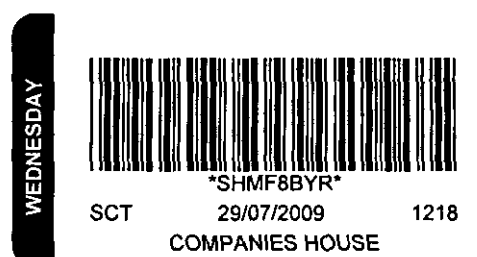




# Financial statements Adventi Limited and Group companies

---

**For the Year Ended 30 September 2008**



**Company No. SC230646**

## Contents index

<b>Report of the directors</b>	3 - 5
<b>Report of the independent auditor</b>	6 - 7
<b>Accounting policies</b>	8 - 9
<b>Profit and loss account</b>	10
<b>Group balance sheet</b>	11
<b>Balance sheet</b>	12
<b>Group cash flow</b>	13
<b>Notes to the financial statements</b>	14 - 25

## Report of the directors

The directors present their report and the financial statements of the group for the year ended 30 September 2008.

### **Principal activities and business review**

The principal activity of the company during the year was that of the provision of IT support services and the sale and installation of hardware and software.

The year has been one of significant change for the Group. We withdrew from our retail operations with the closure of our Glasgow shop and the sale of our Edinburgh shop. We reduced our cost base significantly in view of the deteriorating economic climate and we have repositioned the sales focus of the group toward added value services acknowledging the downturn in our main hardware markets.

The consequences of these actions can be seen in the Profit and Loss Account where turnover has dropped by 42% but gross margin has improved to 27.7%, against 24.8% in the previous year, and overhead costs have been reduced by 9%. The resulting loss of £500,894 is of course disappointing but reflects the considerable costs of restructuring which were absolutely essential to rebase the company for sustainable, profitable growth.

We have also, most importantly, introduced a new, experienced management team. Eddie Chance was appointed CEO in July replacing John McAleenan who stepped down in June. In September, William Edwards was appointed as finance director and company secretary replacing Andy Smith who retired from the Board in December. Ian Kinloch, the previous sales director, left the company in February and was replaced in May by Andy Torrance who was appointed to the board in October. Graham Bucknall has moved from an executive role to that of non executive.

All of these changes have been beneficial and the new team has designed and implemented our revised strategies leading to confidence in the future despite the ever toughening economic climate.

Finally, since the end of the year, we have strengthened our balance sheet by an open offer to shareholders to raise more capital. We have successfully raised £576,200 and will be continuing with the offer to raise a further £223,800 in accordance with the authority granted by our shareholders.

### **Results and dividends**

The loss for the year amounted to £500,894. The directors have not recommended a dividend.

### **Financial risk management objectives and policies**

The Group uses various financial instruments including cash, bank overdrafts and various items, such as trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations. The existence of these financial instruments exposes the company to a number of financial risks, which are described in more detail below.

## Report of the directors (continued)

### **Credit risk**

The Group's principal financial assets are cash and trade debtors. The credit risk associated with cash is limited as these are held in long-standing bank institutions. The principal credit risk therefore arises from 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 by the credit controller on a regular basis in conjunction with debt ageing and collection history.

### **Liquidity risk**

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs. The objective is to ensure a mix of funding methods offering flexibility and cost effectiveness to match the needs of the Group.

### **Interest rate risk**

The Group finances its operations through a mixture of bank borrowings, finance and operating leases. The company exposure to interest rate fluctuations on its borrowings is managed by the use of both fixed and floating facilities, thereby enabling the Group to benefit from any reduction in interest rates whilst still maintaining an element of certainty over the future interest cash flows.

### **Directors**

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

G R C Bucknall  
M H McPherson  
J Armstrong  
A E H Salvesen  
A Smith  
E Chance  
J Kinloch  
W Edwards  
J McAleenan  
P Shakeshaft

E Chance was appointed as a director on 9 July 2008.

W Edwards was appointed as a director on 23 September 2008.

J Kinloch retired as a director on 5 February 2008.

J McAleenan retired as a director on 5 June 2008.

A Smith retired as a director on 31 December 2008

A Torrance was appointed as a director on 1 October 2008.

## Report of the directors (continued)

### Directors' responsibilities

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 Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that year. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 group 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 group 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 group'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.

### Auditor

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

BY ORDER OF THE BOARD



W Edwards

Secretary

30/4/09



## Report of the independent auditor to the members of Adventi Limited and Group companies

We have audited the group and parent company financial statements ("the financial statements") of Adventi Limited and Group companies for the year ended 30 September 2008 which comprise the accounting policies, profit and loss account, group balance sheet and balance sheet, group cash flow and notes 1 to 22. 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 auditor**

The directors' responsibilities for preparing the Report of the Directors and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the Directors 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 Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of 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 judgements 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.

## Report of the independent auditor to the members of Adventi Limited and Group companies (continued)

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 30 September 2008 and of the group's loss 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 Report of the directors is consistent with the financial statements.

*Grant Thornton UK LLP*

GRANT THORNTON UK LLP  
REGISTERED AUDITORS  
CHARTERED ACCOUNTANTS

GLASGOW

*30/4/09*

## Accounting policies

### **Basis of accounting**

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

### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the company and all group undertakings. These are adjusted, where appropriate, to conform to group accounting policies. Acquisitions are accounted for under the acquisition method and goodwill on consolidation is capitalised and written off over 20 years from the year of acquisition. The results of companies acquired or disposed of are included in the profit and loss account after or up to the date that control passes respectively. As a consolidated profit and loss account is published, a separate profit and loss account for the parent company is omitted from the group financial statements by virtue of section 230 of the Companies Act 1985.

### **Turnover**

Turnover arises from the sale of goods and services and is stated at the fair value of the consideration receivable, net of value added tax, rebates and discounts. Turnover from services provided by the company is recognised when the company has performed its obligations and in exchange obtained the right to consideration.

### **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	- 5% - 20%
----------	------------

### **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:

Leasehold Property	- 10%
Plant & Machinery	- 25% - 50%
Motor Vehicles	- 33%

### **Stocks**

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



## Accounting policies (continued)

### **Hire purchase agreements**

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

### **Operating lease agreements**

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

### **Pension costs**

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

### **Financial instruments**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

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 return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting 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.

## Profit and loss account

	Note	2008 £	2007 £
<b>Group turnover</b>	1	9,715,524	16,731,985
Cost of sales		7,025,967	12,588,870
Gross profit		<u>2,689,557</u>	<u>4,143,115</u>
Other operating charges	2	3,184,834	3,497,938
<b>Operating (loss)/profit</b>	3	<u>(495,277)</u>	<u>645,177</u>
Attributable to:			
Operating (loss)/profit before exceptional items		(360,560)	645,177
Exceptional items	3	<u>(134,717)</u>	<u>—</u>
		<u>(495,277)</u>	<u>645,177</u>
Interest receivable		573	100
Interest payable and similar charges	6	<u>(117,214)</u>	<u>(162,851)</u>
<b>(Loss)/profit on ordinary activities before taxation</b>		<u>(611,918)</u>	<u>482,426</u>
Tax on (loss)/profit on ordinary activities	7	<u>(111,024)</u>	<u>111,599</u>
<b>(Loss)/profit for the financial year</b>	8	<u><u>(500,894)</u></u>	<u><u>370,827</u></u>

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

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

The company has taken advantage of section 230 of the Companies Act 1985 not to publish its own Profit and Loss Account.

## Group balance sheet

	Note	2008 £	2007 £
<b>Fixed assets</b>			
Intangible assets	9	4,674,997	4,953,542
Tangible assets	10	92,283	259,274
		<u>4,767,280</u>	<u>5,212,816</u>
<b>Current assets</b>			
Stocks	12	30,535	124,192
Debtors	13	1,104,147	1,747,949
Cash at bank and in hand		28,750	–
		<u>1,163,432</u>	<u>1,872,141</u>
<b>Creditors: amounts falling due within one year</b>	14	<u>3,139,369</u>	<u>3,500,752</u>
<b>Net current liabilities</b>		<u>(1,975,937)</u>	<u>(1,628,611)</u>
<b>Total assets less current liabilities</b>		<u>2,791,343</u>	<u>3,584,205</u>
<b>Creditors: amounts falling due after more than one year</b>	15	<u>87,235</u>	<u>379,202</u>
		<u>2,704,108</u>	<u>3,205,003</u>
<b>Capital and reserves</b>			
Called-up share capital	19	650,226	650,098
Share premium account	20	3,755,128	3,305,157
Other reserves	20	–	450,100
Profit and loss account	20	(1,701,246)	(1,200,352)
<b>Shareholders' funds</b>	21	<u>2,704,108</u>	<u>3,205,003</u>

These financial statements were approved by the directors and authorised for issue on ....., and are signed on their behalf by:



P Shakeshaft

30/4/09

## Balance sheet

	Note	2008 £	2007 £
<b>Fixed assets</b>			
Intangible assets	9	–	5,730
Tangible assets	10	–	1,055
Investments	11	4,978,562	4,978,562
		<u>4,978,562</u>	<u>4,985,347</u>
<b>Current assets</b>			
Debtors	13	78,776	64,083
<b>Creditors: amounts falling due within one year</b>	14	1,599,689	1,380,215
<b>Net current liabilities</b>		<u>(1,520,913)</u>	<u>(1,316,132)</u>
<b>Total assets less current liabilities</b>		<u>3,457,649</u>	<u>3,669,215</u>
<b>Creditors: amounts falling due after more than one year</b>	15	–	350,625
		<u>3,457,649</u>	<u>3,318,590</u>
<b>Capital and reserves</b>			
Called-up share capital	19	650,226	650,098
Share premium account	20	3,755,128	3,305,157
Other reserves	20	–	450,100
Profit and loss account	20	(947,705)	(1,086,765)
<b>Shareholders' funds</b>		<u>3,457,649</u>	<u>3,318,590</u>

These financial statements were approved by the directors and authorised for issue on ....., and are signed on their behalf by:



.....  
P Shakeshaft

## Group cash flow

	Note	2008 £	2007 £
Net cash inflow from operating activities	22	798,702	234,636
Returns on investments and servicing of finance	22	(116,641)	(162,751)
Taxation	22	(50,471)	(27,353)
Capital expenditure and financial investment	22	101,701	(103,638)
Acquisitions and disposals		-	(27,457)
Cash inflow/(outflow) before financing		733,291	(86,563)
Financing	22	(559,683)	269,427)
Increase /(decrease) in cash	22	<u>173,607</u>	<u>355,990</u>

## Notes to the financial statements

### 1 Turnover

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

	2008 £	2007 £
United Kingdom	<u>9,715,524</u>	<u>16,731,985</u>

### 2 Other operating charges

	2008 £	2007 £
Distribution costs	60,329	47,284
Administrative expenses	<u>3,124,505</u>	<u>3,450,654</u>
	<u>3,184,834</u>	<u>3,497,938</u>

### 3 Operating (loss)/profit

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

	2008 £	2007 £
Amortisation	278,543	242,395
Depreciation of owned fixed assets	61,882	75,758
Depreciation of assets held under hire purchase agreements	16,935	34,376
Profit on disposal of fixed assets	(13,525)	(4,870)
Auditor's remuneration:		
Audit fees	41,810	40,396
Exceptional direct costs	<u>134,717</u>	<u>—</u>

The exceptional charge arose in relation to a contractual trading activity.

## Notes to the financial statements (continued)

### 4 Particulars of employees directors and employees

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

	2008 No	2007 No
Selling and distribution staff	33	43
Training staff	1	1
Administration staff	12	12
Service staff	25	31
	<u>71</u>	<u>87</u>

The aggregate payroll costs of the above were:

	2008 £	2007 £
Wages and salaries	1,913,410	2,118,747
Social security costs	165,903	181,772
Other pension costs	16,368	15,634
	<u>2,095,681</u>	<u>2,316,153</u>

### 5 Directors

Remuneration in respect of directors was as follows:

	2008 £	2007 £
Emoluments receivable	237,163	250,264
Value of company pension contributions to money purchase schemes	10,500	10,500
	<u>247,663</u>	<u>260,764</u>

### 6 Interest payable and similar charges

	2008 £	2007 £
Interest payable on bank borrowing	48,609	66,923
Finance charges payable under hire purchase agreements	5,642	6,289
Other similar charges payable	62,963	89,639
	<u>117,214</u>	<u>162,851</u>

## Notes to the financial statements (continued)

### 7 Taxation on ordinary activities

#### (a) Analysis of charge in the year

	2008 £	2007 £
Current tax:		
UK Corporation tax based on the results for the year at 29% (2007 - 30%)	(111,024)	111,879
(Over)/under provision in prior year	-	(280)
Total current tax	<u>(111,024)</u>	<u>111,599</u>

#### (b) Factors affecting current tax charge

The tax assessed on the (loss)/profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 29% (2007 - 30%).

	2008 £	2007 £
(Loss)/profit on ordinary activities before taxation	<u>(611,918)</u>	<u>482,426</u>
(Loss)/profit on ordinary activities by rate of tax	(164,287)	144,728
Expenses not deductible for tax purposes	78,197	75,357
Capital allowances for period in excess of depreciation	(4,447)	(5,647)
Utilisation of tax losses	(60,067)	(108,327)
Tax chargeable at lower rates	-	(273)
Adjustments to tax charge in respect of previous periods	-	(280)
Non qualifying depreciation	-	7,187
Other timing differences	(2,121)	1,959
Marginal relief	-	(3,105)
Losses carried forward	41,701	-
Total current tax (note 7(a))	<u>111,024</u>	<u>111,599</u>

### 8 Profit attributable to members of the parent company

The profit dealt with in the accounts of the parent company was £139,060 (2007 - £351,365).



## Notes to the financial statements (continued)

### 9 Intangible fixed assets

Group	Goodwill £
Cost	
At 1 October 2007 and 30 September 2008	<u>5,570,847</u>
Amortisation	
At 1 October 2007	617,307
Charge for the year	<u>278,543</u>
At 30 September 2008	<u>895,850</u>
Net book value	
At 30 September 2008	<u>4,674,997</u>
At 30 September 2007	<u>4,953,540</u>
Company	Goodwill £
Cost	
At 1 October 2007 and 30 September 2008	<u>28,064</u>
Amortisation	
At 1 October 2007	22,334
Charge for the year	<u>5,730</u>
At 30 September 2008	<u>28,064</u>
Net book value	
At 30 September 2008	<u>-</u>
At 30 September 2007	<u>5,730</u>

## Notes to the financial statements (continued)

### 10 Tangible fixed assets

Group	Leasehold Property £	Plant & Machinery £	Motor Vehicles £	Total £
Cost				
At 1 October 2007	353,318	248,125	202,383	803,826
Disposals	(110,309)	—	(113,877)	(224,186)
At 30 September 2008	<u>243,009</u>	<u>248,125</u>	<u>88,506</u>	<u>579,640</u>
Depreciation				
At 1 October 2007	240,568	183,593	120,389	544,550
Charge for the year	30,736	25,954	22,127	78,817
On disposals	(54,973)	—	(81,037)	(136,010)
At 30 September 2008	<u>216,331</u>	<u>209,547</u>	<u>61,479</u>	<u>487,357</u>
Net book value				
At 30 September 2008	<u>26,678</u>	<u>38,578</u>	<u>27,027</u>	<u>92,283</u>
At 30 September 2007	<u>112,750</u>	<u>64,532</u>	<u>81,994</u>	<u>259,276</u>

Included within the net book value of £92,283 is £26,004 (2007 - £39,098) relating to assets held under hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £16,935 (2007 - £34,376).

Company	Plant & Machinery £
Cost	
At 1 October 2007 and 30 September 2008	<u>24,185</u>
Depreciation	
At 1 October 2007	23,130
Charge for the year	1,055
At 30 September 2008	<u>24,185</u>
Net book value	
At 30 September 2008	<u>—</u>
At 30 September 2007	<u>1,055</u>

## Notes to the financial statements (continued)

### 11 Investments

Company	Group companies
Cost	
At 30 September 2008	5,160,252
At 30 September 2007	<u>5,160,252</u>
Amounts written off	
1 October 2007 and 30 September 2008	181,690
Net book value	
At 30 September 2008	
At 30 September 2007	<u>4,978,562</u>

	Country of incorporation	Holding	Proportion of voting rights and shares held	Nature of business
<b>Subsidiary undertakings</b>				
Scotsys Limited	Scotland	Ordinary shares	100%	Computer sales and maintenance
FDI System Solutions Limited	Scotland	Ordinary shares	100%	Non-trading
Remco (Bellshill)Limited*	Scotland	Ordinary shares	100%	Non-trading
Integral Arm Limited	Scotland	Ordinary shares	100%	Computer technical support
Integral Arm Limited	Scotland	Preference shares	100%	Computer technical support

\*Held by subsidiary

### 12 Stocks

	2008	The group	2008	The company
	£	2007	£	2007
		£		£
Finished goods	<u>30,535</u>	<u>124,192</u>	<u>—</u>	<u>—</u>

## Notes to the financial statements (continued)

### 13 Debtors

	The group		The company	
	2008	2007	2008	2007
	£	£	£	£
Trade debtors	997,677	1,725,862	9,688	60,938
Amounts owed by group undertakings	—	—	34,923	—
Other debtors	50,004	—	6,232	3,145
Prepayments and accrued income	56,466	22,087	27,933	—
	<u>1,104,147</u>	<u>1,747,949</u>	<u>78,776</u>	<u>64,083</u>

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

	The group		The company	
	2008	2007	2008	2007
	£	£	£	£
Bank loans and overdrafts	1,192,961	1,549,812	1,169,417	619,542
Trade creditors	706,771	919,441	51,642	18,341
Amounts owed to group undertakings	—	—	80,000	638,619
Amounts due under hire purchase agreements	10,295	66,017	—	—
Directors' loan accounts	250,000	—	250,000	—
Other creditors	193,975	386,871	12,567	10,438
Accruals and deferred income	785,367	578,611	36,063	93,275
	<u>3,139,369</u>	<u>3,500,752</u>	<u>1,599,689</u>	<u>1,380,215</u>

The bank loans and overdraft is secured by a bond and floating charge over the assets of the company.

The following liabilities disclosed under creditors falling due within one year are secured by the company:

	The group		The company	
	2008	2007	2008	2007
	£	£	£	£
Bank loans and overdrafts	<u>23,544</u>	<u>19,928</u>	<u>—</u>	<u>—</u>

## Notes to the financial statements (continued)

### **15 Creditors: amounts falling due after more than one year**

	The group		The company	
	2008	2007	2008	2007
	£	£	£	£
Bank loans and overdrafts	69,081	350,625	–	350,625
Amounts due under hire purchase agreements	18,154	28,577	–	–
	<u>87,235</u>	<u>379,202</u>	<u>–</u>	<u>350,625</u>

The following liabilities disclosed under creditors falling due after more than one year are secured by the company:

	The group		The company	
	2008	2007	2008	2007
	£	£	£	£
Bank loans and overdrafts	<u>69,081</u>	<u>96,575</u>	<u>–</u>	<u>–</u>

### **16 Commitments under hire purchase agreements**

Future commitments under hire purchase agreements are as follows:

	The group		The company	
	2008	2007	2008	2007
	£	£	£	£
Amounts payable within 1 year	10,295	66,017	–	–
Amounts payable between 1 and 2 years	18,154	28,577	–	–
	<u>28,449</u>	<u>94,594</u>	<u>–</u>	<u>–</u>

### **17 Commitments under operating leases**

At 30 September 2008 the group had annual commitments under non-cancellable operating leases as set out below.

The group	Land and buildings	
	2008	2007
	£	£
Operating leases which expire:		
Within 2 to 5 years	46,000	–
After more than 5 years	–	109,653
	<u>46,000</u>	<u>109,653</u>

## Notes to the financial statements (continued)

### 18 Related party transactions

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

### 19 Share capital

Authorised share capital:

	2008	2007
	£	£
128,625 Ordinary shares of £0.01 each	1,286	1,286
64,906,850 Preference shares of £0.01 each	649,069	649,069
	<u>650,355</u>	<u>650,355</u>

Allotted and called up:

	2008		2007	
	No	£	No	£
Ordinary shares of £0.01 each	115,737	1,157	102,877	1,029
Preference shares of £0.01 each	64,906,850	649,069	64,906,850	649,069
	<u>65,022,587</u>	<u>650,226</u>	<u>65,009,727</u>	<u>650,098</u>

### 20 Reserves

Group	Share premium account £	Deferred consideration £	Profit and loss account £
At 1 October 2007	3,305,157	450,100	(1,200,352)
Loss for the year	-	-	(500,894)
Other movements			
New equity share capital subscribed	449,971	-	-
Transfers	-	(450,100)	-
At 30 September 2008	<u>3,755,128</u>	<u>-</u>	<u>(1,701,246)</u>
Company	Share premium account £	Deferred consideration £	Profit and loss account £
At 1 October 2007	3,305,157	450,100	(1,086,765)
Profit for the year	-	-	139,060
Other movements			
New equity share capital subscribed	449,971	-	-
Transfers	-	(450,100)	-
At 30 September 2008	<u>3,755,128</u>	<u>-</u>	<u>(947,705)</u>

## Notes to the financial statements (continued)

### 21 Reconciliation of movements in shareholders' funds

	2008 £	2007 £
(Loss)/Profit for the financial year	(500,894)	370,827
New equity share capital subscribed	129	140
Premium on new share capital subscribed	449,971	465,885
Less capitalised from reserves	(450,100)	450,100
Net (reduction)/addition to shareholders' funds	(500,894)	1,286,952
Opening shareholders' funds	3,205,003	1,918,051
Closing shareholders' funds	<u>2,704,109</u>	<u>3,205,003</u>

### 22 Notes to the statement of cash flows

#### Reconciliation of operating (loss)/profit to net cash inflow from operating activities

	2008 £	2007 £
Operating (loss)/profit	(495,277)	645,177
Amortisation	278,543	242,395
Depreciation	78,817	110,134
Profit on disposal of fixed assets	(13,525)	(4,870)
Decrease in stocks	93,657	173,183
Decrease in debtors	693,806	453,851
Increase / (decrease) in creditors	162,681	(1,385,234)
Net cash inflow from operating activities	<u>798,702</u>	<u>234,636</u>

#### Returns on investments and servicing of finance

	2008 £	2007 £
Interest received	573	100
Interest paid	(111,572)	(156,562)
Interest element of hire purchase	(5,642)	(6,289)
Net cash outflow from returns on investments and servicing of finance	<u>(116,641)</u>	<u>(162,751)</u>

#### Taxation

	2008 £	2007 £
Taxation	<u>(50,471)</u>	<u>(27,353)</u>

## Notes to the financial statements (continued)

### 22 Notes to the statement of cash flows (continued) Capital expenditure

	2008	2007
	£	£
Payments to acquire intangible fixed assets	-	(119,386)
Receipts from sale of fixed assets	101,701	15,748
Net cash inflow/(outflow) from capital expenditure	<u>101,701</u>	<u>(103,638)</u>

### Financing

	2008	2007
	£	£
Issue of equity share capital	129	37
Share premium on issue of equity share capital	449,971	105,089
(Repayment of)/increase in bank loans	(493,538)	(363,220)
Release of deferred consideration	(450,100)	-
Capital element of hire purchase	(66,145)	(12,152)
Net cash (outflow)/inflow from financing	<u>(559,683)</u>	<u>(269,427)</u>

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

	2008	2007
	£	£
Increase in cash in the period	173,608	(355,990)
Net cash outflow from/(inflow) from bank loans	493,538	363,220
Cash outflow in respect of hire purchase	66,145	12,152
Change in net debt	<u>733,291</u>	<u>19,382</u>
Net debt at 1 October 2007	<u>(1,995,031)</u>	<u>(2,014,413)</u>
Net debt at 30 September 2008	<u>(1,261,740)</u>	<u>(1,995,031)</u>



## Notes to the financial statements (continued)

### 22 Notes to the statement of cash flows (continued)

#### Analysis of changes in net debt

	At 1 Oct 2007 £	Cash flows £	At 30 Sep 2008 £
Net cash:			
Cash in hand and at bank	–	28,751	28,751
Overdrafts	(966,774)	144,857	(821,917)
	<u>(966,774)</u>	<u>173,608</u>	<u>(793,166)</u>
Debt:			
Debt due within 1 year	(583,038)	211,994	(371,044)
Debt due after 1 year	(350,625)	281,544	(69,081)
Hire purchase agreements	(94,594)	66,145	(28,449)
	<u>(1,028,257)</u>	<u>559,683</u>	<u>(468,574)</u>
Net debt	<u>(1,995,031)</u>	<u>733,291</u>	<u>(1,261,740)</u>