

**thebigword Holdings Limited (formerly Inhoco  
3246 Limited)**

**Directors' report and consolidated  
financial statements**

**Registered Number 5551907**

**31 May 2006**

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## Contents

Directors' report	1
Statement of directors' responsibilities in respect of the Directors' Report and the financial statements	3
Independent auditors' report to the members of thebigword Holdings Limited (formerly Inhoco 3246 Limited)	4
Consolidated profit and loss account	6
Reconciliations of movement in shareholders' funds	6
Consolidated balance sheet	7
Company balance sheet	8
Consolidated cash flow statement	9
Notes	10

## Directors' report

The directors present their first annual report and the audited financial statements for the year ended 31 May 2006.

The company was incorporated on 1 September 2005 and commenced trading on the acquisition of Link-Up Mitaka Limited on 5 December 2005. Merger accounting has been applied on the reorganisation of the group as set out in Note 1.

### Principal activities

The principal activity of the group continues to be the provision of language translation and interpreting services.

### Business review

The Directors are pleased to report a 29% increase in turnover to £11.76m and an Operating Profit (before the amortisation of goodwill) of £884,000. This represents a significant improvement in profitability from last year.

Investments in infrastructure and technology made by the company last year are now paying off and the Group is starting to realise the potential of major contracts won during last year.

In May 2006, the Group acquired a business in China. This investment will enable the Group to serve better both its existing and future customers as they seek to take advantage the opportunities available to them by doing business in China.

The Directors expect significant new contracts to start within the next 12 months for both translation and interpreting services and look forward to a year of significant further progress.

In December 2005 the Group was restructured. thebigword Holdings Limited acquired the entire ordinary share capital of Link Up Mitaka Limited. This restructuring provided an exit for the Group's institutional shareholders.

### Proposed dividend

The directors do not recommend the payment of a dividend.

### Directors and directors' interests

The directors who held office during the year were as follows:

Inhoco Formations Limited	(appointed 1 September 2005, resigned 1 December)
LJ Gould	(appointed 1 December 2005)
C Ball	(appointed 1 December 2005)

The directors who held office at the end of the financial year had the following interests in the ordinary shares of the company as recorded in the register of directors' share interests:

	Ordinary shares of 1p each
LJ Gould (including beneficial interests)	11,297,000
C Ball	133,000

Directors holding share options are as follows, all these options were granted in the year:

	Ordinary shares of 1p each
C Ball	968,190

The share options may only be exercised on the sale or flotation of the Company. The exercise price of these share options is 8p per share.

### **Charitable donations**

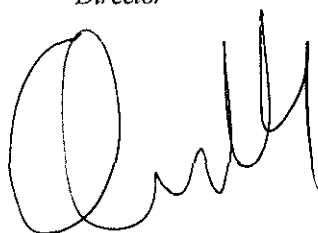
The group made donations to charities totalling £1,719 in the year (2005: £455).

### **Auditors**

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

On behalf of the board

**C Ball**  
*Director*

A handwritten signature in black ink, appearing to be 'C Ball', written over the printed name and title.

Belmont House  
20 Wood Lane  
Headingley  
Leeds  
LS6 2AE

23 November 2006

## **Statement of directors' responsibilities in respect of the Directors' Report and the financial statements**

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 they have elected to prepare the financial statements in accordance with UK Accounting Standards.

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 these financial statements, the directors are required to:*

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- 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 its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



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Neville Street  
Leeds  
LS1 4DW

## **Independent auditors' report to the members of thebigword Holdings Limited (formerly Inhoco 3246 Limited)**

We have audited the group and parent company financial statements (the "financial statements") of The Big Word Holdings Limited for the year ended 31 May 2006 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement and the related notes. 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### ***Respective responsibilities of directors and auditors***

The directors' responsibilities for preparing the Directors' Report and the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 2.

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

**Independent auditors' report to the members of The Big Word Holdings Limited  
(formerly Inhoco 3246 Limited) (continued)**

**Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 May 2006 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 Director's report is consistent with the financial statements.



**KPMG LLP**  
*Chartered Accountants*  
*Registered Auditor*

**23 November 2006**

[Date]

## Consolidated profit and loss account

for the period ended 31 May 2006

	Note	2006 £	2005 Restated £
<b>Turnover</b>	1	11,752,138	9,123,280
Cost of sales		(5,926,033)	(4,574,667)
<b>Gross profit</b>		5,826,015	4,548,613
Administrative expenses		(4,942,058)	(4,418,222)
<b>Operating profit before amortisation</b>		884,047	130,391
Amortisation of goodwill		(77,919)	(68,401)
<b>Operating profit</b>		806,128	61,990
Interest payable and similar charges	5	(83,472)	(132,778)
Profit on disposal of division		76,825	-
<b>Profit on ordinary activities before taxation</b>	2-4	799,481	(70,788)
Tax on profit on ordinary activities	6	(264,996)	(36,252)
<b>Retained profit for the year</b>	17	534,485	(107,040)

There are no recognised gains or losses other than the loss for the financial year stated above.

## Reconciliations of movement in shareholders' funds

for the period ended 31 May 2006

	Group 2006 £	2005 £	Company 2006 £
Opening shareholders' funds	(815,446)	(708,406)	-
Profit/(loss) for the financial year	534,485	(107,040)	(17,604)
Issue of share capital	-	-	114,300
Share premium on issue of shares	-	-	85,700
<b>Closing shareholders' funds</b>	<b>(280,961)</b>	<b>(815,446)</b>	<b>182,396</b>



**Consolidated balance sheet**  
 at 31 May 2006

	Note	2006		2005	
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	8		390,061		410,270
Intangible fixed assets	9		207,713		358,807
Investments	10		75,000		-
			<u>672,774</u>		<u>769,077</u>
<b>Current assets</b>					
Debtors	11	2,577,303		1,488,466	
Cash at bank and in hand		1,234,767		886,078	
		<u>3,771,377</u>		<u>2,374,544</u>	
<b>Creditors: amounts falling due within one year</b>	12	<u>(3,039,143)</u>		<u>(1,813,228)</u>	
<b>Net current assets</b>			<u>1,037,923</u>		<u>561,316</u>
<b>Total assets less current liabilities</b>			<u>1,710,697</u>		<u>1,330,393</u>
<b>Creditors: amounts falling due after more than one year</b>	13		<u>(1,726,662)</u>		<u>(2,145,839)</u>
<b>Net (liabilities)</b>			<u>(280,961)</u>		<u>(815,446)</u>
<b>Capital and reserves</b>					
Called up share capital	15		114,300		114,300
Share premium	16		85,700		85,700
Merger reserve			(408,201)		(408,201)
Profit and loss account	17		(72,760)		(607,245)
<b>Equity shareholders' funds</b>			<u>(280,961)</u>		<u>(815,446)</u>

These financial statements were approved by the board of directors on 23 November 2006 and were signed on its behalf by:

  
**C Ball**  
 Director

  
**LJ Gould**  
 Director

**Company balance sheet**  
 at 31 May 2006

	Note	2006	£
<b>Fixed assets</b>			
Investments	10	1,700,000	
		<u>1,700,000</u>	
<b>Current assets</b>			
Debtors		-	
Cash at bank and in hand		2,909	
		<u>2,909</u>	
<b>Creditors: amounts falling due within one year</b>	12	(770,513)	
		<u>(770,513)</u>	
<b>Net current liabilities</b>			(767,604)
			<u>(767,604)</u>
<b>Total assets less current liabilities</b>			932,396
			<u>932,396</u>
<b>Creditors: amounts falling due after more than one year</b>	13	(750,000)	
		<u>(750,000)</u>	
<b>Net assets</b>			182,396
			<u>182,396</u>
<b>Capital and reserves</b>			
Called up share capital	15	114,300	
Share premium	16	85,700	
Profit and loss account	17	(17,604)	
		<u>(17,604)</u>	
<b>Equity shareholders' funds</b>			182,396
			<u>182,396</u>

These financial statements were approved by the board of directors on 23 November 2006 and were signed on its behalf by:

  
**C Ball**  
 Director

  
**LJ Gould**  
 Director

**Consolidated cash flow statement**  
*for the year ended 31 May 2006*

	<i>Note</i>	<b>2006</b> £	<b>2005</b> £
Net cash inflow from operating activities	19	1,009,370	466,078
Returns on investments and servicing of finance	20	(1,572,510)	(121,816)
UK corporation tax repaid		(27,478)	-
Capital expenditure	20	(197,760)	(227,506)
Acquisitions and disposals	20	75,000	-
Financing	20	1,062,067	(114,246)
		<hr/>	<hr/>
<b>Increase in cash</b>		<b>348,689</b>	<b>2,510</b>
		<hr/>	<hr/>

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

#### ***Basis of preparation***

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

#### ***Basis of consolidation***

The consolidated financial statements include the financial statements of the company and its subsidiary undertakings made up to 31 May 2006. A true and fair override has been invoked and the merger method of accounting has been used in the preparation of the group accounts.

On 6 December 2005 thebigword Holdings Limited (formerly Inhoco 3246 Limited) issued 11,430,000 ordinary shares of 1p each in exchange for 11,430,000 'A' ordinary shares of 0.001p each and 500 preference shares of £1 each in Link-Up Mitaka Limited. At the same time the company paid £1,500,000 for 4,899,000 'B' ordinary shares of 0.001p each in Link-Up Mitaka Limited.

The directors consider that this did not change the true structure of the group and it would be inappropriate to prepare consolidated financial statements under the acquisition accounting method, as required by FRS 6 'Acquisition and Mergers'. Consequently, the merger method of accounting has been used, to better reflect the transaction which occurred.

In line with FRS 6 the prior year consolidated figures have been prepared as if thebigword Holdings Limited (formerly Inhoco 3246 Limited) owned Link-Up Mitaka Limited for the whole of the period.

Under section 230 (4) of the Companies Act 1985 the company is exempt from the requirement to present its own profit and loss account.

#### ***Goodwill and negative goodwill***

Purchased goodwill (both positive and negative) arising on consolidation in respect of acquisitions before 1 January 1998, when FRS 10 *Goodwill and intangible assets* was adopted, was written off to reserves in the year of acquisition. When a subsequent disposal occurs any related goodwill previously written off to reserves is written back through the profit and loss account as part of the profit or loss on disposal.

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on consolidation in respect of acquisitions since 1 January 1998 is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life.

Purchased goodwill is capitalised and amortised over a period of 3-20 years, as determined by the directors.

#### ***Fixed assets and depreciation***

Depreciation is provided by the company to write off the cost less residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Fixtures and fittings	-	20-33% per annum
Motor vehicles	-	25% per annum

## Notes (continued)

### 1 Accounting policies (continued)

#### *Hire purchase and finance lease contracts*

The fair value (cost) of assets acquired under hire purchase and finance lease contracts is included under fixed assets and depreciated in accordance with the company's accounting policy on depreciation. The amounts outstanding under the contract are included under creditors due within one year and creditors due after more than one year, for the immediate and longer term instalments respectively.

#### *Research and development*

Costs incurred in respect of research and development are written off in the year in which they are incurred.

#### *Taxation*

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax liabilities in full.

#### *Turnover*

Turnover represents the amounts (excluding value added tax) derived from the provision of services to customers during the year.

### 2 Profit on ordinary activities before taxation

	2006 £	2005 £
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Auditors remuneration - audit group	10,000	9,850
- other services	25,487	2,150
Depreciation of tangible fixed assets:		
Owned	208,003	151,875
Assets subject to hire purchase and lease agreements	-	3,324
Amortisation of intangible assets	77,919	68,401
Loss on sale of fixed assets	9,966	9,685
Hire of other assets – operating leases, being rental of premises	156,585	159,983
	<u>          </u>	<u>          </u>

### 3 Remuneration of directors

	2006 £	2005 £
Directors' emoluments	425,448	396,306
	<u>          </u>	<u>          </u>

The emoluments of the highest paid director was £259,039. All emoluments are paid through the subsidiary Link Up Mitaka Limited.

Retirement benefits are accruing to the following number of directors under:

	2006	2005
Money purchase schemes	2	3
	<u>          </u>	<u>          </u>

## Notes (continued)

### 4 Staff numbers and costs

The average number of persons employed by the group (including directors) during the year, analysed by category, was as follows:

	2006	2005
Directors	3	4
Administration	119	101
	<u>122</u>	<u>105</u>

The aggregate payroll costs of these persons were as follows:

	2006 £	2005 £
Wages and salaries	3,056,479	2,743,662
Social security costs	302,295	288,016
Pension costs	56,755	45,956
	<u>3,415,529</u>	<u>3,077,634</u>

### 5 Interest payable and similar charges

	2006 £	2005 £
Bank interest	72,510	121,599
Other interest	-	217
Finance costs on shares classified or debt	10,962	10,962
	<u>83,472</u>	<u>132,778</u>

## Notes (continued)

### 6 Taxation

	2006	2005
	£	£
<i>UK corporation tax</i>		
Current tax on income for the period	305,689	39,250
Adjustments in respect of prior periods	-	(2,000)
	<u>305,689</u>	<u>37,250</u>
<i>Deferred tax</i>		
Origination/reversal of timing differences	(45,059)	31,548
Adjustments in respect of prior periods	4,366	(32,546)
	<u>(40,693)</u>	<u>(998)</u>
	<u>264,996</u>	<u>36,252</u>
	2006	2005
	£	£
Current tax reconciliation:		
Profit on ordinary activities before tax	799,481	(77,967)
Current tax at 30% (2004: 19%)	239,844	(14,814)
Effects of:		
Expenses not deductible for tax purposes	52,886	101,209
Fixed asset timing differences	6,122	-
Non-taxable income	(32,100)	(10,745)
Short term timing differences	38,937	(17,991)
Total current tax charge (see above)	<u>305,689</u>	<u>37,250</u>

### 7 Related party transactions

Rent of £107,000 has been charged to Link-Up Mitaka Limited through Link-Up Services FURB Scheme, of which the Gould family are trustees and members.

## Notes (continued)

### 8 Tangible fixed assets

Group	Motor vehicles	Fixtures and fittings and computer equipment	Website development costs	Total
	£	£	£	£
<b>Cost</b>				
At beginning of year	13,320	675,513	137,170	826,003
Additions	14,907	185,853	-	200,760
Disposals	(13,320)	(125,744)	-	(139,064)
At end of year	14,907	735,622	137,170	887,699
<b>Depreciation</b>				
At beginning of year	11,927	266,636	137,170	415,733
Charge for year	1,704	206,299	-	208,003
Eliminated on disposals	(13,320)	(112,778)	-	(126,098)
At end of year	311	360,157	137,170	497,638
<b>Net book value</b>				
At 31 May 2006	14,596	375,465	-	390,061
At 31 May 2005	1,393	408,877	-	410,270



## Notes (continued)

### 9 Intangible fixed assets

#### Group

	<b>Goodwill £</b>
<i><b>Cost</b></i>	
At beginning of year	485,496
Disposal	(146,116)
	<hr/>
At end of year	339,380
	<hr/>
<i><b>Amortisation</b></i>	
At beginning of year	126,689
Charge for year	77,919
Disposal	(72,941)
	<hr/>
At end of year	131,667
	<hr/>
<i><b>Net book value</b></i>	
At 31 May 2006	<b>207,713</b>
	<hr/>
At 31 May 2005	358,807
	<hr/>

Goodwill was acquired through the purchase of Linguistico, Eurolingua PLS Limited, Translation Services, Chanterelle Limited, 20th Century Translation and Interpreters, Aardvark Translation Services Limited, Language Business Centre, Idioma Translation Services Limited, Carmona UK Limited, Multilingual Services Limited, MM Translations Limited, and Network Communications AS.

## Notes (continued)

### 10 Investment in subsidiary

Company	2006 £
Investment in Link-Up Mitaka Limited at cost	1,700,000

The companies in which the company's interest is more than 10% are as follows:

<i>Subsidiary undertakings</i>	Country of incorporation	Proportion held	Principal activity
Link-Up Mitaka Limited	England and Wales	100%	Translation Services
Multilingual Services Limited*	England and Wales	100%	Dormant
Mitaka Limited*	England and Wales	100%	Dormant
Aardvark Translation Services Limited*	England and Wales	100%	Dormant
Carmona UK Limited*	England and Wales	100%	Dormant
TheBigWord Limited*	England and Wales	100%	Dormant
Thebigword INC*	USA	100%	Translation Services
Beijing Rainbow Network Limited*	China	100%	Translation Services

\* investment held in Link-Up Mitaka Limited

On 6 December 2005 the company acquired 100% of the share capital of Link-Up Mitaka Limited, a company incorporated in England and Wales.

On 18 May 2006 the group acquired 100% of the share capital of Beijing Rainbow Network Limited, a company incorporated in China. The results and net assets of Beijing Rainbow Network Limited are not included in the group financial statements as they are not considered material to the group's operations for this short period.

## Notes (continued)

### 11 Debtors

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Trade debtors	2,047,590	1,323,067	-	-
Prepayments and accrued income	68,423	128,738	-	-
Other debtors	383,936	-	-	-
Deferred tax asset (note 14)	77,354	36,661	-	-
	<u>2,577,303</u>	<u>1,488,466</u>	<u>-</u>	<u>-</u>

### 12 Creditors: amounts falling due within one year

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Bank loan	231,240	249,996	-	-
Trade creditors	735,898	472,839	-	-
Other creditors including taxation and social security:				
Corporation tax	317,461	39,250	-	-
Other taxes and social security	306,189	266,458	-	-
Other creditors	72,602	70,556	6,311	-
Accruals and deferred income	1,238,728	577,104	-	-
Amounts owing to group companies	-	-	764,202	-
Shares classified as debt	137,025	137,025	-	-
	<u>3,039,143</u>	<u>1,813,228</u>	<u>770,513</u>	<u>-</u>

## Notes (continued)

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

	2006	Group 2005	2006	Company 2005
	£	£	£	£
Bank loan (see below)	976,662	-	-	-
Loan stock	750,000	645,839	750,000	-
Deferred consideration	-	1,500,000	-	-
	<u>1,726,662</u>	<u>2,145,839</u>	<u>750,000</u>	<u>-</u>

	2006	Group 2005	2006	Company 2005
	£	£	£	£
Payable within one year	231,240	249,996	-	-
Payable within two to five years	1,726,662	645,839	750,000	-
	<u>1,957,902</u>	<u>895,835</u>	<u>750,000</u>	<u>-</u>

The bank loan is secured by way of a fixed and floating charge over the assets of the group.

### 14 Deferred tax

	2006	Group 2005	2006	Company 2005
	£	£	£	£
Deferred taxation:				
At beginning of year	36,661	35,663	-	-
Credit for the year in the profit and loss account	40,693	998	-	-
	<u>77,354</u>	<u>36,661</u>	<u>-</u>	<u>-</u>

The asset arises as follows:

	2006	Group 2005	2006	Company 2005
	£	£	£	£
Accelerated capital allowances	24,579	24,344	-	-
Short term timing differences	52,775	12,317	-	-
	<u>77,354</u>	<u>36,661</u>	<u>-</u>	<u>-</u>

## Notes (continued)

### 15 Called up share capital

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
<b>Authorised</b>				
13,000,000 ordinary shares of 1p each	130,000	130,000	130,000	-
<b>Allotted, called up and fully paid</b>				
11,430,000 ordinary shares of 1p each	114,300	114,300	114,300	-

### 16 Share premium

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
At 31 May 2006	85,700	85,700	85,700	-

### 17 Profit and loss account

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
At start of year	(607,245)	(500,205)	-	-
Profit/(loss) for the year	534,484	(107,040)	(17,604)	-
	(72,760)	(607,245)	(17,604)	-

### 18 Commitments

	Group		Company	
	2006	2006	2006	2005
	£	£	£	£
Operating leases which expire:				
Within one year	-	-	-	-
In the second to fifth years inclusive	-	122,350	-	-

### 19 Reconciliation of operating profit to net cash inflow from operating activities

	Group		Company	
	2006	2005	2006	2005
	£	£	£	£
Operating profit	806,128	61,990	-	-
Depreciation charge	208,003	155,199	-	-
Amortisation of goodwill	77,919	68,401	-	-
Loss on disposal of tangible fixed assets	9,966	9,685	-	-
Decrease/(increase) in debtors	(1,048,144)	270,737	-	-
(Decrease)/increase in creditors	955,498	(99,934)	-	-
Net cash inflow from operating activities	1,009,370	466,078	-	-

## Notes (continued)

### 20 Cash flow statement

#### Returns on investments and servicing of finance

	Group 2006 £	2005 £
Interest paid	(72,510)	(121,599)
Interest element of HP lease payments	-	(217)
Purchase of shares in subsidiary	(1,500,000)	-
	<hr/>	<hr/>
Purchase of shares in subsidiary	(1,572,510)	(121,816)
	<hr/>	<hr/>

#### Capital expenditure

	Group 2006 £	2005 £
Payments to acquire tangible fixed assets	(200,760)	(227,506)
Receipts from sale of tangible fixed assets	3,000	-
	<hr/>	<hr/>
	(197,760)	(227,506)
	<hr/>	<hr/>

#### Acquisition and disposals

	Group 2006 £	2005 £
Receipts from sale of business	75,000	-
	<hr/>	<hr/>
	75,000	-
	<hr/>	<hr/>

#### Financing

	Group 2006 £	2005 £
Payment of loans	(434,933)	(1,266,016)
New share capital	-	137,025
New loans	1,500,000	1,016,813
Repayments of finance leases	-	(2,068)
	<hr/>	<hr/>
	1,062,067	(114,246)
	<hr/>	<hr/>

## Notes (continued)

### 21 Reconciliation of net cash flow to movement in net debt

	Group 2006 £	2005 £
Increase in cash	348,689	2,510
Changes in loans	(1,062,067)	122,178
Changes in lease finance	-	2,068
Directors loans converted to capital	-	137,025
	<hr/>	<hr/>
Movement in net debt in period	(713,378)	527,562
Net debt at beginning of year	(9,757)	(1,240,940)
	<hr/>	<hr/>
	(723,135)	(713,378)
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### 22 Analysis of net debt

	At start of year £	Cash flow £	At end of year £
Cash	886,078	348,689	1,234,767
Debt due within one year	(249,996)	18,756	(231,240)
Debt due after one year	(645,839)	(1,080,832)	(1,726,662)
	<hr/>	<hr/>	<hr/>
	(9,757)	(713,378)	(723,135)
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