

Comunica Limited
Financial statements
For the year ended 31 March 2008

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Company No. 2027207

Company information

Company registration number	2027207
Registered office	80 Great Eastern Street London EC2A 3RS
Directors	M A Balaam T H Perks
Secretary	P Hayes
Independent Auditors	Pricewaterhouse Coopers LLP Chartered accountants and Registered auditors The Atrium 1 Harefield Road Uxbridge UB8 1EX

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Report of the Directors for the year ended 31 March 2008

The directors present their annual report and the audited financial statements of the company for the year ended 31 March 2008. The prior period accounts were prepared for a 10 month period.

Principal activities, business review and future developments

The principal activity of the company during the year was the supply of tailor-made communication solutions through the design, implementation and maintenance of network and cabling infrastructures.

The directors use a number of measures, both financial and non-financial to monitor and benchmark performance. They regard the following as the key financial indicators of performance:

- Gross profit – measuring the profits generated by contracts.
- Net cash flow from operating activities – measuring the performance in translating operating profit into cash flow through management of working capital.

The key non-financial indicators are associated with Comunica's ability to maintain its existing customer base and to attract new customers, contract delivery and the future order pipeline which the directors consider to be the principal risks and uncertainties facing the business.

Results and dividends

There was a profit for the year after taxation amounting to £4,219,186 (2007 profit : £ 15,864).

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.

No dividend has been paid this year. The dividend in the 10 months to 31 March 2007 was paid on 20 March 2007:

Year ended 31 March 2008	10 months period ended 31 March 2007
£	£
-	550,000

Report of the Directors for the year ended 31 March 2008 (continued)

Directors

The present membership of the Board is set out below. All served on the Board throughout the year and up to the date of signing the financial statements are noted below.

M A Balaam
T H Perks

Policy on the payment of creditors

The company's policy for all suppliers is to fix terms of payment when agreeing the terms of each transaction, to ensure the supplier is aware of those terms and to abide by the agreed terms of each payment. Year end trade creditors for the company represent 58 days (2007 - 120 days) purchases.

Financial risk management objectives and policies

The company uses a variety of financial instruments including cash, equity investments and various items, such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to provide working capital for the company's operations. The existence of these financial instruments exposes the company to a number of financial risks, which are described in more detail below.

The main risks arising from the company's financial instruments are market risk, currency risk, cash flow interest rate risk, credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below. These policies have remained unchanged from previous period.

Market risk

Market risk encompasses three types of risk, being currency risk, fair value interest rate risk and price risk. The company's policy for managing cash flow interest rate risk is set out in the subsection entitled "interest rate risk" below.

Currency risk

The company is exposed to translation and transaction foreign exchange risk. In relation to translation risk, as far as possible the assets held in the foreign currency are matched to an appropriate level of borrowings in the same currency. Transaction exposures, including those associated with forecast transactions, are hedged when known, principally using forward currency contracts. Whilst the aim is to achieve an economic hedge the company does not adopt an accounting policy of hedge accounting for these financial statements. Foreign exchange differences on retranslation of these assets and liabilities are taken to the profit and loss account.

Liquidity risk

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

Report of the Directors for the year ended 31 March 2008 (continued)

Financial risk management objectives and policies (continued)

Interest rate risk

The company finances its operations through a mixture of retained profits and bank borrowings.

Credit risk

The principal credit risk arises from its trade debtors. In order to manage credit risk the directors set limits for customers based on a combination of payment history and third party credit references. Credit limits are reviewed on a regular basis in conjunction with debt ageing and collection history.

Statement of directors' responsibilities in respect of the annual report and the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom 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 profit or loss of the company for that period.

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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

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.

Report of the Directors for the year ended 31 March 2008 (continued)

Statement on disclosure of Information to Auditors

The directors confirm that as far as they are aware and at the time of approving this report:

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

Donations

During the year the company made the following contributions:

	Year ended 31 March 2008 £	10 months period ended 31 March 2007 £
Charitable	<u>9,898</u>	<u>9,690</u>

Employees

The Company is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status and offers appropriate training and career development for disabled staff. If members of staff become disabled the group continues employment wherever possible and arranges retraining.

The Company is also committed to providing employees with information on matters of concern to them on a regular basis, so that the views of employees can be taken into account when making decisions that are likely to affect their interests.

Going Concern

The Redstone Group is forecasting that it should be able to operate within the level of its banking facilities. However, given the change in the macro economic climate, the group felt it prudent to enter into negotiations with its bankers to ensure that its facilities and covenants are appropriate if there are any further downturns. It has received a positive response from its bankers, has agreed outline terms and expects to conclude a revised facility agreement within the next few weeks.

The Redstone plc Group has banking facilities in place which are secured through fixed and floating charges over the Company and all property and assets of the Redstone plc group, of which the Company is a member.

Report of the Directors for the year ended 31 March 2008 (continued)

Independent auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office and as such a resolution concerning their re-appointment will be proposed at the Annual General Meeting.



BY ORDER OF THE BOARD

T H Perks
Director

28/01/09

Report of the independent auditors to the members of Comunica Limited

We have audited the financial statements of Comunica Limited for the year ended 31 March 2008 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing 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). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 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 Comunica Limited (continued)

Opinion

In our opinion:

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

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
West London

date

28 July 2009

Profit and loss account for the year ended 31 March 2008

		Year ended 31 March 2008	10 months period ended 31 March 2007
	Note	£	£
Turnover	2	63,660,617	40,529,467
Cost of sales		(50,267,265)	(31,806,151)
Gross profit		13,393,352	8,723,316
Administrative expenses		(9,442,558)	(8,538,314)
Operating profit	3	3,950,794	185,002
Interest receivable and similar income	6	153,546	11,985
Interest payable and similar charges	7	(14,937)	(93,611)
Profit on ordinary activities before taxation		4,089,403	103,376
Tax on profit on ordinary activities	8	129,783	(87,512)
Profit on ordinary activities after taxation	21,22	4,219,186	15,864

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

There is no material difference between the profit on ordinary activities before taxation and the profit for the periods stated above and their historical costs equivalents.

There are no other gains or losses other than profit on ordinary activities. Accordingly no statement of total recognised gains and losses is presented.

Balance sheet as at 31 March 2008

	Note	£	31 March 2008 £	£	31 March 2007 £
Fixed assets					
Tangible fixed assets	10	1,091,911		1,209,824	
Fixed asset investments	11	-		-	
			<u>1,091,911</u>		<u>1,209,824</u>
Current assets					
Stocks	12	437,350		553,534	
Debtors	13	19,200,931		14,099,470	
Cash at bank and in hand		3,152,012		4,071,712	
		<u>22,790,293</u>		<u>18,724,716</u>	
Creditors: amounts falling due within one year	14	(15,976,433)		(16,436,165)	
Net current assets			<u>6,813,860</u>		<u>2,288,551</u>
Total assets less current liabilities			<u>7,905,771</u>		<u>3,498,375</u>
Capital and reserves					
Called up share capital	19		900,000		900,000
Profit and loss account	21		7,005,771		2,598,375
Total equity shareholders' funds	22		<u>7,905,771</u>		<u>3,498,375</u>

The financial statements and related notes on pages 11 to 24 were approved by the directors on and are signed on their behalf by:



T Perks
Director
23/01/09

Notes to the financial statements for the year ended 31 March 2008

1 Principal accounting policies

Basis of accounting

The financial statements have been prepared on the going concern basis under the historical cost convention, and in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom. The principal accounting policies which have been applied consistently throughout the year, are set out below.

The directors have reviewed the principal accounting policies of the company and consider they remain the most appropriate for the company.

The financial statements contain information about Comunica Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under section 228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, Redstone plc., a company incorporated in England and Wales.

The Redstone Group is forecasting that it should be able to operate within the level of its banking facilities. However, given the change in the macro economic climate, the group felt it prudent to enter into negotiations with its bankers to ensure that its facilities and covenants are appropriate if there are any further downturns. It has received a positive response from its bankers, has agreed outline terms and expects to conclude a revised facility agreement within the next few weeks.

The principal accounting policies of the company have remained unchanged from previous period.

During the year an amendment to FRS 3 "Reporting financial performance" became effective, and has been adopted by the Company. There is no impact on the financial statements arising from the adoption of this amendment.

Cash flow statement

The company is a wholly owned subsidiary company of a group headed by Redstone plc, and is included in the consolidated accounts of that company, which are publicly available. Consequently, the company has taken advantage of the exemption within FRS 1 'Cash flow statements (revised 1996)' from preparing a cash flow statement.

Related parties disclosure

The company has taken advantage of the exemption under paragraph 3(c) from the provisions of FRS8, 'Related Party Disclosures', on the grounds that it is a wholly owned subsidiary of a group headed by Redstone plc, whose accounts are publicly available.

Notes to the financial statements for the year ended 31 March 2008 (continued)

1 Principal accounting policies (continued)

Turnover

Turnover represents amounts invoiced to external customers in relation to materials and labour together with the value of work carried out to the balance sheet date on long-term contracts. Turnover excludes discounts, rebates, VAT and other sales duty and is only recognised to the extent that it is probable that the economic benefits will flow to the Group and can be reliably measured.

The following specific recognition criteria must also be met before revenue is recognised:

- (a) Revenue from fixed price construction contracts is recognised on a percentage of completion method to the extent that the level of completion for a contract can be measured. Revenue includes expenses to the extent they are recoverable. Where the percentage of completion cannot be reliably measured, revenue is recognised when specific contractual milestones are met or on project completion.
- (b) For short-term contracts, including period schedule work, turnover and profit are recognised based upon the state of completion on an individual job basis.

Fixed assets

All fixed assets are recorded at historic purchase cost less accumulated depreciation.

Fixed asset investments

Investments are included at cost less amounts written off. These are reviewed for impairment where the Directors' believe there has been an indication of potential impairment. Profits or losses arising from disposals of fixed asset investments are treated as part of the result from ordinary activities.

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:

Premises improvements	-	20%
Fixtures & fittings	-	20%
Office equipment	-	33 1/3%

Share based employee remuneration

The company operates a number of equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

Notes to the financial statements for the year ended 31 March 2008 (continued)

1 Principal accounting policies (continued)

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

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 the directors and 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.

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

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 charge on the outstanding liability.

Where none of the contractual terms of share capital meet 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 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. 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.

Notes to the financial statements for the year ended 31 March 2008 (continued)

1 Principal accounting policies (continued)

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Accounting for research and development

Research and development expenditure is written off in the profit and loss account in the period in which it is incurred.

2 Turnover

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

	Year ended 31 March 2008 £	10 months period ended 31 March 2007 £
United Kingdom	63,398,731	40,059,730
Europe	261,886	469,737
	<u>63,660,617</u>	<u>40,529,467</u>

The principal activity of the company is considered by the directors to be a single class of business.

3 Operating profit

Operating profit is stated after charging/ (crediting):

	Year ended 31 March 2008 £	10 months period ended 31 March 2007 £
Depreciation of owned fixed assets	710,758	446,021
Profit on disposal of fixed assets	(24,540)	-
Auditors' remuneration:		
Audit fees	50,000	40,000
Operating lease costs:		
Plant and machinery	360,875	326,223
Land and buildings	283,979	294,122
Hire of equipment	117,666	273,171
Net profit on foreign currency translation	4,969	-
One off cost for back salary related to the acquisition of Morgan Stanley contract	460,000	-
	<u>460,000</u>	<u>-</u>

Notes to the financial statements for the year ended 31 March 2008 (continued)

4 Employees

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

	Year ended 31 March 2008 No	10 months period ended 31 March 2007 No
Administrative staff	103	96
Direct staff	324	214
	<u>427</u>	<u>310</u>

The aggregate payroll costs of the above were:

	Year ended 31 March 2008 £	10 months period ended 31 March 2007 £
Wages and salaries	15,927,537	10,853,450
Social security costs	1,778,386	1,208,728
Share based payments	188,210	750,063
Other pension costs (note 23)	335,026	255,894
	<u>18,229,159</u>	<u>13,068,135</u>

5 Directors

Remuneration in respect of directors was as follows:

	Year ended 31 March 2008 £	10 months period ended 31 March 2007 £
Aggregate emoluments	-	472,911
Value of company pension contributions to money purchase schemes	-	46,356
	<u>-</u>	<u>519,267</u>

Emoluments of highest paid director:

	Year ended 31 March 2008 £	10 months period ended 31 March 2007 £
Total emoluments (excluding pension contributions)	-	156,675
Value of company pension contributions to money purchase schemes	-	12,825
	<u>-</u>	<u>169,500</u>

Notes to the financial statements for the year ended 31 March 2008 (continued)

5 Directors (continued)

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

	Year ended 31 March 2008 No	10 months period ended 31 March 2007 No
Money purchase schemes	-	3

The Directors were paid via the ultimate holding company. No payment was made to them in the year by the company.

6 Interest receivable and similar income

	Year ended 31 March 2008 £	10 months period ended 31 March 2007 £
Bank interest	153,546	11,985

7 Interest payable and similar charges

	Year ended 31 March 2008 £	10 months period ended 31 March 2007 £
Interest payable on bank borrowing	14,937	93,611

8 Taxation on profit on ordinary activities

(a) Analysis of charge in the period

	Year ended 31 March 2008 £	10 months period ended 31 March 2007 £
Current tax:		
UK Corporation tax based on the results for the year at 30%(2007 - 30%)	-	(320,798)
Total current tax	-	(320,798)
Deferred tax movement (note 15) – current	(129,783)	408,310
Total deferred tax	(129,783)	408,310
Total tax (credit)/charge on profit on ordinary activities	(129,783)	87,512

Notes to the financial statements for the year ended 31 March 2008 (continued)

8 Taxation on profit on ordinary activities (continued)

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower (2007:lower) than the standard rate of corporation tax in the UK of 30% (2007 - 30%).

	Year ended 31 March 2008 £	10 months period ended 31 March 2007 £
Profit on ordinary activities before taxation	<u>4,089,403</u>	<u>103,376</u>
Profit on ordinary activities multiplied by rate of tax at 30% (2007 - 30%)	<u>1,226,821</u>	<u>31,013</u>
Timing differences on share-based payments	-	(458,765)
Expenses not deductible for tax purposes	116,316	56,499
Capital allowances for year lower than depreciation	37,146	50,455
Tax losses brought forward	(234,966)	-
Group relief	<u>(1,145,317)</u>	<u>-</u>
Total current tax charge (note 8(a))	<u>-</u>	<u>(320,798)</u>

The standard rate of Corporation Tax in the UK changes to 28% with effect from the 1 April 2008.

Notes to the financial statements for the year ended 31 March 2008 (continued)

9 Dividends

	Year ended 31 March 2008 £	10 months period ended 31 March 2007 £
Ordinary shares – final dividend of nil per share (2007: 61.1p paid on 20 March 2007)	-	550,000

10 Tangible fixed assets

	Improvements to premises £	Fixtures & fittings £	Office equipment £	Total £
Cost				
At 31 March 2007	345,808	48,805	1,600,713	1,995,326
Additions	123,270	-	469,576	592,846
At 31 March 2008	<u>469,078</u>	<u>48,805</u>	<u>2,070,289</u>	<u>2,588,172</u>
Accumulated depreciation				
At 31 March 2007	103,756	16,845	664,901	785,502
Charge for the year	114,900	9,786	586,073	710,759
At 31 March 2008	<u>218,656</u>	<u>26,631</u>	<u>1,250,974</u>	<u>1,496,261</u>
Net book value				
At 31 March 2008	<u>250,422</u>	<u>22,174</u>	<u>819,315</u>	<u>1,091,911</u>
At 31 March 2007	<u>242,052</u>	<u>31,960</u>	<u>935,812</u>	<u>1,209,824</u>

Notes to the financial statements for the year ended 31 March 2008 (continued)

11 Fixed asset investments

	Shares in group undertaking £
Cost	
At 31 March 2007 and 31 March 2008	<u>1</u>
Amounts written off	
At 31 March 2007 and 31 March 2008	<u>1</u>
Net book value	
At 31 March 2007 and 31 March 2008	<u>-</u>

At 31 March 2007 and 31 March 2008, the company held more than 20% of the allocated share capital of the following undertakings:

	Country of incorporation /registration	Class of share capital held	Proportion Held	Capital and reserves	Profit for the financial year £
Subsidiary Comunica Group Ltd	England & Wales	Ordinary	100%	1	-

Comunica Group Ltd was dormant throughout the year.

The directors believe that the book value of investments is supported by their underlying net assets.

12 Stocks

	2008 £	2007 £
Raw materials	<u>437,350</u>	<u>553,534</u>

Notes to the financial statements for the year ended 31 March 2008 (continued)

13 Debtors

	2008 £	2007 £
Trade debtors	9,531,102	6,186,658
Amounts recoverable on contracts	7,914,376	6,816,087
Other debtors	3,531	9,000
Prepayments and accrued income	1,476,721	517,241
Corporation tax	-	425,066
Deferred tax asset (note 15)	275,201	145,418
	<u>19,200,931</u>	<u>14,099,470</u>

The debtors above include the following amounts falling due after more than one year:

	2008 £	2007 £
Amounts recoverable on contracts	<u>480,360</u>	<u>416,662</u>

14 Creditors: amounts falling due within one year

	2008 £	2007 £
Bank loans and overdrafts	-	334,404
Payments received on account	1,389,444	822,384
Trade creditors	9,553,015	6,087,142
Amounts owed to group undertakings	3,095,961	5,162,135
Corporation tax	53,490	-
Other creditors including taxation and social security	1,848,067	1,061,753
Accruals and deferred income	36,456	2,968,347
	<u>15,976,433</u>	<u>16,436,165</u>

The bank borrowings are secured by a fixed and floating charge over the assets of the company.

Notes to the financial statements for the year ended 31 March 2008 (continued)

15 Deferred tax

Deferred taxation recognised in the financial statements is set out below.

	2008 Recognised £	2008 Unrecognised £	2007 Recognised £	2007 Unrecognised £
Deferred tax asset				
Share-based payments restatement	-	-	-	-
Accelerated capital allowances	275,201	-	145,418	-
	<u>275,201</u>	<u>-</u>	<u>145,418</u>	<u>-</u>

The movement in the deferred tax asset during the year was as follows:

	2008 £	2007 £
Opening balance	145,418	553,728
Credit/(charge) to the profit and loss account	129,783	(408,310)
Closing balance	<u>275,201</u>	<u>145,418</u>

The directors believe it is more likely than not that there will be sufficient future taxable profits with which to realise the deferred tax asset.

16 Leasing commitments

At 31 March 2008 the company had annual commitments under non-cancellable operating leases as set out below.

	2008		2007	
	Land & buildings £	Other items £	Land & buildings £	Other items £
Operating leases which expire:				
Within 1 year	178,000	126,000	-	126,000
Within 2 to 5 years	157,200	-	335,200	33,600
After 5 years			-	-
	<u>335,200</u>	<u>126,000</u>	<u>335,200</u>	<u>159,600</u>

17 Contingent liabilities

There are contingent liabilities in respect of performance guarantees entered into by the company in the normal course of business.

There were no other contingent liabilities at 31 March 2008 or 31 March 2007.

Notes to the financial statements for the year ended 31 March 2008 (continued)

18 Capital commitments

The company had capital commitments of £ 50,000 at 31 March 2008 and £ 49,426 at 31 March 2007.

19 Called up share capital

Authorised share capital:

	Year ended 31 March 2008 £		10 months period ended 31 March 2007 £	
900,000 (2007: 900,000) Ordinary shares of £1 each	<u>900,000</u>		<u>900,000</u>	
Allotted, called up and fully paid:				
	2008 No	2008 £	2007 No	2007 £
Ordinary shares of £1 each	<u>900,000</u>	<u>900,000</u>	<u>900,000</u>	<u>900,000</u>

20 Share Based Payment Plans

The company's ultimate parent undertaking, Redstone plc, operates 4 types of equity-settled share-based payment plans; share options issued through an Employee Share Option Plan, ('ESOP'), in both Approved and Unapproved share schemes, a Share Incentive Plan, ('SIP'), a contributory scheme based on employee contributions, on a buy 1, get 1 free basis, and an equity-settled LTIP, which at 31 March 2008 had no recognised charge. The company participates in the Redstone ESOP, which is an equity-settled share-based payment scheme.

Further details of these schemes can be found on pages 59 to 61 of the 2008 Annual Report of Redstone plc which do not form part of these financial statements.

The schemes under the ESOP (both the Approved and Unapproved schemes) incorporate the same general terms and conditions with the Approved scheme benefiting from certain tax breaks. The schemes period is 10 years with vesting occurring after the first 3 years and settlement in equity. The schemes do not have performance conditions attached.

The fair value of share-based payments relating to the employees of the company for the year ended 31 March 2008, and expensed to the profit and loss account for that year, was assessed to be £186,210. As the schemes relate to shares of the ultimate parent undertaking, the company has recognised a capital contribution equal to the profit and loss account charge for the year (note 23).

In 2007, the company was acquired by Redstone plc and a prior employee share option scheme was exercised in full and the scheme was terminated on acquisition. The charge resulting from the exercise of the options in 2007 was £750,063 (see note 4)

Notes to the financial statements for the year ended 31 March 2008 (continued)

Details of the share options outstanding for all schemes granted to employees during the year are as follows:

	ESOP
Number of share options	
At 1 April 2006	324,088,552
Exercised in Year	(324,088,552)
At 31 March 2007	0
Awards granted	4,834,034
Awards forfeited	(2,202,034)
At 31 March 2008	<u>2,632,000</u>
Exercisable at 31 March 2008	<u>0</u>
Exercisable at 31 March 2007	<u>0</u>

The above options were granted on 11 June 2007 and 27 March 2008. The calculated fair value of the award made are outlined in the table below. The weighted average remaining contractual life for the share options outstanding at 31 March 2008 is 10 years (31 March 2007: 0).

The options granted on the 27 March 2008 were replacement options for the surrendered grant issued 11 June 2007. The incremental fair value as at 31 March 2008 of the 2,632,000 replacement options granted on 27 March 2008 is £173,000.

The fair value of the equity-settled share options granted is estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs into the model used for the years ended 31 March 2008 and 2007:

	2008	2008
Grant date	11 June 2007	27 March 2008
Options granted	2,202,034	2,632,000
Share price at grant date	99.0p	56.0p
Exercise price	99.0p	62.5p
Expected volatility*	37%	32%
Option life	10 years	10 years
Expected dividends (expressed as dividend yield)	0.0%	0.0%
Risk-free interest rate	5.7%	4.2%
Fair value per option	39.9p	17.9p

*Expected volatility has been determined by looking at historical share return volatility coupled with the period most closely matching the expected life of the option.

Notes to the financial statements for the year ended 31 March 2008 (continued)

21 Profit and loss account

	2008	2007
	£	£
Profit for the financial period	4,219,186	15,864
Dividends	-	(550,000)
Share based payments	188,210	750,063
	<u>4,407,396</u>	<u>215,927</u>
Balance brought forward	2,598,375	2,382,448
Balance carried forward	<u>7,005,771</u>	<u>2,598,375</u>

22 Reconciliation of movements in shareholders' funds

	2008	2007
	£	£
Profit for the financial period	4,219,186	15,864
Dividends	-	(550,000)
Share based payments	188,210	750,063
	<u>4,407,396</u>	<u>215,927</u>
Opening shareholders' funds	3,498,375	3,282,448
Closing shareholders' funds	<u>7,905,771</u>	<u>3,498,375</u>

23 Pensions

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension charge represents contributions payable by the company to the fund and amounted to £335,026 (2007 - £255,894). There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

24 Related party transactions

The company has taken advantage of the exemption conferred by Financial Reporting Standard No.8 "Related Party Disclosures" not to disclose transactions with members of the group headed by Redstone Plc on the grounds that at least 90% of the voting rights in the company are controlled within that group and the company is included in the consolidated financial statements.

25 Ultimate parent company

The smallest and largest group in which the results of the company are consolidated is that headed by Redstone Plc., incorporated in United Kingdom. The consolidated financial statements of this company are available to the public and may be obtained from 80 Great Eastern Street, London EC2A 3RS.

26 Contingent Liability

The Redstone plc Group has banking facilities in place which are secured through charges over the property and assets of the Group, of which the Company is a member. The company is contingently liable for cross guarantees entered into in connection with the Group's banking facility, under which an amount of £26.6m was drawn down at 31 March 2008.