill and amortisation

Purchased goodwill represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired and is capitalised and amortised on a straight line basis over the estimated useful economic life as follows:

Purchased goodwill	-	1 - 5 years
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### Fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

### 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 10 £	Year to 31 Mar 09 £
Turnover	1	7,101,684	6,251,912
Cost of sales		<u>(5,743,564)</u>	<u>(4,690,729)</u>
Gross profit		1,358,120	1,561,183
Other operating charges	2	<u>(863,576)</u>	<u>(951,415)</u>
<b>Profit on ordinary activities before taxation</b>	3	<b>494,544</b>	609,768
Tax on profit on ordinary activities	6	<b>(156,508)</b>	2,764
<b>Profit for the financial year</b>	21	<b><u>338,036</u></b>	<b><u>612,532</u></b>

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 10 £	31 Mar 09 £
<b>Fixed assets</b>			
Intangible assets	7	48,077	-
Tangible assets	8	221,108	908,841
Investments	9	46,608	46,667
		<u>315,793</u>	<u>955,508</u>
<b>Current assets</b>			
Debtors	10	2,474,268	2,138,303
Cash at bank		364,879	345,586
		<u>2,839,147</u>	<u>2,483,889</u>
<b>Creditors: amounts falling due within one year</b>	11	<b>(1,300,116)</b>	<b>(1,037,161)</b>
<b>Net current assets</b>		<u>1,539,031</u>	<u>1,446,728</u>
<b>Total assets less current liabilities</b>		<u>1,854,824</u>	<u>2,402,236</u>
<b>Provisions for liabilities</b>			
Government grants	13	-	(447,448)
<b>Net assets</b>		<u>1,854,824</u>	<u>1,954,788</u>
<b>Capital and reserves</b>			
Called-up equity share capital	17	695,486	695,486
Share premium account	19	720,000	720,000
Other reserves	20	31,000	19,000
Profit and loss account	21	408,338	520,302
<b>Shareholders' funds</b>	22	<u>1,854,824</u>	<u>1,954,788</u>

These financial statements were approved by the directors on 20 July 2010 and are signed on their behalf by:

C C Green  
 Director  
 Company No. 2177191

## 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 10 £	Year to 31 Mar 09 £
United Kingdom	6,625,964	6,076,022
Rest of the world	475,720	175,890
	<u>7,101,684</u>	<u>6,251,912</u>

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

	Year to 31 Mar 10 £	Year to 31 Mar 09 £
Innovation Services	3,573,897	2,880,617
Innovation Centres	3,527,787	3,371,295
	<u>7,101,684</u>	<u>6,251,912</u>

### 2 Other operating charges

	Year to 31 Mar 10 £	Year to 31 Mar 09 £
Administrative expenses	<u>863,576</u>	<u>951,415</u>

### 3 Profit on ordinary activities before taxation

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

	Year to 31 Mar 10 £	Year to 31 Mar 09 £
Amortisation of government grants	(447,448)	(27,992)
Depreciation of owned fixed assets	161,010	159,120
Impairment of fixed assets	628,539	-
Impairment of investments	59	8,502
Amortisation of goodwill	1,923	-
Operating lease costs:		
Rent	407,181	425,434
Auditor's remuneration:		
Audit fees	8,000	8,502
Other fees – Taxation	2,000	2,000
Net profit / (loss) on foreign currency translation	<u>2,464</u>	<u>(11,993)</u>

#### 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:

	Year to 31 Mar 10 No	Year to 31 Mar 09 No
Number of direct staff	63	63
Number of administrative staff	10	9
	<u>73</u>	<u>72</u>

The aggregate payroll costs of the above were:

	Year to 31 Mar 10 £	Year to 31 Mar 09 £
Wages and salaries	2,709,927	2,650,117
Social security costs	271,217	288,195
Other pension costs	197,617	266,362
	<u>3,178,761</u>	<u>3,204,674</u>

#### 5 Directors

Remuneration in respect of directors was as follows:

	Year to 31 Mar 10 £	Year to 31 Mar 09 £
Emoluments receivable	269,470	236,178
Value of company pension contributions to money purchase schemes	23,500	83,148
	<u>292,970</u>	<u>319,326</u>

Emoluments of highest paid director:

	Year to 31 Mar 10 £	Year to 31 Mar 09 £
Total emoluments (excluding pension contributions)	92,536	76,509
Value of company pension contributions to money purchase schemes	6,297	55,113
	<u>98,833</u>	<u>131,622</u>

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

	Year to 31 Mar 10 No	Year to 31 Mar 09 No
Money purchase schemes	<u>4</u>	<u>3</u>

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 10 £	Year to 31 Mar 09 £
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year at 28% (2009 - 28%)	203,152	12,600
Over provision in prior year	<u>(7,989)</u>	<u>(19,981)</u>
Total current tax	195,163	(7,381)
Deferred tax:		
Origination and reversal of timing differences	<u>(38,655)</u>	<u>4,617</u>
Tax (credit)/charge on profit on ordinary activities	<u>156,508</u>	<u>(2,764)</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% (2009 - 28%).

	Year to 31 Mar 10 £	Year to 31 Mar 09 £
Profit on ordinary activities before taxation	<u>494,544</u>	<u>609,768</u>
Profit on ordinary activities by rate of tax	138,472	170,735
Marginal Rate Relief	-	(4,198)
Expenses not deductible for tax purposes	48,225	18,589
Capital allowances for period in excess of depreciation	(1,456)	(12,292)
Other short term timing differences	17,911	(2,239)
Adjustments to tax charge in respect of previous periods	(7,989)	(19,981)
Group relief	-	(157,995)
Total current tax (note 6(a))	<u>195,163</u>	<u>(7,381)</u>

## 7 Intangible fixed assets

	Purchased Goodwill £
Cost	
Additions	50,000
At 31 March 2010	<u>50,000</u>
Amortisation	
Charge for the year	1,923
At 31 March 2010	<u>1,923</u>
Net book value	
<b>At 31 March 2010</b>	<b><u>48,077</u></b>
At 31 March 2009	<u>-</u>

In March 2010, two contracts were purchased from Fasset for a total consideration of £50,000. The purchased goodwill is being amortised over the remaining life of the contracts.

## 8 Tangible fixed assets

	Leasehold improvements £	Fixtures and fittings £	Computer and office equipment £	Total £
Cost				
At 1 April 2009	1,389,134	192,461	425,280	2,006,875
Additions	16,288	51,054	38,599	105,941
Disposals	-	(464)	(7,227)	(7,691)
At 31 March 2010	<u>1,405,422</u>	<u>243,051</u>	<u>456,652</u>	<u>2,105,125</u>
Depreciation				
At 1 April 2009	635,895	122,216	339,923	1,098,034
Charge for the year	88,440	26,744	45,826	161,010
Impairment in the year	594,994	30,985	2,560	628,539
Disposals	-	(162)	(3,404)	(3,566)
At 31 March 2010	<u>1,319,329</u>	<u>179,783</u>	<u>384,905</u>	<u>1,884,017</u>
Net book value				
<b>At 31 March 2010</b>	<b><u>86,093</u></b>	<b><u>63,268</u></b>	<b><u>71,747</u></b>	<b><u>221,108</u></b>
At 31 March 2009	<u>753,239</u>	<u>70,245</u>	<u>85,357</u>	<u>908,841</u>

In calculating the impairment loss during the year the company has used a discount rate of 20%. In carrying out the impairment review, detailed cash flows have been included for a period of five years using a steady growth rate of 2% per annum.

**9 Investments**

	Group Companies £	Other £	Total £
Cost			
At 1 April 2009 and at 31 March 2010	1	55,168	55,169
Impairment			
At 1 April 2009	-	8,502	8,502
Impairment in the year	-	59	59
At 31 March 2010	-	8,561	8,561
Net book value			
<b>At 31 March 2010</b>	<b>1</b>	<b>46,607</b>	<b>46,608</b>
At 31 March 2009	1	46,666	46,667

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.

	Holding	Proportion held	Nature of business
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.

## 10 Debtors

	31 Mar 10	31 Mar 09
	£	£
Trade debtors	585,017	625,459
Amounts owed by group undertakings	983,327	904,500
Other debtors	71,875	58,103
Prepayments and accrued income	780,482	535,329
Deferred tax asset	53,567	14,912
	<u>2,474,268</u>	<u>2,138,303</u>

The amount owed by group undertakings of £983,327 is intercompany debt and is not expected to be repaid within one year. All other debtors are repayable within one year of the balance sheet date.

## 11 Creditors: amounts falling due within one year

	31 Mar 10	31 Mar 09
	£	£
Trade creditors	467,507	231,504
Amounts owed to group undertakings	-	32,770
Corporation tax	203,152	12,600
Other taxation and social security	225,514	172,865
Other creditors	31,812	82,581
Accruals and deferred income	372,131	504,841
	<u>1,300,116</u>	<u>1,037,161</u>

## 12 Deferred taxation

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

	31 Mar 10	31 Mar 09
	£	£
Provision brought forward	14,912	19,529
Profit and loss account movement arising during the year	38,655	(4,617)
Provision carried forward	<u>53,567</u>	<u>14,912</u>

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

	Year to	Year to
	31 Mar 10	31 Mar 09
	£	£
Depreciation in excess of capital allowances	<u>53,567</u>	<u>14,912</u>

### 13 Government grants

	31 Mar 10	31 Mar 09
	£	£
Received and receivable:		
At 1 April 2009 and at 31 March 2010	<u>959,109</u>	<u>959,109</u>
Amortisation:		
At 1 April	511,661	483,669
Credit for the period	<u>447,448</u>	<u>27,992</u>
At 31 March	<u>959,109</u>	<u>511,661</u>
Net balance at 31 March	<u><u>-</u></u>	<u><u>447,448</u></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.

### 14 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>	
	31 Mar 10	31 Mar 09
	£	£
Operating leases which expire:		
Within 1 year	52,235	79,306
Within 2-5 years	-	-
After more than 5 years	<u>353,346</u>	<u>368,560</u>
	<u><u>405,581</u></u>	<u><u>447,866</u></u>

### 15 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 (2009 - £nil).

### 16 Related party transactions

As a wholly owned subsidiary of SQW Group Limited, the company is exempt from the requirements of FRS8 to disclose transactions with other members of the group headed by SQW Group Limited on the grounds that group accounts are publically available from Companies House.

## 17 Share capital

Authorised share capital:

	<b>31 Mar 10</b>	31 Mar 09
	<b>£</b>	£
100,000,000 Ordinary shares of £0.01 each	<b><u>1,000,000</u></b>	<u>1,000,000</u>

Allotted, called up and fully paid:

	<b>No</b>	<b>31 Mar 10</b>	No	31 Mar 09
		<b>£</b>		£
Ordinary shares of £0.01 each	<b><u>69,548,600</u></b>	<b><u>695,486</u></b>	<u>69,548,600</u>	<u>695,486</u>

## 18 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 10		Year to 31 Mar 09	
	No	Weighted average exercise price	No	Weighted average exercise price
	No	p	No	p
Outstanding at the beginning of the year	496,164	27p	607,084	23p
Granted during the year	290,167	30p	285,997	30p
Expired during the year	-	-	(396,917)	30p
Outstanding at the end of the year	<b><u>786,331</u></b>	<b><u>28p</u></b>	<u>496,164</u>	<u>27p</u>

As at the year end, there were 162,834 exercisable options at 20.25 pence (2009: nil).

The options over shares in SQW Group Limited, the parent company, outstanding at 31 March 2010 for the company had a weighted average remaining contractual life of 1 year and 3 months (2009: 1 year and 4 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 2010 of £12,000 (2009 - £8,000). 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 10 was £31,000 (2009 - £19,000).

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.

## 18 Share-based payments (continued)

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

### Year to 31 Mar 10

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 09	290,167	30	25	3	1.0	5.5

Similarly, the following assumptions were used in the prior 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

## 19 Share premium account

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

## 20 Other reserves

	31 Mar 10 £	31 Mar 09 £
Share based payment reserve (note 18)	31,000	19,000
	<u>31,000</u>	<u>19,000</u>

## 21 Profit and loss account

	Year to 31 Mar 10 £	Year to 31 Mar 09 £
Balance brought forward	520,302	607,770
Profit for the financial year	338,036	612,532
Equity dividends paid	(450,000)	(700,000)
Balance carried forward	<u>408,338</u>	<u>520,302</u>

## 22 Reconciliation of movements in shareholders' funds

	Year to 31 Mar 10	Year to 31 Mar 09
	£	£
Profit for the financial year	338,036	612,532
Equity dividends paid (note 24)	(450,000)	(700,000)
Share based payment reserve (note 18)	12,000	8,000
Net (reduction) / addition to shareholders' funds	(99,964)	(79,468)
Opening shareholders' funds	1,954,788	2,034,256
Closing shareholders' funds	1,854,824	1,954,788

## 23 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.

## 24 Dividends

During the year the company paid a dividend of £450,000 (2009: £700,000) to its parent company, SQW Group Limited.