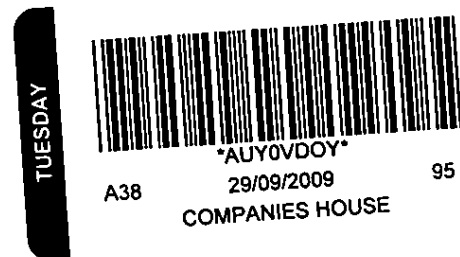


Company Registration No. 5201852

OCTIUM LIMITED

Report and Financial Statements

31 December 2008



OCTIUM LIMITED

REPORT AND FINANCIAL STATEMENTS

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OCTIUM LIMITED

REPORT AND FINANCIAL STATEMENTS

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

R H Cunningham
J H Dawson
A P Sunderland

SECRETARY

A V Dearden

REGISTERED OFFICE

20 St Christopher's Way
Pride Park
Derby
DE24 8JY

BANKERS

Barclays plc
15 Colmore Row
Birmingham

AUDITORS

Deloitte LLP
Nottingham

OCTIUM LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2008.

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

The principal activity of the Company is that of a holding Company. The principal activities of the Company's subsidiaries are that of internet service providers and internet hardware sales.

Octium remains a holding Company investing in businesses developing and delivering Internet Protocol (IP) based services. During 2008, the Company created a new subsidiary, Iconnyx Limited. The directors continue to seek organic and acquisition opportunities to grow the business.

During the year the Group disposed of part of its base of direct customers realising a profit of £664,000 which is included within operating profit.

During the year under review the Group made a profit on ordinary activities before taxation of £383,913 (2007: loss of £338,810) and a profit after taxation for the financial year of £171,406 (2007: loss of £311,222). The directors do not recommend the payment of a dividend (2007: nil).

The directors monitor the Group's performance in a number of ways, including Key Performance Indicators. The Key Performance Indicators together with the information for 2008 and 2007 are as follows:

	2008	2007	% Movement
Total turnover	£15,462,998	£9,970,609	55%
Gross profit margin	30%	31%	(1%)
Employees (average number)	75	50	50%
Net assets	£352,855	£181,449	97%

The directors are satisfied with the performance in the year, especially the growth in revenue of which £819,928 related to the newly incorporated subsidiary, Iconnyx Limited. The balance sheet on page 7 of the financial statements shows that the Group's financial position at the year end has increased in net asset terms, compared to the prior year, by £171,406. This was all due to the retained profit for the year, which included the other operating income as discussed above.

PRINCIPAL RISKS AND UNCERTAINTIES

The directors believe that the forthcoming year will be a challenging one given current market conditions. Having reviewed the forecast up to September 2010, including comparing the results to date against that forecast, the directors are confident that the Group has sufficient resources to continue to trade profitably within existing credit facilities, which have been renewed going forward.

The main risks facing the group are:

- Technological change
- Increasing line costs
- Requirement for CAPEX

The potential for technological change is constantly under review. All processes involved in the delivery of service to customers are designed in such a way to ensure they do not become redundant as a result of technological changes but are easily adapted to implement new technologies. Line costs are driven by market forces and affect all suppliers and users in a similar way; the directors believe that exposure to line cost increases is minimal as they are generally passed on to customers. The Group forecasts its capital expenditure requirement well in advance and the directors ensure that it has sufficient lease funding or internal reserves to meet any known requirement.

The Group is exposed to interest rate changes as the cash and the mortgages are held at floating rates. The directors do not believe it is necessary to mitigate this risk, given the current rates of interest. The directors mitigate liquidity risk by ensuring there is sufficient cash at hand to meet routine liabilities as they fall due.

The Group has no significant concentration of credit risk, as there are a large number of small value customers.

OCTIUM LIMITED

DIRECTORS' REPORT (continued)

DIRECTORS

The directors who served during the period were:

R H Cunningham

J H Dawson

A P Sunderland

AUDITORS

Each of the persons who is a director at the date of approval of this report confirms that:

(1) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and

(2) the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985. Deloitte LLP have indicated their willingness to continue in office as the Company's auditors and a resolution for their reappointment will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



A V Dearden

Secretary

Date 22 September 2009

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report including the financial statements in accordance with applicable laws and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company, and of the Group, and of the loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF OCTIUM LIMITED

We have audited the Group and parent Company financial statements (the "financial statements") of Octium Limited for the year ended 31 December 2008 which comprise the consolidated profit and loss account, the consolidated and individual Company balance sheets, the consolidated cashflow statement and related notes 1 to 25. 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 Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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

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

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

We read the Directors Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

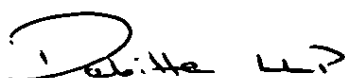
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the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

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and the parent Company's affairs as at 31 December 2008 and of the Group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.



Deloitte LLP
Chartered Accountants and Registered Auditors
Nottingham, United Kingdom

12 September 2009

OCTIUM LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT Year ended 31 December 2008

	Note	2008 £	2007 £
TURNOVER FROM CONTINUING OPERATIONS	2	15,462,998	9,970,609
Cost of sales		<u>(10,685,003)</u>	<u>(6,875,466)</u>
Gross profit		4,777,995	3,095,143
Administrative expenses		(4,957,035)	(3,384,763)
Profit on disposal of customer list	4	<u>664,000</u>	<u>-</u>
OPERATING PROFIT/(LOSS) FROM CONTINUING OPERATIONS	4	484,960	(289,620)
Interest receivable and similar income		4,925	12,411
Interest payable and similar charges	5	<u>(105,972)</u>	<u>(61,601)</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		383,913	(338,810)
Tax on profit/(loss) on ordinary activities	6	<u>(212,507)</u>	<u>27,588</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION	17,18	<u><u>171,406</u></u>	<u><u>(311,222)</u></u>

There are no recognised gains or losses other than the profit for the current year and loss for the prior year. Accordingly no separate statement of total recognised gains and losses is presented.

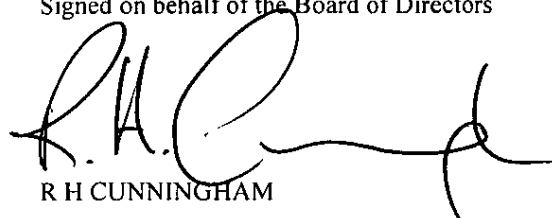
OCTIUM LIMITED

CONSOLIDATED BALANCE SHEET 31 December 2008

	Note	2008 £	2007 £
FIXED ASSETS			
Intangible assets	10	2,811,587	3,261,441
Tangible assets	9	1,456,369	1,631,619
		<u>4,267,956</u>	<u>4,893,060</u>
CURRENT ASSETS			
Debtors	12	2,507,808	1,894,647
Cash at bank and in hand		1,611,751	29,416
		<u>4,119,558</u>	<u>1,924,063</u>
CREDITORS: amounts falling due within one year	13	(3,960,454)	(2,404,862)
NET CURRENT ASSETS/(LIABILITIES)		<u>159,104</u>	<u>(480,799)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		4,427,061	4,412,261
CREDITORS: amounts falling after one year	14	(4,054,419)	(4,230,812)
PROVISIONS FOR LIABILITIES	16	(19,787)	-
NET ASSETS		<u>352,855</u>	<u>181,449</u>
CAPITAL AND RESERVES			
Called up share capital	19	1,250,000	1,250,000
Share premium	17	200,000	200,000
Capital reserve	17	50,000	50,000
Profit and loss account	17	(1,147,145)	(1,318,551)
SHAREHOLDERS' FUNDS	18	<u>352,855</u>	<u>181,449</u>

These financial statements were approved by the Board of Directors and authorised for issue on *22 September 2009*

Signed on behalf of the Board of Directors


R H CUNNINGHAM
Director

OCTIUM LIMITED

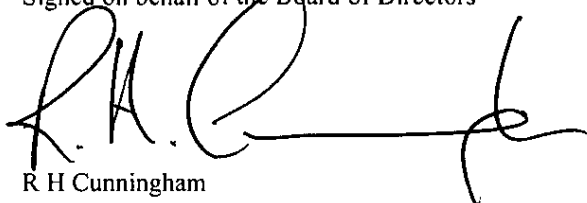
COMPANY BALANCE SHEET 31 December 2008

	Note	2008 £	2007 £
FIXED ASSETS			
Investments	11	5,211,365	5,210,365
CURRENT ASSETS			
Debtors	12	41,927	18,646
Cash at bank and in hand		492	492
		<u>42,419</u>	<u>19,138</u>
CREDITORS: amounts falling due within one year	13	<u>(74,035)</u>	<u>(63,163)</u>
NET CURRENT LIABILITIES		<u>(31,616)</u>	<u>(44,025)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		5,179,749	5,166,340
CREDITORS: amounts falling after one year	14	<u>(3,407,518)</u>	<u>(3,405,180)</u>
NET ASSETS		<u>1,772,231</u>	<u>1,761,160</u>
CAPITAL AND RESERVES			
Called up share capital	19	1,250,000	1,250,000
Share premium	17	200,000	200,000
Capital reserve	17	50,000	50,000
Profit and loss account	17	272,231	261,160
SHAREHOLDERS' FUNDS	18	<u>1,772,231</u>	<u>1,761,160</u>

These financial statements were approved by the Board of Directors and authorised for issue on

22 September 2009

Signed on behalf of the Board of Directors



R H Cunningham

Director

OCTIUM LIMITED

CONSOLIDATED CASHFLOW STATEMENT 31 December 2008

	Note	2008	2007
Net cash inflow from operating activities	23	1,941,807	884,141
Returns on investments and servicing of finance			
Interest received	4,925	12,411	
Interest paid	(102,610)	(54,625)	
Net cash outflow from returns on investments and servicing of finance		(97,685)	(42,214)
Corporation tax			
Corporation tax (paid)/received		(2,007)	128,176
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets	(362,822)	(496,712)	
Receipts from sales of tangible fixed assets and assets for resale	177,717	1,334	
Net cash outflow from capital expenditure and financial investment		(185,105)	(495,378)
Net cash inflow before financing		1,657,010	474,725
Financing			
Capital repayment of finance leases	(159,514)	(126,876)	
Capital repayment of mortgage	(18,402)	(4,032)	
Drawings on mortgage	103,241	-	
Net cash outflow from financing		(74,675)	(130,908)
Increase in cash in the year	24	1,582,335	343,817

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2008

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below and have been applied consistently in both the current and prior year.

Accounting convention

The financial statements are prepared under the historical cost convention. The directors believe that the forthcoming year will be a challenging one given current market conditions. Having reviewed the forecast up to September 2010, including comparing the results to date against that forecast, the directors are confident that the Group has sufficient resources to continue to trade profitably within existing credit facilities, which have been renewed going forward. Accordingly, the financial statements have been prepared on a going concern basis.

Basis of consolidation

The consolidated financial statements include the results of the Company and its subsidiary undertaking since the date of acquisition.

Tangible fixed assets

Tangible fixed assets are stated at cost net of depreciation and provision for impairment. Depreciation is provided on cost in equal annual instalments over the estimated lives of the assets. The rates of depreciation are as follows:

Freehold property	2% on cost
Equipment	33% on cost
Fixtures and fittings	20% on reducing balance

Investments

Fixed asset investments are included at cost less any provisions for impairment.

Goodwill

On acquisition of a business fair values are assigned to the Group's share of the net separable assets. Where the cost of acquisition exceeds the fair values of the assets acquired, the difference is treated as goodwill and is capitalised in the Group balance sheet.

Goodwill is amortised over its useful economic life, estimated by the directors to be ten years.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2008

1. ACCOUNTING POLICIES (Continued)

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 that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as 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 at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Leases

Finance leases, which transfer substantially all the risks and benefits incidental to ownership of the leased asset are capitalised at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and the reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term. Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating leases are charged on a straight line basis over the lease term.

Foreign exchange

Transactions denominated in foreign currencies are translated into the functional currency at rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. These foreign exchange transaction differences are dealt with in the profit and loss account.

2. TURNOVER

Turnover represents net invoiced sales made by the Group, excluding value added tax. Turnover is recognised at the point at which when the goods and services have been provided; any payments in advance of this point are held on the balance sheet as deferred income. The turnover, which arises solely in the United Kingdom, is attributable to the provision of internet services and hardware sales.

OCTIUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2008

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	Group	
	2008	2007
	£	£
Directors' emoluments	<u>240,352</u>	<u>185,405</u>
Highest paid director		
Emoluments	<u>137,463</u>	<u>122,350</u>
Staff costs during the year (including directors)		
Wages and salaries	2,659,519	1,672,105
Social security costs	<u>288,501</u>	<u>185,283</u>
	<u>2,948,020</u>	<u>1,857,388</u>
	Number	Number
Average number of persons employed (including directors)		
Administration	13	6
Sales	22	15
Technical support and development	27	22
Operations	<u>13</u>	<u>7</u>
	<u>75</u>	<u>50</u>

The company has no employees. The directors' remuneration is paid by another group company.

OCTIUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2008

4. OPERATING PROFIT/(LOSS)

Operating profit/(loss) is after charging/(crediting):

	Group 2008 £	Group 2007 £
Depreciation:		
Owned assets	325,524	182,098
Leased assets	97,321	100,427
Goodwill amortisation	449,854	449,854
Profit on disposal of fixed assets	(49,163)	-
Profit on disposal of customer list	(664,000)	-
Operating lease rentals:		
Plant and machinery	93,931	53,605

The analysis of auditors remuneration is as follows:

Fees payable to the company's auditors for the audit of the company's annual accounts

4,000 3,000

Fees payable to the company's auditors for the audit of the company's subsidiaries

16,500 8,500

Total audit fees

20,500 11,500

Other services pursuant to legislation - tax services

3,050 3,050

Total non audit fees

3,050 3,050

5. INTEREST PAYABLE

	2008 £	2007 £
Bank overdraft	23,380	500
Commercial mortgage	42,173	41,134
Finance leases	37,057	15,809
Other loans	3,362	4,158
	105,972	61,601

OCTIUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2008

6. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

a) Analysis of charge/(credit) in the period	2008 £	2007 £
Current taxation		
United Kingdom corporation tax at 28% (2007:20%) based on the profit/(loss) for the period	124,435	(2,486)
Adjustment in respect of prior years	68,285	(25,102)
	<u>192,720</u>	<u>(27,588)</u>
Deferred taxation		
Origination and reversal of timing differences	118,771	27,209
Adjustment in respect of prior years	(98,984)	(27,209)
	<u>19,787</u>	<u>-</u>
Tax charge/(credit) for the year	<u>212,507</u>	<u>(27,588)</u>

b) Factors affecting the current tax charge/(credit) for the period

The UK corporation tax rate was reduced from 30% to 28% with effect from 1 April 2008. Due to marginal relief, the effective corporation tax rate for the year is 28%.

The actual tax charge for the current year and the credit for the previous year differ from the standard tax rate for the reasons set out in the following reconciliation:

	2008 £	2007 £
Profit/(loss) before taxation	<u>383,913</u>	<u>(338,810)</u>
Tax at 28% (2007:20%) thereon	103,902	(67,762)
Effects of:		
Expenses not deductible for tax purposes	136,218	96,828
Short term timing differences	-	(21,066)
Difference between depreciation and capital allowances	18,200	(10,486)
Adjustments in respect of prior year	68,285	(25,102)
Brought forward losses utilised	(136,971)	-
Current tax charge/(credit) for the period (note 6a)	<u>192,720</u>	<u>(27,588)</u>

OCTIUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2008

7. SHARE BASED PAYMENTS

Equity-settled share option scheme

The company has a share option scheme for certain employees of the Group. Options are exercisable at a price equal to the value of the company's shares on the date of grant.

Of the 75,000 options outstanding at the start of the year, 20,000 vested on 4 April 2006, a further 27,500 vested on 4 April 2007 and 27,500 options vested on 4 April 2008. Of the 25,000 granted during the year, 8,400 vested in the year.

The directors consider the fair value of the share options at the date of the grant to be immaterial and therefore, no charge has been reflected in respect of FRS 20.

Details of the share options outstanding during the year are as follows.

	2008		2007	
	Number of share options	Weighted average exercise price (in £)	Number of share options	Weighted average exercise price (in £)
Outstanding at 1 January	75,000	0.5	75,000	0.5
Granted during the year	25,000	1.00	-	-
Outstanding at 31 December	100,000	0.63	75,000	0.5
Exercisable at 31 December	83,400	0.55	47,500	0.5

8. PROFIT OF THE PARENT COMPANY

As permitted by s230 of the Companies Act 1985, the profit and loss account of the parent Company has not been presented. The parent Company made a profit after taxation of £11,071 (2007: £18,371).

OCTIUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2008

9. TANGIBLE FIXED ASSETS

Group	Freehold Property £	Equipment £	Fixtures and fittings £	Total £
Cost				
At 1 January 2008	846,654	1,225,916	130,053	2,202,623
Additions	-	373,699	3,347	377,046
Disposals	-	(182,400)	-	(182,400)
At 31 December 2008	846,654	1,417,215	133,400	2,397,269
Accumulated depreciation				
At 1 January 2008	56,402	450,237	64,365	571,004
Charge for the year	16,934	394,568	12,240	423,742
Disposals	-	(53,846)	-	(53,846)
At 31 December 2008	73,336	790,959	76,605	940,900
Net book value				
At 31 December 2008	773,318	626,256	56,795	1,456,369
At 31 December 2007	790,252	775,679	65,688	1,631,619

The net book value of assets held under finance lease is £148,767 (2007: £306,512).

10. INTANGIBLE FIXED ASSETS

Group	Goodwill £
Cost	
At 1 January 2008 and 31 December 2008	4,498,540
Amortisation	
At 1 January 2008	1,237,099
Charge for the period	449,854
At 31 December 2008	1,686,953
Net book value	
At 31 December 2008	2,811,587
At 31 December 2007	3,261,441

OCTIUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2008

11. FIXED ASSET INVESTMENTS

	Shares in Group undertakings Company £
Cost and net book value	
At 1 January 2008	5,210,365
Additions	1,000
	<hr/>
At 31 December 2008	5,211,365
	<hr/>

During the year the Company incorporated a new subsidiary. Shares were held in the following Group undertakings at the end of the year:

	Country of incorporation	Nature of business	Proportion of ordinary shares held
Griffin Information Systems Limited	England and Wales	Internet services	100%
Iconnyx Limited	England and Wales	Internet services	100%

12. DEBTORS - due within one year

	Group 2008 £	Company 2008 £	Group 2007 £	Company 2007 £
Trade debtors	2,398,160	-	1,766,835	-
Corporation tax	-	-	27,588	-
Amounts due from Group undertakings	-	41,927	-	18,646
Prepayments and accrued income	109,648	-	100,224	-
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	2,507,808	41,927	1,894,647	18,646
	<hr/>	<hr/>	<hr/>	<hr/>

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2008 £	Company 2008 £	Group 2007 £	Company 2007 £
Commercial mortgage	60,575	-	34,080	-
Obligations under finance leases	161,221	-	69,436	-
Directors loan	60,853	60,853	57,471	57,471
Trade creditors	961,382	-	642,391	-
Amounts owed to Group undertakings	-	1,000	-	-
Group relief payable	-	6,510	-	-
Tax and social security	437,030	-	209,645	-
Accruals and deferred income	2,116,288	5,692	1,345,081	5,692
Other creditors	-	-	46,758	-
Corporation tax	163,125	-	-	-
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	3,960,454	74,035	2,404,862	63,163
	<hr/>	<hr/>	<hr/>	<hr/>

OCTIUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2008

14. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	Group 2008 £	Company 2008 £	Group 2007 £	Company 2007 £
Commercial mortgage	632,292	-	573,948	-
Obligations under finance leases	14,609	-	251,684	-
Series two loan notes	3,407,518	3,407,518	3,405,180	3,405,180
	<u>4,054,419</u>	<u>3,407,518</u>	<u>4,230,812</u>	<u>3,405,180</u>

15. BORROWINGS

	Group 2008 £	Company 2008 £	Group 2007 £	Company 2007 £
Commercial mortgage	692,866	-	608,028	-
Obligations under finance leases	175,831	-	321,120	-
Series two loan notes	3,407,518	3,407,518	3,405,180	3,405,180
Directors loan	60,833	60,833	57,471	57,471
	<u>4,337,048</u>	<u>3,468,351</u>	<u>4,391,799</u>	<u>3,462,651</u>

Analysis of repayments

Commercial mortgage				
Within one year	60,575	-	34,080	-
In more than one year but not more than two years	60,575	-	34,080	-
In more than two years but not more than five years	181,725	-	102,240	-
In more than five years	389,991	-	437,628	-
	<u>692,866</u>	<u>-</u>	<u>608,028</u>	<u>-</u>
Obligations under finance leases				
Within one year	161,221	-	69,436	-
In more than one year but not more than two years	14,610	-	251,684	-
	<u>175,831</u>	<u>-</u>	<u>321,120</u>	<u>-</u>

Finance lease creditors are secured on the assets to which they relate. The commercial mortgage is secured on freehold property and carries interest at 1.65% above base rate reducing to 1.5% above base rate from April 2006.

The series two loan notes are unsecured and are repayable on 31 March 2020. Interest is payable on the series two loan notes at 2% above base rate, however, the holders of these notes have waived their right to interest until further notice.

The director's loan is unsecured and is repayable on demand. Interest is payable at 2% above base rate.

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NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2008

16. PROVISION FOR LIABILITIES

Deferred taxation	Group 2008 £	Company 2008 £	Group 2007 £	Company 2007 £
At 1 January 2008	-	-	-	-
Current year charge (note 6)	19,787	-	-	-
	<u>19,787</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2008	<u>19,787</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Group Provided £	Unprovided £	Group Provided £	Company Unprovided £
Accelerated capital allowances	19,787	-	-	-
Losses	-	-	-	-
	<u>19,787</u>	<u>-</u>	<u>-</u>	<u>-</u>

17. RESERVES

	Capital Reserve £	Share premium £	Profit and loss account £
Group			
At 1 January 2008	50,000	200,000	(1,318,551)
Profit for the year	-	-	171,406
	<u>50,000</u>	<u>200,000</u>	<u>(1,147,145)</u>
At 31 December 2008	<u>50,000</u>	<u>200,000</u>	<u>(1,147,145)</u>
Company			
At 1 January 2008	50,000	200,000	261,160
Profit for the year	-	-	11,071
	<u>50,000</u>	<u>200,000</u>	<u>272,231</u>
At 31 December 2008	<u>50,000</u>	<u>200,000</u>	<u>272,231</u>

OCTIUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS Year ended 31 December 2008

18. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2008 Group £	2008 Company £	2007 Group £	2007 Company £
Opening shareholders funds	181,449	1,761,160	492,671	1,742,789
Profit/(loss) for the year	171,406	11,071	(311,222)	18,371
Closing shareholders funds	352,855	1,772,231	181,449	1,761,160

19. CALLED UP SHARE CAPITAL

	2008 £	2007 £
Authorised		
1,933,316 'A' ordinary shares of 50p each	966,658	966,658
566,684 'B' ordinary shares of 50p each	283,342	283,342
100,000 'C' ordinary shares of 50p each	50,000	-
1,000,000 preference shares of £1 each	1,000,000	1,000,000
	2,300,000	2,250,000
Called up, allotted and fully paid		
313,316 'A' ordinary shares of 50p each	156,658	156,658
186,684 'B' ordinary shares of 50p each	93,342	93,342
1,000,000 preference shares of £1 each	1,000,000	1,000,000
	1,250,000	1,250,000

The preference shares are non-voting and are non-redeemable. The A and B shares carry equal voting rights. The C shares are non-voting.

20. OPERATING LEASE COMMITMENTS

The following payments are committed to be paid within one year:

	Plant and machinery 2008 £	Plant and machinery 2007 £
Expiring:		
In one year or less	-	5,994
In more than one year but not more than two years	-	11,542
In more than two years but not more than five years	127,432	28,560
	127,432	46,096

21. ULTIMATE CONTROLLING PARTY

R H Cunningham is the controlling party by virtue of his majority shareholding.

OCTIUM LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2008

22. RELATED PARTIES

The Company has applied the exemption in FRS 8 "Related party disclosures" not to disclose transactions with greater than 90% owned subsidiaries.

At the year-end there was a loan from Richard Cunningham (as disclosed in note 15) of £60,833 (2007: £57,471). Interest on this balance is incurred each year at base rate. The original loan amount was £50,000 and no amounts have been written off during either the current or prior year.

23. RECONCILIATION OF OPERATING PROFIT/(LOSS) TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2008	2007
Operating profit/(loss)	484,960	(289,620)
Depreciation and amortisation	873,596	732,379
Profit on sale of tangible fixed assets	(49,163)	-
Increase in debtors	(640,749)	(922,694)
Decrease in creditors	1,273,163	1,364,076
Net cash inflow from operating activities	1,941,807	884,141

24. ANALYSIS OF NET DEBT

	At 31 December 2007	Cash flow	Other non-cash changes	At 31 December 2008
Cash in hand and at bank	29,416	1,582,335	-	1,611,751
Mortgage	(608,028)	(84,839)	-	(692,867)
Finance leases	(321,120)	159,514	(14,224)	(175,830)
Total net debt	(899,732)	1,657,010	(14,224)	743,054

25. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2008	2007
Increase in cash in the year	1,582,335	343,817
Cash outflow from increase in finance leases	159,514	126,876
Net cash (inflow)/outflow on mortgage	(84,839)	4,032
Change in net debt resulting from cash flows	1,657,010	474,725
New finance leases in the year	(14,224)	(251,814)
Net debt at start of year	(899,732)	(251,814)
Net funds/(debt) at end of year	743,054	(899,732)