COMPANY REGISTRATION NUMBER 03204961

LEHMANN COMMUNICATIONS PLC

FINANCIAL STATEMENTS

31 DECEMBER 2011

LEHMANN COMMUNICATIONS PLC

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2011

CONTENTS **PAGE**

LEHMANN COMMUNICATIONS PLC

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors	M J Lehmann R Lehmann
Company secretary	M J Lehmann
Registered office	Lloyd's Avenue House 6 Lloyd's Avenue London EC3N 3EH
Auditor	Shipleys LLP Chartered Accountants & Statutory Auditor 10 Orange Street Haymarket London WC2H 7DQ

LEHMANN COMMUNICATIONS PLC

THE DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2011

The directors present their report and the financial statements of the company for the year ended 31 December 2011

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW
Lehmann Communications Plc, is a marketing communications agency specialising in corporate, financial, professional services and consumer sectors

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using KPIs is not deemed necessary for an understanding of the development, performance or position of the business

In 2010, it decided to make a transformational acquisition of DAA Media Ltd in order to achieve greater revenues and profitability, something which has eluded the Company through pursuing a simple strategy of organic growth The new advertising agency complemented the Group widening its services of specialising in planning and buying for online, directory listings and print media At the time of the acquisition and in spite of its successful fundraising Barclays Bank Plc had removed working capital facilities despite holding £375,000 of personal guarantees from the directors, £200,000 of which was charged security As a result alternative debt funding has been obtained but at interest rates of up to 20%

The Company and in its enlarged operation managed to operate without any credit for two years between October 2009 and September 2011 Eventually, the Bank relented and provided a short term funding facility and overdraft secured with a debenture containing fixed and floating charges They did this only because of a third party shareholder guarantee and cross guarantees between Lehmann Communications plc and DAA Media Ltd Nevertheless, it proved too little help too late to stem the supreme waste of of management time which could have been better devoted to driving up revenues, the original reason for the acquisition

The Company's principal shareholder and family had also injected considerable funds, in addition to other shareholders and convertible loan stock investors

Within the first nine months following the acquisition, credit terms offered by its principal media supplier were reduced by 50%, which actually increased the working capital requirements of the business The working capital pressures then being faced were further compounded from customers requesting and taking longer extensions to their credit terms

The external market conditions were also challenging, seeing a decline in directory advertising as customers altered their media strategies from print based directory media to online media The Company was unable to capitalise on this market shift and lost significant new revenue streams in spite of plans for mobile applications

In light of the above, timing constraints and the fact that the Company was unable to service its working capital requirements from its existing funding mechanisms, meant there was no other alternative but for the Company to put the subsidiary into Liquidation

Lehmann Communications plc has returned to providing its core services which continue to be in demand

PRINCIPAL RISKS AND UNCERTAINTIES
The management of the business and the execution of the company's strategy are subject to a number of risks The key business risks and uncertainties affecting the company are considered to relate to competition from national and international competitors and retention of key employees

RESULTS AND DIVIDENDS
The loss for the year amounted to £1,204,225 The directors have not recommended a dividend

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES
a) the company's principal instruments comprise bank balances and overdrafts, other loans, trade creditors and trade debtors The main purpose of these instruments is to raise funds for the company's operations

b) Due to the nature of the financial instruments used by the company, there is no exposure to price risk The company's approach to managing other risks applicable to the financial instruments concerned is shown below -

In respect of the bank balance the liquidity risk is managed by maintaining facilities sufficient to meet the funds required for the company's operations

Trade debtors are managed in respect of credit and cash flow risk by ensuring that the amounts due are collected within the company's credit terms

Other loans are managed by ensuring adequate security cover is in place

Trade creditors' liquidity is managed by ensuring sufficient funds are available to meet amounts due

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

M J Lehmann
R Lehmann

POLICY ON THE PAYMENT OF CREDITORS
The company's policy concerning the payment of its trade creditors is to establish terms of payment with suppliers when agreeing transactions and to pay in accordance with those terms This policy applies to all creditors for both revenue and capital supplies

DIRECTORS' RESPONSIBILITIES
The directors are responsible for preparing the Directors' 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) Under company law the directors must not approve the financial statements unless they are satisfied that they 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

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

In so far as the directors are aware

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

Registered office
Lloyd's Avenue House
6 Lloyd's Avenue
London
EC3N 3EH

Signed on behalf of the directors

R Lehmann

Director R.Lehmann

Approved by the directors on 31 January 2013

LEHMANN COMMUNICATIONS PLC

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF LEHMANN COMMUNICATIONS PLC

YEAR ENDED 31 DECEMBER 2011

We have audited the financial statements of Lehmann Communications Plc for the year ended 31 December 2011 which comprise the Profit and Loss Account, Balance Sheet, Cash Flow Statement and the related notes The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's shareholders, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR
As explained more fully in the Directors' Responsibilities Statement set out on pages 3 to 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by directors, and the overall presentation of the financial statements In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

BASIS FOR ADVERSE OPINION ON FINANCIAL STATEMENTS
The company has not produced consolidated accounts as required by Section 399 of the Companies Act 2006 and Financial Reporting Standard Number 2 "Accounting for subsidiary undertakings" The directors' reasons for not producing consolidated accounts are explained in note 1 of the financial statements In our opinion these reasons are not sufficient for a departure from UK requirements

ADVERSE OPINION ON FINANCIAL STATEMENTS

In our opinion, because of the significance of the matter described in the Basis for Adverse Opinion paragraph, the financial statements

- do not give a true and fair view of the state of the group's affairs as at 31 December 2011 and of its profit or loss for the year then ended, and

- have not been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice

In our opinion, the financial statements for the company -

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its loss for the year then ended, and

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and

- have been prepared in accordance with the requirements of the Companies Act 2006

Emphasis of matter - Going concern

In forming our opinion, we have considered the adequacy of the disclosures made in Note 1 to the financial statements indicating that the financial statements have been prepared on the going concern basis These conditions indicate the existence of material uncertainties which may cast doubt about the company's ability to continue as a going concern In view of the significance of this, we consider that the disclosure should be brought to your attention The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern Our opinion is not qualified in this respect

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

As no consolidated accounts have been produced we are unable to express an opinion as to whether the Group's Directors' Report is consistent with the consolidated financial statements of the group

In our opinion the information given in the company's Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements of the company

LEHMANN COMMUNICATIONS PLC

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF LEHMANN COMMUNICATIONS PLC *(continued)*

YEAR ENDED 31 DECEMBER 2011

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

Benjamin Bidnell

BENJAMIN BIDNELL (Senior Statutory Auditor)
For and on behalf of
SHIPLEYS LLP
Chartered Accountants
& Statutory Auditor

10 Orange Street
Haymarket
London
WC2H 7DQ

31 January 2013

LEHMANN COMMUNICATIONS PLC

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2011

	Note	2011 £	2010 £
TURNOVER	2	601,342	489,246
Cost of sales		(566,246)	(473,881)
GROSS PROFIT		35,096	15,365
Administrative expenses		(1,065,303)	(375,874)
OPERATING LOSS	3	(1,030,207)	(360,509)
Attributable to			
Operating loss before exceptional items		(355,353)	(360,509)
Exceptional items	3	(674,854)	–
		(1,030,207)	(360,509)
Income from shares in group undertakings	5	–	165,000
Interest payable and similar charges	6	(174,018)	(107,642)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(1,204,225)	(303,151)
Tax on loss on ordinary activities		–	–
LOSS FOR THE FINANCIAL YEAR		(1,204,225)	(303,151)

All of the activities of the company are classed as continuing

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

The notes on pages 11 to 19 form part of these financial statements

LEHMANN COMMUNICATIONS PLC

BALANCE SHEET

31 DECEMBER 2011

	Note	2011 £	2011 £	2010 £	2010 £
FIXED ASSETS					
Intangible assets	7		–		–
Tangible assets	8		131,897		158,598
Investments	9		–		636,885
			131,897		795,483
CURRENT ASSETS					
Debtors	10	447,899		754,740	
Cash at bank		12,610		9,089	
		460,509		763,829	
CREDITORS: Amounts falling due within one year	11	(300,802)		(475,024)	
NET CURRENT ASSETS			159,707		288,805
TOTAL ASSETS LESS CURRENT LIABILITIES			291,604		1,084,288
CREDITORS: Amounts falling due after more than one year	12		(1,193,660)		(1,251,119)
			(902,056)		(166,831)
CAPITAL AND RESERVES					
Called-up equity share capital	14		295,160		161,421
Share premium account	15		1,593,244		1,257,983
Profit and loss account	16		(2,790,460)		(1,586,235)
DEFICIT	17		(902,056)		(166,831)

These financial statements were approved by the directors and authorised for issue on 31 January 2013, and are signed on their behalf by

R LEHMANN R. Lehmann

Company Registration Number 03204961

The notes on pages 11 to 19 form part of these financial statements

LEHMANN COMMUNICATIONS PLC

CASH FLOW STATEMENT

YEAR ENDED 31 DECEMBER 2011

	Note	2011 £	2011 £	2010 £	2010 £
NET CASH OUTFLOW FROM OPERATING ACTIVITIES			(205,114)		(12,567)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE					
Income from group undertakings		–		-	
Interest paid		(105,018)		(107,642)	
NET CASH (OUTFLOW)/INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			(105,018)		(107,642)
TAXATION			-		–
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	18		(919)		(2,086)
ACQUISITIONS AND DISPOSALS	18		(37,969)		(287,272)
CASH OUTFLOW BEFORE FINANCING			(349,020)		(409,567)
FINANCING	18		352,541		440,700
INCREASE IN CASH	18		3,521		31,133

RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2011 £	2010 £
Operating loss	(1,030,207)	(360,509)
Amortisation and impairment provision	674,854	12,464
Depreciation	27,620	45,372
Decrease/(increase) in debtors	306,841	(28,721)
(Decrease)/increase in creditors	(184,222)	318,827
Net cash outflow from operating activities	(205,114)	(12,567)

The notes on pages 11 to 19 form part of these financial statements

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards

The financial statements have been prepared in accordance with applicable accounting standards except in relation to Financial Reporting Standard Number 2 which is explained fully below The financial statements have been prepared under the historical cost convention as modified to include the revaluation of certain fixed assets and the following accounting policies

Going concern

The company has net liabilities of £902,056 and net debt of £1,181,050

The company relies on the continued support of the director, Ronel Lehmann, in order to continue to trade

Mr Lehmann has provided and continues to provide support as follows

"Personal guarantees and charged security for existing and future borrowings,
"Liabilities assumed on behalf of the company, including taxation arrears, and
"Director's loan account

Mr Lehmann has provided a letter of support to the company confirming that he will continue to provide his support for at least 12 months from the date of these accounts

Accordingly the directors consider it appropriate to prepare the accounts on a going concern basis

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the period, exclusive of Value Added Tax

Income Recognition Policy

Income is spread over the term of the contract in order to reflect the level of performance achieved at any point in time Revenue is recognised on the following basis

- Retainer and other non retainer fees are recognised as the services are performed

- Project fees are recognised as earned in accordance with the contractual terms

- Expenses are recharged to clients at cost plus an agreed mark up when the services are performed

Where turnover exceeds amounts invoiced, the excess is classified as accrued income and included in prepayments and accrued income within debtors Where amounts invoiced exceed turnover, the excess is classified as deferred income and included in accruals and deferred income within creditors

1. **ACCOUNTING POLICIES** *(continued)*

Goodwill

Goodwill arose on acquisition of the net liabilities of Lehmann Communications an unincorporated business and is amortised through the profit and loss account over the director's estimate of its useful economic life of 10 years

Amortisation

Amortisation 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

Goodwill	-	10 years

Fixed assets

All fixed assets are initially recorded at cost

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

Office equipment	-	25% reducing balance
Fixtures & Fittings	-	25% reducing balance
IT Equipment	-	25% reducing balance

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities

Consolidation

The financial statements comprise the financial statements of the company only, made up to 31 December 2011 The preparation of consolidated accounts is required under UK Generally Accepted Accounting Principles (GAAP) However, the directors have considered the preparation of consolidated accounts but due to the liquidation and loss of control of its subsidiary post balance sheet there would be undue expense and delay in preparing group accounts

Investments

The company values its investments in subsidiary and associated companies at cost and provisions are made where the value of the investment is considered to be lower than cost

2. TURNOVER

The turnover and loss before tax are attributable to the one principal activity of the company
An analysis of turnover is given below

	2011	2010
	£	£
United Kingdom	601,342	489,246

3. OPERATING LOSS

Operating loss is stated after charging

	2011	2010
	£	£
Directors' remuneration	–	–
Amortisation of intangible assets	–	12,464
Depreciation of owned fixed assets	27,620	45,372
Auditor's remuneration		
- as auditor	4,200	7,500
Operating lease costs		
- Plant and equipment	3,537	10,640
Impairment of investment in subsidiary	674,854	–

4. PARTICULARS OF EMPLOYEES

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

	2011	2010
	No	No
Average number of staff	7	10

The aggregate payroll costs of the above were

	2011	2010
	£	£
Wages and salaries	240,495	281,751
Social security costs	30,164	31,076
	270,659	312,827

5. INCOME FROM SHARES IN GROUP UNDERTAKINGS

	2011	2010
	£	£
Income from group undertakings	–	165,000

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2011 £	2010 £
Interest payable on bank borrowing	18	2,642
Other similar charges payable	174,000	105,000
	174,018	107,642

7. INTANGIBLE FIXED ASSETS

	Goodwill £
COST	
At 1 January 2011 and 31 December 2011	166,308
AMORTISATION	
At 1 January 2011 and 31 December 2011	166,308
NET BOOK VALUE	
At 31 December 2011	–
At 31 December 2010	–

8. TANGIBLE FIXED ASSETS

	IT equipment cost £	Fixtures & Fittings £	Equipment £	Total £
COST				
At 1 January 2011	255,132	129,216	15,954	400,302
Additions	419	500	–	919
At 31 December 2011	255,551	129,716	15,954	401,221
DEPRECIATION				
At 1 January 2011	103,354	123,768	14,582	241,704
Charge for the year	26,211	1,126	283	27,620
At 31 December 2011	129,565	124,894	14,865	269,324
NET BOOK VALUE				
At 31 December 2011	125,986	4,822	1,089	131,897
At 31 December 2010	151,778	5,448	1,372	158,598

9. INVESTMENTS

Shares In Group Companies

	£
COST	
At 1 January 2011	636,885
Additions	37,969
At 31 December 2011	674,854
AMOUNTS WRITTEN OFF	
Written off in year	674,854
At 31 December 2011	674,854
NET BOOK VALUE	
At 31 December 2011	-
At 31 December 2010	636,885

The company owns 100% of the issued share capital of D A A Media Ltd, a company incorporated in England and Wales

On 31 July 2012 D A A Media Ltd entered into a formal liquidation process Consequently an impairment provision has been made against the investment at the balance sheet date

Group accounts have not been prepared at the balance sheet date as the directors are of the opinion that due to the liquidation and loss of control post balance sheet there would be undue expense and delay in preparing group accounts at the balance sheet date

The draft unaudited results for D A A Media Limited for the year ended 31 December 2011 were as follows

Aggregate capital and reserves/(deficit) £(79,509)
Turnover £2,055,129
Profit/(loss) for the year £(43,013)

10. DEBTORS

	2011	2010
	£	£
Trade debtors	116,003	329,086
Corporation tax repayable	–	3,194
Other debtors	90,399	86,164
Prepayments and accrued income	241,497	336,296
	447,899	754,740

11. CREDITORS: Amounts falling due within one year

	2011	2010
	£	£
Trade creditors	209,206	377,168
Other taxation and social security	57,291	54,831
Accruals and deferred income	34,305	43,025
	300,802	475,024

12. CREDITORS: Amounts falling due after more than one year

	2011	2010
	£	£
Debenture loans (convertible)	565,000	865,000
Amounts owed to group undertakings	–	184,613
Other loan	550,000	–
Directors' loan accounts	78,660	201,506
	1,193,660	1,251,119

The convertible loan stocks are secured by personal guarantees given by R Lehmann The loan stocks carry an interest coupon of between 10% and 20% The loan stocks can be converted into ordinary equity shares within 36 months of the initial investment £525,000 of loan stocks are due for repayment or conversion during September 2012 At the date of signing the accounts an extension of a further 36 months has been granted and accordingly the loan stock is classified as a liability due after more than one year

£300,000 of convertible loan stock was refinanced as part of the £550,000 other loan

The other loan is secured by a personal guarantee given by R Lehmann Interest accrues at a rate of 10% and is rolled up with the principal borrowing Repayment terms are currently under negotiation with the lender

The director's loan account is unsecured, interest free with no fixed date for repayment

13. CONTROLLING INTERESTS

Ronel Lehmann, a director of the company, together with family shareholdings, retains a controlling interest in the issued share capital of the company

14. SHARE CAPITAL

Authorised share capital:

	2011	2010
	£	£
1,000,000 Ordinary shares of £1 each	1,000,000	1,000,000

14. SHARE CAPITAL *(continued)*

Allotted, called up and fully paid:

	2011 No	2011 £	2010 No	2010 £
295,160 Ordinary shares (2010 - 161,421) of £1 each	295,160	295,160	161,421	161,421

15. SHARE PREMIUM ACCOUNT

	2011 £	2010 £
Balance brought forward	1,257,983	1,231,697
Premium on shares issued in the year	335,261	26,286
Balance carried forward	1,593,244	1,257,983

16. PROFIT AND LOSS ACCOUNT

	2011 £	2010 £
Balance brought forward	(1,586,235)	(1,283,084)
Loss for the financial year	(1,204,225)	(303,151)
Balance carried forward	(2,790,460)	(1,586,235)

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2011 £	2011 £	2010 £	2010 £
Loss for the financial year		(1,204,225)		(303,151)
New equity share capital subscribed	133,739		18,965	
Premium on new share capital subscribed	335,261		26,286	
		469,000		45,251
Net reduction to shareholders' (deficit)/funds		(735,225)		(257,900)
Opening shareholders' (deficit)/funds		(166,831)		91,069
Closing shareholders' deficit		(902,056)		(166,831)

18. NOTES TO THE CASH FLOW STATEMENT

CAPITAL EXPENDITURE

	2011 £	2010 £
Payments to acquire tangible fixed assets	(919)	(2,086)
Net cash outflow from capital expenditure	(919)	(2,086)

18. NOTES TO THE CASH FLOW STATEMENT *(continued)*

ACQUISITIONS AND DISPOSALS

	2011 £	2010 £
Acquisition of shares in group undertakings	(37,969)	(287,272)
Net cash outflow from acquisitions and disposals	(37,969)	(287,272)

FINANCING

	2011 £	2010 £
Issue of equity share capital	38,087	18,965
Share premium on issue of equity share capital	180,913	26,286
(Repayment of)/increase in debenture loans	-	340,000
Net inflow from other long-term creditors	191,000	–
Repayment of directors' long-term loans	(57,459)	55,449
Net cash inflow from financing	352,141	440,700

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2011 £	2011 £	2010 £	2010 £
Increase in cash in the period	3,521		31,133	
Net cash outflow from/(inflow) from debenture loans	-		(340,000)	
Net cash (inflow) from other long-term creditors	(191,000)		(184,613)	
Cash outflow from/(inflow) from directors' long-term loans	57,459		(55,449)	
		(130,020)		(548,929)
Non-cash changes		191,000		-
Change in net debt		60,980		(548,929)
Net debt at 1 January 2011		(1,242,030)		(693,101)
Net debt at 31 December 2011		(1,181,050)		(1,242,030)

18. NOTES TO THE CASH FLOW STATEMENT *(continued)*

ANALYSIS OF CHANGES IN NET DEBT

	At 1 Jan 2011 £	Cash flows net of non-cash changes £	At 31 Dec 2011 £
Net cash			
Cash in hand and at bank	9,089	3,521	12,610
Debt			
Debt due after 1 year	(1,251,119)	57,459	(1,193,660)
Net debt	(1,242,030)	60,980	(1,181,050)

Included within the movement in cash-flows above are the following non-cash changes

Capitalisation of directors' loan account to equity of £250,000, and

Interest accrued of £59,000 and rolled up in the principal amount of the other loan

The net effect of these non-cash changes amounts to £191,000