

**SQW Group Limited**

Financial statements

For the year ended 31 March 2010

## Officers and professional advisers

**Company registration number**

04947276

**Registered office**

Enterprise House  
Vision Park  
Histon  
CAMBRIDGE  
CB24 9ZR

**Directors**

C C Green  
I M Laing  
M Lyons  
R E Quince  
W Wells

**Secretary**

M Henry

**Bankers**

Bank of Scotland  
Cambridge Corporate Centre  
24 Hills Road  
CAMBRIDGE  
CB2 1JW

HSBC plc  
Midland House  
West Way  
Botley  
OXFORD  
OX2 0PL

**Solicitors**

Mills & Reeve  
Francis House  
CAMBRIDGE  
CB2 1PH

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 Group for the year ended 31 March 2010.

### **Principal activities and business review**

The principal activity of the company during the year was that of a holding company. The activities of the group during the year were the provision of sustainable economic and social development consultancy services, innovation advisory services, the management of innovation centres, the management of business angel investment networks, the provision of energy and carbon management consultancy services, and the provision of consultancy services in Asia.

Overall performance during the year was disappointing compared to plan. Following management actions, the group ended the year on a sound footing, with strong performance in the final quarter, and carried forward an encouraging volume of work won into 2010/11. This is a reassuring starting point from which to face the anticipated impact of severe cuts in UK government spending on our consulting services operation.

On 1 August 2009, SQW Group sold 75% of the share capital in SQW China Ltd (formally SQW Asia Ltd). Under the terms of the agreement SQW Group was responsible for all liabilities until 1 December 2009, so the results of SQW China Ltd were consolidated until 30 November 2009. From 1 December 2009 the investment was accounted for as an associate.

On 17 November 2009, the company repurchased 857,084 Ordinary 'A' shares of £0.001, further details can be found in note 20.

In March 2010, SQW Group purchased the Business Development arm of Fasset through Oxford Innovation, a wholly owned subsidiary, resulting in three new members joining the senior management team and the acquisition of two new innovation centre management contracts.

Further details of the development of the Group's business interests, including more recent updates, may be found on the group's website [www.sqwgroup.com](http://www.sqwgroup.com) and related sites.

The directors believe that the Group is suitably positioned to achieve its strategic objectives of sustainable, profitable growth.

### **Results and dividends**

Group turnover for the year to 31 March 2010 was £16,764,062 an 8% increase over the prior period (2009: £15,591,944).

Group gross profit for the year was £3,739,143, a 14% decrease over the prior period (2009: £4,371,989).

Group operating profit for the year was £204,837, an 81% decrease over the prior period (2009: £1,092,624).

Group profit on ordinary activities before taxation for the year was £217,333, an 80% decrease over the prior period (2009: £1,106,011).

The profit for the year, after net interest, taxation and minority interest, amounted to £27,547, a decrease on the prior period of 97% (2009: £791,226).

## Report of the directors (continued)

### **Results and dividends (continued)**

Earnings per share based on retained profit for the year to 31 March 2010 (the standard method of calculation) was 0.1p (2009: 3.5p), and, based on profits before tax, 1.0p (2009: 4.8p). Further details are set out in note 8.

Group cash at bank at 31 March 2010 was £1,266,212 (2009: £1,409,503). Net of loan note debt, and as set out in note 26, net funds at 31 March 2010 were £1,153,951, an improvement of £45,526 over the year (2009: £1,108,425).

Particulars of dividends paid during the accounting period are detailed in note 29 to the financial statements.

### **Financial risk management objectives and policies**

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

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

#### **Credit risk**

The group'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 group has no significant concentration of credit risk, with exposure spread over a large number of customers.

#### **Cash flow risk**

The group 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 frequent and regular basis.

### **The directors**

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

C C Green  
I M Laing  
M Lyons  
R E Quince  
A J Strivens (Resigned 25 Nov 2009)  
W Wells

## Report of the directors (continued)

### **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.

### **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 SQW Group Limited

## **Independent auditor's report to the members of SQW Group Limited**

We have audited the financial statements of SQW Group Limited for the year ended 31 March 2010 which comprise the group profit and loss account, the group and parent company balance sheets, the group cash flow statement, the group statement of total recognised gains and losses 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 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 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 group's and the parent company's affairs as at 31 March 2010 and of the group's 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.

## **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 auditor's report to the members of SQW Group Limited (continued)

## **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
- 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.

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.

### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the company and all subsidiary undertakings. The financial statements of all group companies are adjusted, where necessary, to ensure the use of consistent accounting policies. Acquisitions are accounted for under the acquisition method. The results of companies acquired or disposed of are included in the group profit and loss account from or up to the date that control passes respectively.

The transfer to the group of the ownership of Oxford Innovation Limited and its subsidiary companies on 14 June 2006 was accounted for using the merger method of accounting in accordance with FRS 6, which treats the merged groups as if they had been combined throughout the current and comparative accounting periods. Under merger accounting, the results for the group were reported as if the group had been in existence in its current form through the current and previous financial years. No purchased goodwill was created in the transaction and the assets and liabilities of Oxford Innovation Limited were not adjusted to reflect their fair value.

On 1 August 2009, SQW Group sold 75% of the share capital in SQW China Ltd (formally SQW Asia Ltd). Under the terms of the agreement SQW Group was responsible for all liabilities until 1 December 2009, so the results of SQW China Ltd were consolidated until 30 November 2009. From 1 December 2009 the investment was accounted for as an associate.

A separate profit and loss account for the parent company is not presented with the group financial statements as permitted by section 408 of the Companies Act 2006.

### **Associated Undertakings**

Undertakings other than subsidiary undertakings, in which the Group has an investment representing at least 20% of the voting rights and over which it exerts significant influence, are treated as associates.

The Group's share of profits and other recognised gains and losses of the associated undertakings are included in the Group profit and loss account and statement of total recognised gains and losses. The Group balance sheet includes investments in associated undertakings at the Group's share of net assets, less any discount on the acquisition of the investment.

### **Turnover**

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

Turnover is made up of amounts due to the group 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 positive goodwill arising on acquisition and goodwill arising on consolidation, representing the excess of the fair value of the consideration given over the fair value of the group's share of the identifiable assets acquired, are capitalised and amortised on a straight line basis over the estimated useful economic life up to a maximum of 20 years as follows:

Goodwill on consolidation	-	20 years
Purchased goodwill	-	1-5 years

Goodwill is reviewed for impairment at the end of the first full financial year following each acquisition and subsequently when necessary if circumstances indicate that its carrying value may not be recoverable.

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

### Employee Benefit Trust (EBT)

The group records assets and liabilities of the Trust as its own and, in accordance with UITF38, shares held are deducted in arriving at shareholders' funds and included in reserves.

## Accounting policies (continued)

### **Deferred taxation**

Deferred tax is measured on all timing differences where the transactions or events that give the group 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.

### **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.

### **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.

### **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.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred directly to the Group's foreign currency revaluation reserve.

## Accounting policies (continued)

### **Share-based payments**

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 Group'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.

## Group profit and loss account

	Note	Year to 31 Mar 10 £	Year to 31 Mar 09 £
<b>Group turnover</b>	1	16,764,062	15,591,944
Cost of sales		<u>(13,024,919)</u>	<u>(11,219,955)</u>
Gross profit		3,739,143	4,371,989
Operating charges	2	<u>(3,534,306)</u>	<u>(3,279,365)</u>
<b>Operating profit</b>	3	204,837	1,092,624
Interest receivable		15,077	27,787
Interest payable and similar charges	6	<u>(2,581)</u>	<u>(14,400)</u>
<b>Profit on ordinary activities before taxation</b>		217,333	1,106,011
Tax on profit on ordinary activities	7	<u>(189,786)</u>	<u>(314,049)</u>
<b>Profit on ordinary activities after taxation</b>		27,547	791,962
Minority interest		-	(736)
<b>Profit for the financial period</b>	24	<u><u>27,547</u></u>	<u><u>791,226</u></u>
<b>Earnings per share</b>			
<b>Standard (profit after tax)</b>			
Basic and diluted	8	0.1p	3.5p
<b>Earnings per share</b>			
<b>Modified (profit before tax)</b>			
Basic and diluted	8	1.0p	4.8p

The current year activities of the group are classed as continuing.

## Group balance sheet

	Note	31 Mar 10 £	31 Mar 09 £
<b>Fixed assets</b>			
Intangible assets	10	1,701,666	1,768,285
Tangible assets	11	379,764	1,127,862
Investments	12	67,529	67,590
		<u>2,148,959</u>	<u>2,963,737</u>
<b>Current assets</b>			
Debtors	13	4,165,637	3,789,008
Cash at bank		1,266,212	1,409,503
		<u>5,431,849</u>	<u>5,198,511</u>
<b>Creditors: amounts falling due within one year</b>	15	<b>(4,586,332)</b>	<b>(4,623,438)</b>
<b>Net current assets</b>		<u>845,517</u>	<u>575,073</u>
<b>Total assets less current liabilities</b>		<u>2,994,476</u>	<u>3,538,810</u>
<b>Creditors: amounts falling due after more than one year</b>	16	<b>(91,262)</b>	<b>(112,261)</b>
		<u>2,903,214</u>	<u>3,426,549</u>
<b>Provisions for liabilities</b>			
Government grants	17	-	(447,448)
Associated undertakings	18	(37,791)	-
<b>Net assets</b>		<u>2,865,423</u>	<u>2,979,101</u>
<b>Capital and reserves</b>			
Called-up equity share capital	20	22,220	22,911
Share premium account	22	845,947	796,114
Other reserves	23	1,512,667	1,499,514
Minority interest		-	(10,135)
Profit and loss account	24	484,589	670,697
<b>Shareholders' funds</b>	25	<u>2,865,423</u>	<u>2,979,101</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. 04947276

## Company balance sheet

	Note	31 Mar 10 £	31 Mar 09 £
<b>Fixed assets</b>			
Tangible assets	11	22,079	25,795
Investments	12	4,177,712	4,177,712
		<u>4,199,791</u>	<u>4,203,507</u>
<b>Current assets</b>			
Debtors	13	156,278	104,475
Cash at bank		1,314	5,453
		<u>157,592</u>	<u>109,928</u>
<b>Creditors: amounts falling due within one year</b>	15	<b>(149,452)</b>	<b>(311,198)</b>
<b>Net current assets/ (liabilities)</b>		<u><b>8,140</b></u>	<u><b>(201,270)</b></u>
<b>Total assets less current liabilities</b>		<u><b>4,207,931</b></u>	<u><b>4,002,237</b></u>
<b>Creditors: amounts falling due after more than one year</b>	16	<b>(2,133,104)</b>	<b>(1,582,546)</b>
<b>Net assets</b>		<u><u><b>2,074,827</b></u></u>	<u><u><b>2,419,691</b></u></u>
<b>Capital and reserves</b>			
Called-up equity share capital	20	22,220	22,911
Share premium account	22	845,947	796,114
Other reserves	23	20,913	30,055
Profit and loss account	24	1,185,747	1,570,611
<b>Shareholders' funds</b>	25	<u><u><b>2,074,827</b></u></u>	<u><u><b>2,419,691</b></u></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. 04947276

## Group cash flow

	Note	Year to 31 Mar 10 £	Year to 31 Mar 09 £
<b>Net cash inflow from operating activities</b>	26	<b>807,491</b>	1,695,033
<b>Returns on investments and servicing of finance</b>			
Interest received		15,077	27,787
Interest paid		<u>(2,581)</u>	<u>(14,400)</u>
<b>Net cash inflow from returns on investments and servicing of finance</b>		<b>12,496</b>	13,387
Taxation		<b>(356,820)</b>	(346,810)
<b>Capital expenditure</b>			
Payments to acquire tangible fixed assets		<b>(175,049)</b>	(154,197)
Payments to acquire investments		<u>(50,000)</u>	<u>-</u>
<b>Net cash outflow from capital expenditure</b>		<b>(225,049)</b>	(154,197)
<b>Equity dividends paid</b>		<b>(242,592)</b>	(220,537)
<b>Cash (outflow)/ inflow before financing</b>		<u><b>(4,474)</b></u>	<u>986,876</u>
<b>Financing</b>			
Repayment of loan notes		<b>(188,817)</b>	(198,922)
Income from capital grants		-	-
Shares issued in the year		<u>50,000</u>	<u>-</u>
<b>Net cash (outflow) from financing</b>		<u><b>(138,817)</b></u>	<u>(198,922)</u>
<b>(Decrease)/ increase in cash</b>	26	<u><b>(143,291)</b></u>	<u>787,954</u>

**The accompanying accounting policies and notes form part of these financial statements**

## Other primary statements

### **Group statement of total recognised gains and losses**

	<b>Note</b>	<b>Year to 31 Mar 10 £</b>	<b>Year to 31 Mar 09 £</b>
Profit for the financial year attributable to the shareholders of the parent company		<b>219,399</b>	791,226
Currency translation differences on foreign currency net investments	23	<b>9,232</b>	(9,212)
<b>Total profit recognised since the last financial statements</b>		<b><u>228,631</u></b>	<b><u>782,014</u></b>

## Notes to the financial statements

### 1 Turnover

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

	Year to 31 Mar 10 £	Year to 31 Mar 09 £
United Kingdom	16,147,100	14,751,111
Rest of the world	616,962	840,833
	<u>16,764,062</u>	<u>15,591,944</u>

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

	Year to 31 Mar 10 £	Year to 31 Mar 09 £
Sustainable economic and social development consultancy	8,963,580	8,499,150
Innovation services	3,562,047	2,703,107
Innovation centres	3,527,787	3,371,295
Energy and carbon management consultancy	538,171	434,323
Consultancy services in Asia	38,690	345,975
Investment networks administration	133,787	238,094
	<u>16,764,062</u>	<u>15,591,944</u>

### 2 Operating charges

	Year to 31 Mar 10 £	Year to 31 Mar 09 £
Administrative expenses	<u>3,534,306</u>	<u>3,279,365</u>

### 3 Operating profit

Operating profit is stated after charging/(crediting):

	Year to 31 Mar 10 £	Year to 31 Mar 09 £
Amortisation of government grants	(447,448)	(27,992)
Amortisation of goodwill	116,619	114,696
Depreciation of owned fixed assets	259,828	261,897
Impairment of fixed assets	628,539	-
Loss on disposal of tangible fixed assets	34,780	-
Impairment of investments	61	8,500
Profit on disposal of investment in SQW Asia Ltd	103,293	-

**3 Operating profit (continued)**

	<b>Year to 31 Mar 10</b>	Year to 31 Mar 09
	<b>£</b>	£
Operating lease costs:		
Rent	<b>752,686</b>	781,958
Share-based payment expense	<b>14,000</b>	25,000
Auditor's remuneration - audit of company's financial statements	<b>14,500</b>	13,500
Auditor's remuneration - other fees:		
- Taxation services	<b>13,600</b>	12,371
- Audits of the company's subsidiaries	<b>16,000</b>	17,000
- Other assurance	<b>6,610</b>	6,500
	<u><b>6,610</b></u>	<u>6,500</u>

**4 Particulars of employees**

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

	<b>Year to 31 Mar 10</b>	Year to 31 Mar 09
	<b>No</b>	No
Number of direct staff	<b>144</b>	139
Number of administrative staff	<b>31</b>	30
	<u><b>175</b></u>	<u>169</u>

The aggregate payroll costs of the above were:

	<b>Year to 31 Mar 10</b>	Year to 31 Mar 09
	<b>£</b>	£
Wages and salaries	<b>7,049,773</b>	7,240,846
Social security costs	<b>784,262</b>	726,217
Other pension costs	<b>752,723</b>	770,165
	<u><b>8,586,758</b></u>	<u>8,737,228</u>

**5 Directors**

Remuneration in respect of directors was as follows:

	<b>Year to 31 Mar 10</b>	Year to 31 Mar 09
	<b>£</b>	£
Emoluments receivable	<b>216,611</b>	251,948
Value of company pension contributions to money purchase schemes	<b>41,387</b>	67,190
	<u><b>257,998</b></u>	<u>319,138</u>

**5 Directors (continued)**

Emoluments of highest paid director:

	<b>Year to 31 Mar 10</b>	Year to 31 Mar 09
	<b>£</b>	£
Total emoluments (excluding pension contributions)	<b>113,686</b>	99,117
Value of company pension contributions to money purchase schemes	<b>37,500</b>	55,300
	<b><u>151,186</u></b>	<u>154,417</u>

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

	<b>Year to 31 Mar 10</b>	Year to 31 Mar 09
	<b>No</b>	No
Money purchase schemes	<b><u>2</u></b>	<u>2</u>

Of the above directors' emoluments, the following amounts were invoiced by businesses associated with the following director:

<b>Director</b>	<b>Business</b>	<b>Year to 31 Mar 10</b>	Year to 31 Mar 09
		<b>£</b>	£
I M Laing	Wardsend Services Limited	<b><u>15,000</u></b>	<u>15,000</u>

**6 Interest payable and similar charges**

	<b>Year to 31 Mar 10</b>	Year to 31 Mar 09
	<b>£</b>	£
Interest payable on overdraft	<b>6</b>	-
Interest payable on loan notes	<b>2,575</b>	14,400
	<b><u>2,581</u></b>	<u>14,400</u>

**7 Taxation on ordinary activities**

(a) Analysis of charge in the period

	<b>Year to 31 Mar 10</b>	Year to 31 Mar 09
	<b>£</b>	£
Current tax:		
In respect of the period:		
UK Corporation tax based on the results for the period at 28% (2009 - 28%)	<b>253,379</b>	352,889
Under/(over) provision in prior year	<b>438</b>	(28,384)
Total current tax	<b>253,817</b>	324,505
Deferred tax:		
Origination and reversal of timing differences (note 14)		
Other	<b>(64,031)</b>	(10,456)
Tax on profit on ordinary activities	<b>189,786</b>	314,049

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the current period is higher than the standard rate of corporation tax in the UK of 28% (2009 - 28%).

	<b>Year to 31 Mar 10</b>	Year to 31 Mar 09
	<b>£</b>	£
Profit on ordinary activities before taxation	<b>217,333</b>	1,106,011
Profit on ordinary activities by rate of tax	<b>60,853</b>	309,683
Expenses not deductible for tax purposes	<b>146,935</b>	47,395
Capital allowances for period in excess of depreciation	<b>7,464</b>	(2,608)
Marginal relief	<b>(1,987)</b>	-
Unrelieved tax losses	<b>12,006</b>	(3,166)
Adjustments to tax charge in respect of previous periods	<b>(1,524)</b>	(28,384)
Other short term timing differences	<b>27,959</b>	(190)
Trust tax payable on income in employee share trust	<b>2,111</b>	1,775
Total current tax (note 7(a))	<b>253,817</b>	324,505

**8 Earnings per share**

The calculation of earnings per share, both standard and modified, is based on the following data:

(a) Earnings per share – standard (profit after tax)

**Earnings**

	<b>Year to 31 Mar 10</b>	Year to 31 Mar 09
	£	£
Earnings for the purposes of basic earnings per share	<u>27,547</u>	<u>791,226</u>

**Number of shares**

	<b>Year to 31 Mar 10</b>	Year to 31 Mar 09
	No	No
Weighted average number of ordinary shares for the purposes of the basic earnings per share	<u>22,607,025</u>	<u>22,910,787</u>

**Earnings per share – standard, basic and diluted**

	<b>Year to 31 Mar 10</b>	Year to 31 Mar 09
	pence	pence
Earnings per share – standard, basic and diluted	<u>0.1p</u>	<u>3.5p</u>

Of the share options granted during the year, nil (2009: nil) had an exercise price lower than the market price. The dilutive effect of these options on the basic earnings per share (both standard and modified) is immaterial.

(b) Earnings per share – modified (profit before tax)

**Earnings**

	<b>Year to 31 Mar 10</b>	Year to 31 Mar 09
	£	£
Earnings for the purposes of basic earnings per share on a modified basis	<u>217,333</u>	<u>1,106,011</u>

**Number of shares**

	<b>Year to 31 Mar 10</b>	Year to 31 Mar 09
	No	No
Weighted average number of ordinary shares for the purposes of the basic earnings per share	<u>22,607,025</u>	<u>22,910,787</u>

**Earnings per share – modified, basic and diluted**

	<b>Year to 31 Mar 10</b>	Year to 31 Mar 09
	pence	pence
Earnings per share – modified, basic and diluted	<u>1.0p</u>	<u>4.8p</u>

Modified earnings per share is based on profits on ordinary activities before tax rather than retained profit for the financial period.

## 9 Profit attributable to members of the parent company

The parent company has taken advantage of section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The profit dealt with in the accounts of the parent company was £66,588 (2009: £862,894).

## 10 Intangible fixed assets

### Group

	Purchased Goodwill £	Goodwill on consolidation £	Total £
Cost			
At 1 April 2009	-	2,294,000	2,294,000
Additions	50,000	-	50,000
At 31 March 2010	<u>50,000</u>	<u>2,294,000</u>	<u>2,344,000</u>
Amortisation			
At 1 April 2009	-	525,715	525,715
Charge for the period	1,923	114,696	116,619
At 31 March 2010	<u>1,923</u>	<u>640,411</u>	<u>642,334</u>
Net book value			
<b>At 31 March 2010</b>	<u><b>48,077</b></u>	<u><b>1,653,589</b></u>	<u><b>1,701,666</b></u>
At 31 March 2009	<u>-</u>	<u>1,768,285</u>	<u>1,768,285</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.

## 11 Tangible fixed assets

### Group

	Leasehold improvements £	Fixtures & fittings £	Computer and office equipment £	Total £
Cost				
At 1 April 2009	1,389,134	216,047	921,778	2,526,959
Additions	16,288	51,054	107,707	175,049
Disposals	-	(24,050)	(32,536)	(56,586)
At 31 March 2010	<u>1,405,422</u>	<u>243,051</u>	<u>996,949</u>	<u>2,645,422</u>
Depreciation				
At 1 April 2009	635,894	130,078	633,125	1,399,097
Charge for the period	88,440	26,744	144,644	259,828
Impairment for the year	594,994	30,985	2,560	628,539
Disposals	-	(8,024)	(13,782)	(21,806)
At 31 March 2010	<u>1,319,328</u>	<u>179,783</u>	<u>766,547</u>	<u>2,265,658</u>
Net book value				
<b>At 31 March 2010</b>	<u><b>86,094</b></u>	<u><b>63,268</b></u>	<u><b>230,402</b></u>	<u><b>379,764</b></u>
At 31 March 2009	<u>753,240</u>	<u>85,969</u>	<u>288,653</u>	<u>1,127,862</u>

## 11 Tangible fixed assets (continued)

In calculating the impairment loss during the year the group 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%.

Company	Computer and office equipment £
Cost	
At 1 April 2009	40,375
Additions	13,680
At 31 March 2010	<u>54,055</u>
Depreciation	
At 1 April 2009	14,580
Charge for the period	17,396
At 31 March 2010	<u>31,976</u>
Net book value	
<b>At 31 March 2010</b>	<b><u>22,079</u></b>
At 31 March 2009	<u>25,795</u>

## 12 Investments

Group	Unlisted equity investments £
Cost	
At 1 April 2009	76,090
At 31 March 2010	<u>76,090</u>
Impairment	
At 1 April 2009	8,500
Charge for the period	61
At 31 March 2010	<u>8,561</u>
Net book value	
<b>At 31 March 2010</b>	<b><u>67,529</u></b>
At 31 March 2009	<u>67,590</u>

In the opinion of the directors the market value of these shares is not less than the carrying value above.

Company	Group companies £
Cost	
At 1 April 2009 and 31 March 2010	4,177,712
Net book value	
<b>At 31 March 2010</b>	<b><u>4,177,712</u></b>
At 31 March 2009	<u>4,177,712</u>

## 12 Investments (continued)

Details of the principal investments in which the group holds 20% or more of the nominal value of any class of share capital are shown below. All companies in which the group holds an interest are incorporated in the United Kingdom other than SQW China Limited, which is incorporated in Hong Kong.

	Holding Proportion held		Nature of business
SQW Limited	Ordinary shares	100%	Management consultancy
SQW China Limited*	Ordinary shares	25%	Management consultancy
SQW EBT Limited*	Ordinary shares	100%	Dormant trust
Oxford Innovation Limited	Ordinary shares	100%	Innovation centres and Innovation services
The Oxfordshire Investment Opportunity Network Limited**	Sole member	100%	Investment networks
OUEST Limited**	Ordinary shares	100%	Employee share trustee
Innovox Limited**	Ordinary shares	29%	Business accelerator

\* Held by SQW Limited and SQW Group Limited.

\*\* Held by Oxford Innovation Limited and SQW Group Limited.

On 1 August 2009 SQW Group sold 75% of the share capital in SQW Asia Ltd. Following this transaction SQW Asia Ltd was renamed SQW China Ltd.

The proportion of shares held by the Group in each of its subsidiaries reflects the company's voting rights. In the case of Innovox Limited, the directors do not consider it to be an associate as they do not exert significant influence over the company.

## 13 Debtors

	The group		The company	
	31 Mar 10	31 Mar 09	31 Mar 10	31 Mar 09
	£	£	£	£
Trade debtors	2,256,743	2,335,178	-	-
Amounts due from related parties	129,861	-	129,861	84,058
Deferred taxation (note 14)	109,622	45,591	1,578	2,124
Prepayments and accrued income	1,669,411	1,408,239	24,839	18,293
	<u>4,165,637</u>	<u>3,789,008</u>	<u>156,278</u>	<u>104,475</u>

## 14 Deferred taxation

The movement in the deferred taxation asset during the period was:

	The group		The company	
	Year to 31 Mar 10	Year to 31 Mar 09	Year to 31 Mar 10	Year to 31 Mar 09
	£	£	£	£
Asset brought forward	45,591	35,135	2,124	-
Increase/(decrease) in asset	64,031	10,456	(546)	2,124
Asset carried forward	<u>109,622</u>	<u>45,591</u>	<u>1,578</u>	<u>2,124</u>

The group's asset for deferred taxation consists of the tax effect of timing differences in respect of:

Group	31 Mar 10		31 Mar 09	
	Provided £	Unprovided £	Provided £	Unprovided £
Depreciation in excess of capital allowances	<u>109,622</u>	-	<u>45,591</u>	-

## 15 Creditors: amounts falling due within one year

	The group		The company	
	31 Mar 10	31 Mar 09	31 Mar 10	31 Mar 09
	£	£	£	£
Debenture loans	21,000	188,817	21,000	188,817
Trade creditors	919,031	809,759	620	154
Corporation tax	252,379	352,888	-	-
Other taxes and social security	818,108	618,531	22,870	10,558
Other creditors	44,354	82,581	2	-
Accruals and deferred income	2,531,460	2,570,862	104,960	111,669
	<u>4,586,332</u>	<u>4,623,438</u>	<u>149,452</u>	<u>311,198</u>

## 16 Creditors: amounts falling due after more than one year

	The group		The company	
	31 Mar 10	31 Mar 09	31 Mar 10	31 Mar 09
	£	£	£	£
Debenture loans (repayable in 2 to 5 years)	91,262	112,261	91,262	112,261
Amounts owed to group undertakings	-	-	2,041,842	1,470,285
	<u>91,262</u>	<u>112,261</u>	<u>2,133,104</u>	<u>1,582,546</u>

Amounts owed to group entities are expected to be repaid in more than one year. To provide consistent comparatives the amounts owed to group entities at 31 March 2009 have been reclassified as creditors due in more than one year.

**17 Government grants**

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

**18 Provision for liabilities**

**Interest in Associates**

At 31 March 2010 the Group's aggregate share of the assets and liabilities of its associated undertaking SQW China Ltd (formally SQW Asia Ltd) was a net liability of £37,791.

The group's aggregate share in associate comprises:

	31 Mar 10
	£
Fixed assets	5,333
Current assets	22,787
Liabilities	<u>(65,911)</u>
<b>At 31 March 2010</b>	<u><b>(37,791)</b></u>

**19 Related party transactions**

Management charges of £13,718 (2009: £6,500), were made to Portsmouth Technopole Limited in the year, a company under the common directorship of I M Laing. The balance owing at 31 March 2010 was £9,085 (2009: £3,679).

**20 Share capital**

Authorised share capital:	31 Mar 10		31 Mar 09	
	£		£	
50,000,000 Ordinary 'A' shares of £0.001 each	<u>50,000</u>		<u>50,000</u>	
Allotted, called up and fully paid:				
	31 Mar 10		31 Mar 09	
	No	£	No	£
Ordinary 'A' shares of £0.001 each	<u>22,220,370</u>	<u>22,220</u>	<u>22,910,787</u>	<u>22,911</u>

## 20 Share capital (continued)

On 17 November 2009, the company repurchased 857,084 Ordinary 'A' shares of £0.001 each for a total consideration of £217,434. A reserves transfer of £858 has been made between the share capital reserve and the capital redemption reserve, equating to the nominal value of the shares purchased by the company. The total consideration paid of £217,434 has been charged directly to the profit and loss reserve.

On 3 March 2010 the company made an allotment of 166,667 Ordinary 'A' shares of £0.001 each by way of new issue. The difference between the total consideration of £50,000 and the total nominal value of £167, being £49,833, has been credited to the share premium account.

## 21 Share-based payments

Details of all share-based options over the company's shares are detailed below:

Group	Year to 31 Mar 10		Year to 31 Mar 09	
	No	Weighted average exercise price p	No	Weighted average exercise price p
Outstanding at the beginning of the year	1,609,492	29p	1,237,081	27p
Granted during the year	906,835	30p	835,994	30p
Expired during the year	(580,000)	30p	(463,583)	25p
Outstanding at the end of the year	<u>1,936,327</u>	<u>29p</u>	<u>1,609,492</u>	<u>29p</u>

  

Company	Year to 31 Mar 10		Year to 31 Mar 09	
	No	Weighted average exercise price p	No	Weighted average exercise price p
Outstanding at the beginning of the year	613,333	30p	363,333	30p
Granted during the year	99,999	30p	283,333	30p
Expired during the year	(580,000)	30p	(33,333)	30p
Outstanding at the end of the year	<u>133,332</u>	<u>30p</u>	<u>613,333</u>	<u>30p</u>

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

The options outstanding at 31 March 2010 for the group had a weighted average remaining contractual life of 1 year and 7 months and, for the company, 2 years and 3 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.

## 21 Share-based payments (continued)

Application of the fair value measurement results in a charge to operating expenses for the year ended 31 March 2010 of £32,000 (2009: £25,000) for the group, and £8,000 (2009: £11,000) for the company. The charge has been made to the profit and loss account of the relevant subsidiary dependent on where the employees' services are provided. The share options that expired in the year resulted in a release of £18,000 from the share option reserve to the profit and loss reserve. The net movement on the share option reserve during the year was an increase of £14,000 in the group and a decrease of £10,000 in the company (Note 23). The total intrinsic carrying amount of liabilities in respect of vested benefits for the group at 31 March 10 was £54,000 (2009: £40,000), and for the company £4,000 (2009: £14,000).

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 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	906,835	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
12 May 08	33,333	30	20	3	1.0	4.5
1 Oct 08	802,661	30	20	3	1.0	4.5

## 22 Share premium account

	The group		The company	
	31 Mar 10	31 Mar 09	31 Mar 10	31 Mar 09
	£	£	£	£
Balance brought forward at 1 April	796,114	796,114	796,114	796,114
Share premium on shares issued during the year	49,833	-	49,833	-
<b>Balance carried forward at 31 March</b>	<b>845,947</b>	<b>796,114</b>	<b>845,947</b>	<b>796,114</b>

## 23 Other reserves

### Group

	Capital redemption reserve	Merger reserve	Interest in own shares	Foreign currency revaluation reserve	Share based payment reserve	Total
	£	£	£	£	£	£
Balance brought forward at 1 April 2009	16,055	1,507,302	(54,631)	(9,212)	40,000	1,499,514
Movement in year	858	(65,568)	54,631	9,232	14,000	13,153
<b>Balance carried forward at 31 March 2010</b>	<b>16,913</b>	<b>1,441,734</b>	<b>-</b>	<b>20</b>	<b>54,000</b>	<b>1,512,667</b>

Details of the £14,000 movement in the share based payment reserve are given in note 21.

### Company

	Capital redemption reserve	Share based payment reserve	Total
	£	£	£
Balance brought forward at 1 April 2009	16,055	14,000	30,055
Movement in period	858	(10,000)	(9,142)
<b>Balance carried forward at 31 March 2010</b>	<b>16,913</b>	<b>4,000</b>	<b>20,913</b>

Details of the £858 movement in the capital redemption reserve are given in note 20.

Details of the £(10,000) movement in the share based payment reserve are given in note 21.

## 24 Profit and loss account

### Group

	Year to 31 Mar 10	Year to 31 Mar 09
	£	£
Balance brought forward at 1 April	670,697	100,008
Profit for the financial period	27,547	791,226
Movement from share based payment reserve	18,000	-
Net movement as a result of the repurchase of shares	10,937	-
Equity dividends paid	(242,592)	(220,537)
Balance carried forward at 31 March	<b>484,589</b>	<b>670,697</b>

### Company

	Year to 31 Mar 10	Year to 31 Mar 09
	£	£
Balance brought forward as 1 April	1,570,611	936,826
Profit for the financial period	66,588	862,894
Equity dividends paid	(252,018)	(229,109)
Movement from share based payment reserve	18,000	-
Purchase of own shares	(217,434)	-
Balance carried forward at 31 March	<b>1,185,747</b>	<b>1,570,611</b>

**25 Reconciliation of movements in shareholders' funds**

<b>Group</b>	<b>Year to 31 Mar 10</b>	<b>Year to 31 Mar 09</b>
	<b>£</b>	<b>£</b>
Profit for the financial period	27,547	791,226
New equity capital subscribed	167	-
Share premium on share capital issued to directors during the year	49,833	-
Movement in share based payment reserve	14,000	25,000
Movement from share based payment reserve	18,000	-
Movement in foreign currency revaluation reserve	9,232	(9,212)
Minority interest	10,135	736
Equity dividends paid	(242,592)	(220,537)
Net (reduction)/addition to shareholders' funds	(113,678)	587,213
Opening shareholders' funds	2,979,101	2,391,888
Closing shareholders' funds	<u>2,865,423</u>	<u>2,979,101</u>

<b>Company</b>	<b>Year to 31 Mar 10</b>	<b>Year to 31 Mar 09</b>
	<b>£</b>	<b>£</b>
Profit for the financial period	66,588	862,894
New equity capital subscribed	167	-
Share premium on share capital issued to directors during the year	49,833	-
Movement in share based payment reserve	(10,000)	11,000
Movement from share based payment reserve	18,000	-
Equity dividends paid	(252,018)	(229,109)
Purchase of own shares	(217,434)	-
Net (reduction)/ addition to shareholders' funds	(344,864)	644,785
Opening shareholders' funds	2,419,691	1,774,906
Closing shareholders' funds	<u>2,074,827</u>	<u>2,419,691</u>

**26 Notes to the statement of cash flows**

**Reconciliation of operating profit to net cash inflow from operating activities**

	Year to 31 Mar 10	Year to 31 Mar 09
	£	£
Operating profit	204,837	1,092,624
Amortisation	116,619	114,696
Depreciation	259,828	261,897
Impairment of fixed assets	628,539	-
Loss on disposal of fixed assets	34,780	-
Amortisation of government grants	(447,448)	(27,992)
Impairment of investments	61	8,500
(Increase)/ decrease in debtors	(304,609)	869,151
Increase/ (decrease) in creditors	225,728	(639,631)
Other non-cash changes	89,156	15,788
Net cash inflow from operating activities	<u>807,491</u>	<u>1,695,033</u>

**Reconciliation of net cash flow to movement in net funds**

	Year to 31 Mar 10	Year to 31 Mar 09
	£	£
(Decrease)/ increase in cash during the year	(143,291)	787,954
Cash outflow from repayment of loans	188,817	198,922
Movement in net funds/(debt) in the year	<u>45,526</u>	<u>986,876</u>
Net funds at 1 April	<u>1,108,425</u>	<u>121,549</u>
<b>Net funds at 31 March</b>	<u><b>1,153,951</b></u>	<u><b>1,108,425</b></u>

**Analysis of changes in net funds**

	At 1 April 2009	Cash flow	At 31 Mar 2010
	£	£	£
Cash in hand and at bank	1,409,503	(143,291)	<u>1,266,212</u>
Debt – loan notes	(301,078)	188,817	<u>(112,261)</u>
Net funds	<u>1,108,425</u>	<u>45,526</u>	<u><b>1,153,951</b></u>

## 27 Commitments under operating leases

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

	Land & buildings	
	31 Mar 10	31 Mar 09
	£	£
Operating leases which expire:		
Within 1 year	52,235	96,386
Within 2-5 years	201,468	246,873
After more than 5 years	440,278	455,492
	<u>693,981</u>	<u>798,751</u>

## 28 Contingent liabilities

There were no contingent liabilities at the balance sheet date other than a cross-guarantee setup with Bank of Scotland between SQW Limited and Oxford Innovation Limited on account of the obligations of each company to the Bank of Scotland. There was no overdraft balance in either company at the year end.

## 29 Dividends

In May 2009 the company paid a dividend of 1.1p per Ordinary 'A' share each of £0.001 (£252,018), which, after allowing for dividends to the group's employee benefit trust, Oxford Innovation Employee Share Trust - a trust for which OIEST Limited, a subsidiary of the group, holds appointment as corporate trustee - resulted in a net reduction in group retained earnings of £242,592.

In May 2008 the company paid a dividend of 1.0p per Ordinary 'A' share each of £0.001 (£229,109), which, similarly, resulted in a net reduction in group retained earnings of £220,537.