

Issquared Limited

Financial statements

For the year ended 31 March 2005

Grant Thornton 



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Company No. 3869665

Company information

Company registration number	3869665
Registered office	Spring Lane Malvern Link Malvern Worcestershire WR14 1DA
Directors	R Allsop M Welburn
Secretary	M Greensmith
Bankers	National Westminster Bank plc 30 Church Street Malvern Worcestershire WR14 2AD
Solicitors	Orme, Dyke & Yates National Westminster Bank Chambers The Homend Ledbury HR8 1AB
Auditors	Grant Thornton UK LLP Chartered Accountants Registered Auditors Enterprise House 115 Edmund Street Birmingham B3 2HJ

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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 2005.

Principal activities and business review

The principal activity of the company during the year was the provision of scientific systems engineering and project management skills in the area of ultrasonic radar and microwave technology. During the year the company sold the intellectual property rights to its PipeHorizon software which is disclosed as discontinued activities during the year.

There was a loss for the year after taxation amounting to £57,739 (2004: Profit £17,526).

Results and dividends

The trading results for the year and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have not recommended a dividend.

Research and development

During the year the company has incurred development costs to enable the product to be adapted for uses within the water industry.

Directors

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

R Allsop
A Fraser
B Hewitt
T Gilmour
M Welburn

The company is a wholly owned subsidiary and the interests of the group directors are disclosed in the financial statements of the parent company.

M Welburn was appointed as a director on 5 November 2004.

A Fraser retired as a director on 30 September 2004.

B Hewitt retired as a director on 30 September 2004.

T Gilmour retired as a director on 7 February 2005.

Directors' responsibilities

United Kingdom 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 at the end of the year and of the profit or loss for the year then ended. In preparing those 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
- 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, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

A resolution to re-appoint Grant Thornton UK LLP as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD

M Greensmith
Secretary

13 June 2005

Report of the independent auditors to the members of Issquared Limited

We have audited the financial statements of Issquared Limited for the year ended 31 March 2005 which comprise the principal accounting policies, profit and loss account, balance sheet and notes 1 to 23. These financial statements have been prepared under the accounting policies set out therein.

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 auditors' 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

The directors' responsibilities for preparing the report of the directors and the financial statements in accordance with United Kingdom law and accounting standards 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 United Kingdom auditing standards.

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 if, in our opinion, the report of the directors is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

We read other information contained in the report of the directors and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with United Kingdom auditing standards 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.

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.

Report of the independent auditors to the members of Issquared Limited (continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 March 2005 and of its loss for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

Grant Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
BIRMINGHAM

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13/6/05

Principal accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention.

At 31 March 2005 the company had a deficiency of net assets amounting to £652,266, but its ultimate parent company, Tricorn Group plc, has given an undertaking to the directors of the company that it has no present intention to require repayment of the amounts due from Issquared Limited to Tricorn Group plc and Malvern Tubular Components Limited during the next twelve months and that it will continue to support its daily operations and finances. The financial statements have therefore been prepared on a going concern basis.

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is consolidated within Tricorn Group plc's financial statements.

Turnover

Turnover is the total amount receivable by the company recognised on delivery of goods supplied and the date when services are provided, excluding VAT and trade discounts.

Research and development

Research and development expenditure is written off in the year in which it is incurred.

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:

Motor Vehicles	-	20%
Equipment	-	20% to 25%

Work in progress

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account on a straight line basis.

Finance lease agreements

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated in accordance with the above depreciation policies. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account on a straight line basis, and the capital element which reduces the outstanding obligation for future instalments.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor 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 recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Profit and loss account

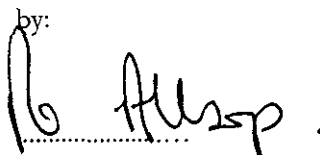
	Note	2005 £	2004 £
Turnover			
Continuing operations		456,849	307,600
Discontinued operations		111,162	679,571
		568,011	987,171
Cost of sales	1	(68,890)	(221,645)
Gross profit		499,121	765,526
Other operating charges	1, 2	640,723	768,476
Operating profit/(loss):	3		
Continuing operations		97,541	(39,563)
Discontinued operations		(239,143)	36,613
		(141,602)	(2,950)
Profit on disposal of discontinued operations	6	85,617	—
		(55,985)	(2,950)
Interest payable and similar charges	7	1,543	176
Loss on ordinary activities before taxation		(57,528)	(3,126)
Tax on loss on ordinary activities	8	211	(20,652)
(Loss)/retained profit for the financial year	19	(57,739)	17,526

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

Balance sheet

	Note	2005 £	2004 £
Fixed assets			
Tangible assets	9	<u>12,172</u>	<u>17,815</u>
Current assets			
Stocks	10	—	27,750
Debtors	11	<u>185,787</u>	<u>334,657</u>
Cash at bank and in hand		<u>5,434</u>	<u>404</u>
		<u>191,221</u>	<u>362,811</u>
Creditors: amounts falling due within one year	12	<u>518,930</u>	<u>638,424</u>
Net current liabilities		<u>(327,709)</u>	<u>(275,613)</u>
Total assets less current liabilities		<u>(315,537)</u>	<u>(257,798)</u>
Creditors: amounts falling due after more than one year	13	<u>336,729</u>	<u>336,729</u>
		<u>(652,266)</u>	<u>(594,527)</u>
Capital and reserves			
Called-up equity share capital	18	2	2
Profit and loss account	19	<u>(652,268)</u>	<u>(594,529)</u>
Deficiency	20	<u>(652,266)</u>	<u>(594,527)</u>

These financial statements were approved by the directors on 13/6/05 and are signed on their behalf by:


R Allsop

Notes to the financial statements

1 Analysis of cost of sales and net operating expenses

	Continuing Operations £	Discontinued Operations £	Total £
Year ended 31 March 2005			
Cost of sales	<u>62,505</u>	<u>6,385</u>	<u>68,890</u>
Distribution costs	480	-	480
Administrative expenses	<u>296,323</u>	<u>343,920</u>	<u>640,243</u>
Other operating charges	<u>296,803</u>	<u>343,920</u>	<u>640,723</u>
Year ended 31 March 2004			
Cost of sales	<u>134,086</u>	<u>87,559</u>	<u>221,645</u>
Distribution costs	181	-	181
Administrative expenses	<u>212,896</u>	<u>555,399</u>	<u>768,295</u>
Other operating charges	<u>213,077</u>	<u>555,399</u>	<u>768,476</u>

During the year the company sold the intellectual property rights to its PipeHorizon software which has been shown as discontinued operations.

2 Other operating income and charges

	2005 £	2004 £
Distribution costs	480	181
Administrative expenses	<u>640,243</u>	<u>768,295</u>
	<u>640,723</u>	<u>768,476</u>

3 Operating profit/(loss)

Operating loss is stated after charging/(crediting):

	2005 £	2004 £
Research and development expenditure written off	173,900	146,985
Depreciation of owned fixed assets	8,460	9,187
Depreciation of assets held under finance leases	-	5,564
Loss on disposal of fixed assets	-	19,926
Auditors' remuneration:		
Audit fees	1,500	1,400
Operating lease costs:		
Land and buildings	37,155	28,248
Plant and equipment	1,043	1,668
Vehicles	<u>13,305</u>	<u>14,848</u>

4 Directors and employees

The average number of staff employed by the company during the financial year amounted to:

	2005	2004
	No	No
Number of administrative staff	<u>9</u>	<u>15</u>

The aggregate payroll costs of the above were:

	2005	2004
	£	£
Wages and salaries	348,167	454,660
Social security costs	37,627	51,073
Other pension costs	27,007	16,582
	<u>412,801</u>	<u>522,315</u>

5 Directors

Remuneration in respect of directors was as follows:

	2005	2004
	£	£
Emoluments receivable	121,844	154,235
Value of company pension contributions to money purchase schemes	6,160	10,080
	<u>128,004</u>	<u>164,315</u>

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

	2005	2004
	No	No
Money purchase schemes	<u>3</u>	<u>3</u>

6 Profit on disposal of discontinued operations

	2005	2004
	£	£
Disposal of discontinued operations: (Profit)/loss on sale of operation	<u>85,617</u>	<u>—</u>

7 Interest payable and similar charges

	2005	2004
	£	£
Interest payable on bank borrowing	1,315	93
Finance charges	228	83
	<u>1,543</u>	<u>176</u>

8 Taxation on ordinary activities

(a) Analysis of charge in the year

	2005	2004
	£	£
Current tax:		
UK Corporation tax based on the results for the year at 30% (2004 - 30%)	-	(13,038)
Under/(over) provision in respect of prior year	211	(7,614)
Total current tax	<u>211</u>	<u>(20,652)</u>

(b) Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2004 - 30%).

	2005	2004
	£	£
Loss on ordinary activities before taxation	<u>(57,528)</u>	<u>(3,126)</u>
Loss on ordinary activities by rate of tax	(10,055)	(938)
Surrender of tax losses	560	938
Credit in respect of research and development	-	(13,038)
Effects of other tax rates	(750)	-
Adjustments to tax charge in respect of previous periods	211	(7,614)
Expenses not deductible for tax purposes	10,405	-
Capital allowances in excess of depreciation	(160)	-
Total current tax (note 8(a))	<u>211</u>	<u>(20,652)</u>

9 Tangible fixed assets

	Motor Vehicles £	Equipment £	Total £
Cost			
At 1 April 2004	18,620	123,442	142,062
Additions	—	2,817	2,817
At 31 March 2005	<u>18,620</u>	<u>126,259</u>	<u>144,879</u>
Depreciation			
At 1 April 2004	9,930	114,317	124,247
Charge for the year	3,724	4,736	8,460
At 31 March 2005	<u>13,654</u>	<u>119,053</u>	<u>132,707</u>
Net book value			
At 31 March 2005	<u>4,966</u>	<u>7,206</u>	<u>12,172</u>
At 31 March 2004	<u>8,690</u>	<u>9,125</u>	<u>17,815</u>

Included within the net book value of £12,172 is £Nil (2004 - £8,690) relating to assets held under finance leases. The depreciation charged to the financial statements in the year in respect of such assets amounted to £Nil (2004 - £5,564).

10 Stocks

	2005 £	2004 £
Work in progress	<u>—</u>	<u>27,750</u>

11 Debtors

	2005 £	2004 £
Trade debtors	172,878	162,992
Amounts owed by group undertakings	—	103,600
Corporation tax repayable	—	52,238
Other debtors	2,229	—
Prepayments and accrued income	10,680	15,827
	<u>185,787</u>	<u>334,657</u>

12 Creditors: amounts falling due within one year

	2005 £	2004 £
Bank overdrafts	—	256,363
Trade creditors	53,096	19,608
Amounts owed to group undertakings	384,165	325,901
Other taxation and social security	24,029	11,630
Amounts due under finance leases and hire purchase agreements	—	1,875
Other creditors	686	—
Accruals and deferred income	56,954	23,047
	<u>518,930</u>	<u>638,424</u>

Bank overdrafts disclosed under creditors falling due within one year are secured by a fixed and floating charge over the company's assets.

13 Creditors: amounts falling due after more than one year

	2005 £	2004 £
Amounts owed to group undertakings	<u>336,729</u>	<u>336,729</u>

14 Commitments under finance leases

Future commitments under finance leases are as follows:

	2005 £	2004 £
Amounts payable within 1 year	—	1,875
	<u>—</u>	<u>1,875</u>

15 Pensions

The company has operated a defined contribution scheme throughout the year. The company has made contributions of £27,007 (2004: £16,582) on behalf of its employees.

16 Leasing commitments

At 31 March 2005 the company had annual commitments under non-cancellable operating leases as set out below.

	2005		2004	
	Land & Buildings £	Other Items £	Land & Buildings £	Other Items £
Operating leases which expire:				
Within 1 year	15,281	—	28,248	501
Within 2 to 5 years	—	—	—	18,728
	<u>15,281</u>	<u>—</u>	<u>28,248</u>	<u>19,229</u>

17 Related party transactions

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

18 Share capital

Authorised share capital:

	2005	2004
	£	£
2 Ordinary shares of £1 each	<u>2</u>	<u>2</u>

Allotted, called up and fully paid:

	2005		2004	
	No	£	No	£
Ordinary shares of £1 each	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>

19 Profit and loss account

	2005	2004
	£	£
Balance brought forward	(594,529)	(612,055)
(Accumulated loss)/retained profit for the financial year	<u>(57,739)</u>	<u>17,526</u>
Balance carried forward	<u>(652,268)</u>	<u>(594,529)</u>

20 Reconciliation of movements in shareholders' funds

	2005	2004
	£	£
(Loss)/profit for the financial year	(57,739)	17,526
Opening shareholders' equity deficit	<u>(594,527)</u>	<u>(612,053)</u>
Closing shareholders' equity deficit	<u>(652,266)</u>	<u>(594,527)</u>

21 Contingencies

The directors have confirmed that there were no contingent liabilities which should be disclosed at 31 March 2005 or 31 March 2004.

22 Capital commitments

The directors have confirmed that there were no capital commitments at 31 March 2005 or 31 March 2004.

23 Ultimate parent company

The company's immediate and parent undertaking is Tricorn Group plc, a company incorporated in England and Wales. This is the largest and smallest group of which the company is a member and for which group accounts are prepared. Copies of the group accounts can be obtained from Spring Lane, Malvern Link, Malvern, Worcester, WR14 1DA.