

**Report of the Directors and
Financial Statements for the Year Ended 31 May 2008
for
Datel Computing Limited**

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for the Year Ended 31 May 2008**

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Datel Computing Limited

**Company Information
for the Year Ended 31 May 2008**

DIRECTORS:

A K Simpson
D J Preston

SECRETARY:

D J Preston

REGISTERED OFFICE:

Cinnamon Park
Fearnhead
WARRINGTON
Cheshire
WA2 0XP

REGISTERED NUMBER:

01555529 (England and Wales)

AUDITORS:

Ashworth Treasure Limited
Registered Auditors
17-19 Park Street
Lytham
Lancashire
FY8 5LU

Datel Computing Limited

Report of the Directors for the Year Ended 31 May 2008

The directors present their report with the financial statements of the company for the year ended 31 May 2008.

PRINCIPAL ACTIVITY

The principal activity of the company continues to be the retailing of computer equipment, software and programming services. Datel Computing Limited is the UK's leading independent provider of business management systems to medium-sized enterprises, and one of Sage's leading business partners. Over the years business leaders across a diverse cross section of markets have chosen to trust Datel to deliver critical IT software solutions.

REVIEW OF BUSINESS

The results for the year and financial position of the company are as shown in the annexed financial statements.

Performance in the year

Datel Computing Limited turnover increased to £13.8 million from £11.5 million the previous year, an increase of 20%. Approximately 60% of the increase was attributable to the effect of acquisitions during the year and the preceding year. In November 2007 the company acquired the Sage Line 500 business of Star Computers Ltd, and on the 31 March 2008, the Saleslogix business of Onsite Marketing Solutions Ltd. During the previous year, in March 2007, the company had acquired the Sage Line 500 business of Technology Services Group Ltd. These acquisitions have proved most successful and as a result some 200 new customers are now being supported by the company.

The remainder of the increase was attributable to improved sales performance. Order intake excluding those to customers acquired was 7% higher than the prior year, and ahead of our internal target.

In 2008 we were delighted to be the outright winners, from all of Sage's UK business partners, of Sage's 'Circle of Excellence' award, for the third year in a row. This is an award that reflects the views of Datel's own customers, and the extent to which they would be prepared to recommend Datel to others. To win this award three years running is a remarkable achievement and reflects the commitment to outstanding customer service that staff deliver in all areas of our business.

The high levels of customer satisfaction that we have achieved have resulted in a very low level of churn in our customer base and in recent years this has contributed to an increase in the proportion of our revenue that represents contracts for annual support services - 49% during the year (2007; 47%). This recurring revenue stream provides significant stability for the business in the more difficult economic climate that may lie ahead.

We have continued to invest in improvements in process and systems with the objectives of increasing customer satisfaction and operational efficiency. Operating margins before goodwill amortisation have remained constant at 8%, with operating profit before amortisation increasing from £0.9m to £1.1m, an 18% increase.

Net cash generated for the year excluding the cost of acquisitions amounted to £0.6 million. £0.8 million was invested in acquisitions resulting in a small increase in net debt of £0.2 million.

Position at the end of the year

Year end net indebtedness was £0.2 million. The group has substantial unused facilities and is continuing to look for suitable acquisitions to complement its organic growth plans.

Principal risk and uncertainties

The company maintains a strategy of strong management, leadership and training. This strategy enables the company to react quickly to changes in the business environment. Accordingly, the company is well placed to react to any future risks or uncertainties arising out of the business environment.

DIVIDENDS

Total dividends paid in the year amounted to £290,000.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 June 2007 to the date of this report.

A K Simpson
D J Preston

Datel Computing Limited

**Report of the Directors
for the Year Ended 31 May 2008**

COMPANY'S POLICY ON PAYMENT OF CREDITORS

Amounts due to suppliers are settled as expeditiously as possible within the terms of payment.

In practice, the number of days taken to pay creditors, for the period covered by this report, calculated by dividing the total amount of trade creditors by the total value of supplies and multiplied by the number of days in the period was 121 days.

POLITICAL AND CHARITABLE CONTRIBUTIONS

Charitable donations made in the year amounted to £6,305.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing 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 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 company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to 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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

ON BEHALF OF THE BOARD:


.....
D J Preston - Director

Date: 22.12.08.....

**Report of the Independent Auditors to the Shareholders of
Datel Computing Limited**

We have audited the financial statements of Datel Computing Limited for the year ended 31 May 2008 on pages five to sixteen. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out on page three.

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 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 judgements 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.

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 May 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 Report of the Directors is consistent with the financial statements.

Ashworth Treasure Limited
Registered Auditors
17-19 Park Street
Lytham
Lancashire
FY8 5LU

Date: 23 December 2008

Datel Computing Limited

**Profit and Loss Account
for the Year Ended 31 May 2008**

	Notes	2008 £	2007 £
TURNOVER	2	13,780,119	11,472,294
Cost of sales		<u>4,327,493</u>	<u>3,755,943</u>
GROSS PROFIT		9,452,626	7,716,351
Distribution costs		6,007,649	4,625,868
Administrative expenses		<u>2,315,916</u>	<u>2,130,535</u>
		<u>8,323,565</u>	<u>6,756,403</u>
OPERATING PROFIT BEFORE AMORTISATION AND DEPRECIATION		1,129,061	959,948
Amortisation of intangible fixed assets		366,077	210,935
Depreciation of tangible assets		<u>95,368</u>	<u>110,096</u>
		<u>461,445</u>	<u>321,031</u>
OPERATING PROFIT	4	667,616	638,917
Interest receivable and similar income		<u>-</u>	<u>6,100</u>
		667,616	645,017
Interest payable and similar charges	5	<u>40,103</u>	<u>4,781</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		627,513	640,236
Tax on profit on ordinary activities	6	<u>194,244</u>	<u>150,156</u>
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION		<u><u>433,269</u></u>	<u><u>490,080</u></u>

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current year or previous year.

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the profits for the current year or previous year.

The notes form part of these financial statements

Datel Computing Limited

Balance Sheet
31 May 2008

		2008		2007	
	Notes	£	£	£	£
FIXED ASSETS					
Intangible assets	8		3,428,562		3,044,319
Tangible assets	9		<u>231,068</u>		<u>246,822</u>
			3,659,630		3,291,141
CURRENT ASSETS					
Stocks	10	32,733		9,471	
Debtors	11	5,630,443		4,537,253	
Cash at bank		<u>1,147,805</u>		<u>636,214</u>	
		6,810,981		5,182,938	
CREDITORS					
Amounts falling due within one year	12	<u>8,302,368</u>		<u>6,146,365</u>	
NET CURRENT LIABILITIES			<u>(1,491,387)</u>		<u>(963,427)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			2,168,243		2,327,714
CREDITORS					
Amounts falling due after more than one year	13		<u>693,758</u>		<u>996,498</u>
NET ASSETS			<u>1,474,485</u>		<u>1,331,216</u>
CAPITAL AND RESERVES					
Called up share capital	17		25,000		25,000
Profit and loss account	18		<u>1,449,485</u>		<u>1,306,216</u>
SHAREHOLDERS' FUNDS	23		<u>1,474,485</u>		<u>1,331,216</u>

The financial statements were approved by the Board of Directors on 22.12.08 and were signed on its behalf by:


D J Preston - Director

The notes form part of these financial statements

Datel Computing Limited

**Cash Flow Statement
for the Year Ended 31 May 2008**

		2008		2007	
	Notes	£	£	£	£
Net cash inflow from operating activities	24		475,779		3,298,417
Returns on investments and servicing of finance	25		(40,103)		1,319
Taxation			(168,734)		(62,373)
Capital expenditure	25		(828,667)		(3,192,884)
Equity dividends paid			<u>(290,000)</u>		<u>-</u>
			(851,725)		44,479
Financing	25		<u>1,349,055</u>		<u>(513,279)</u>
Increase/(Decrease) in cash in the period			<u>497,330</u>		<u>(468,800)</u>
Reconciliation of net cash flow to movement in net funds	26				
Increase/(Decrease) in cash in the period		497,330		(468,800)	
Cash (inflow)/outflow from (increase)/decrease in debt and lease financing		<u>(1,349,055)</u>		<u>513,279</u>	
Change in net funds resulting from cash flows			<u>(851,725)</u>		<u>44,479</u>
Movement in net funds in the period			<u>(851,725)</u>		<u>44,479</u>
Net funds at 1 June			<u>631,426</u>		<u>586,947</u>
Net (debt)/funds at 31 May			<u>(220,299)</u>		<u>631,426</u>

The notes form part of these financial statements

**Notes to the Financial Statements
for the Year Ended 31 May 2008**

1. ACCOUNTING POLICIES

Accounting convention

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

Turnover

Turnover represents net invoiced sales of goods, excluding value added tax, except in respect of service contracts where turnover is recognised when the company obtains the right to consideration.

Intangible fixed assets

Purchased goodwill has been capitalised and is amortised through the profit and loss account on a straight-line basis over the estimated useful life of ten years.

In the opinion of the directors this represents a prudent estimate of the period over which the company will derive direct economic benefit from the purchases.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Fixtures and fittings	- 15% on reducing balance
Computer equipment	- 33% on cost

Fixed assets are stated at purchase price, less depreciation and amounts written off.

Deferred tax

Deferred taxation is recognised in respect of all timing differences which have originated but not reversed at the balance sheet date. Timing differences are differences between taxable profits and the results as stated in the financial statements which arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when it can be regarded as more likely than not that there will be suitable profits from which the future reversal of underlying timing differences can be deducted.

Deferred taxation is measured at the average tax rates which are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws which have been enacted or substantively enacted by the balance sheet date. Deferred taxation is measured on non-discounted basis.

Leased assets and obligations

Rentals payable under operating leases are charged to profit on a straight line basis over the term of the lease.

Pension costs and other post-retirement benefits

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 costs charged represents contributions paid by the company to the fund.

Long term contracts

When the outcome of an individual contract can be foreseen with reasonable certainty and can be estimated reliably, margin is recognised by reference to the stage of completion, based on the lower of the percentage margin earned to date and that prudently forecast at completion. This is after the deduction of any foreseeable losses and applicable payments on account.

Operating profit is stated after attributable profit on long term contracts completed and amounts recoverable on contracts uncompleted, the latter also being included within debtors due within one year.

2. TURNOVER

The turnover and profit before taxation are attributable to the principal activity of the company.

Datel Computing Limited

**Notes to the Financial Statements - continued
for the Year Ended 31 May 2008**

3. STAFF COSTS

	2008	2007
	£	£
Wages and salaries	5,777,399	4,562,816
Social security costs	607,167	471,991
Other pension costs	<u>158,793</u>	<u>145,455</u>
	<u>6,543,359</u>	<u>5,180,262</u>

The average monthly number of employees during the year was as follows:

	2008	2007
Sales, distribution and programming	125	103
Office and management	<u>20</u>	<u>20</u>
	<u>145</u>	<u>123</u>

4. OPERATING PROFIT

The operating profit is stated after charging/(crediting):

	2008	2007
	£	£
Hire of plant and machinery	-	209
Other operating leases	24,228	2,118
Depreciation - owned assets	95,384	110,096
(Profit)/Loss on disposal of fixed assets	(1,283)	4,445
Goodwill amortisation	366,077	150,096
Patents and licences amortisation	-	60,839
Auditors' remuneration	6,000	6,000
Auditors' remuneration for non audit work	<u>23,533</u>	<u>3,982</u>
Directors' emoluments	<u>287,936</u>	<u>150,317</u>

The number of directors to whom retirement benefits were accruing was as follows:

Money purchase schemes	<u>2</u>	<u>2</u>
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Information regarding the highest paid director for the year ended 31 May 2008 is as follows:

	2008
	£
Emoluments etc	<u>181,896</u>

**Notes to the Financial Statements - continued
for the Year Ended 31 May 2008**

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2008	2007
	£	£
Bank loan interest	26,992	-
Other interest	13,111	-
Hire purchase interest	-	4,781
	<u>40,103</u>	<u>4,781</u>

6. TAXATION

Analysis of the tax charge

The tax charge on the profit on ordinary activities for the year was as follows:

	2008	2007
	£	£
Current tax:		
UK corporation tax	181,784	168,735
Corporation tax - prior year	-	6,181
Total current tax	181,784	174,916
Deferred tax	12,460	(24,760)
Tax on profit on ordinary activities	<u>194,244</u>	<u>150,156</u>

Factors affecting the tax charge

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2008	2007
	£	£
Profit on ordinary activities before tax	<u>627,513</u>	<u>640,236</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 29.666% (2007 - 30%)	186,158	192,071
Effects of:		
Under / over provision in prior year	-	6,181
Expenses not deductible for tax purposes	10,973	3,573
Small company rates	(3,014)	(4,659)
Capital allowances in excess of depreciation	(12,333)	(22,250)
Current tax charge	<u>181,784</u>	<u>174,916</u>

7. DIVIDENDS

	2008	2007
	£	£
Ordinary shares of £1 each		
Final	<u>290,000</u>	<u>-</u>

Notes to the Financial Statements - continued
for the Year Ended 31 May 2008

8. INTANGIBLE FIXED ASSETS

	Goodwill £	Patents and licences £	Totals £
COST			
At 1 June 2007	3,297,481	912,833	4,210,314
Additions	<u>750,320</u>	<u>-</u>	<u>750,320</u>
At 31 May 2008	<u>4,047,801</u>	<u>912,833</u>	<u>4,960,634</u>
AMORTISATION			
At 1 June 2007	253,162	912,833	1,165,995
Amortisation for year	<u>366,077</u>	<u>-</u>	<u>366,077</u>
At 31 May 2008	<u>619,239</u>	<u>912,833</u>	<u>1,532,072</u>
NET BOOK VALUE			
At 31 May 2008	<u>3,428,562</u>	<u>-</u>	<u>3,428,562</u>
At 31 May 2007	<u>3,044,319</u>	<u>-</u>	<u>3,044,319</u>

9. TANGIBLE FIXED ASSETS

	Fixtures and fittings £	Computer equipment £	Totals £
COST			
At 1 June 2007	395,377	1,416,423	1,811,800
Additions	5,714	73,916	79,630
Disposals	<u>-</u>	<u>(985,845)</u>	<u>(985,845)</u>
At 31 May 2008	<u>401,091</u>	<u>504,494</u>	<u>905,585</u>
DEPRECIATION			
At 1 June 2007	281,893	1,283,085	1,564,978
Charge for year	12,268	83,116	95,384
Eliminated on disposal	<u>-</u>	<u>(985,845)</u>	<u>(985,845)</u>
At 31 May 2008	<u>294,161</u>	<u>380,356</u>	<u>674,517</u>
NET BOOK VALUE			
At 31 May 2008	<u>106,930</u>	<u>124,138</u>	<u>231,068</u>
At 31 May 2007	<u>113,484</u>	<u>133,338</u>	<u>246,822</u>

10. STOCKS

	2008 £	2007 £
Stocks	<u>32,733</u>	<u>9,471</u>

**Notes to the Financial Statements - continued
for the Year Ended 31 May 2008**

11. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2008	2007
	£	£
Trade debtors	3,144,123	2,475,262
Other debtors	60,129	122,411
Deferred tax asset	12,300	24,760
Accrued costs	2,025,239	1,598,685
Prepayments	388,652	316,135
	<u>5,630,443</u>	<u>4,537,253</u>

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2008	2007
	£	£
Bank loans and overdrafts (see note 14)	618,798	-
Other loans (see note 14)	55,548	-
Hire purchase contracts (see note 15)	-	4,788
Trade creditors	1,946,986	1,373,906
Amounts owed to group undertakings	300,729	-
Corporation tax	181,785	168,735
Social security and other taxes	250,393	154,147
VAT	294,670	290,300
Directors' loan accounts	123,598	-
Deferred income	4,159,232	3,936,512
Accrued expenses	370,629	217,977
	<u>8,302,368</u>	<u>6,146,365</u>

13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2008	2007
	£	£
Bank loans (see note 14)	314,098	-
Other loans (see note 14)	379,660	-
Amounts owed to group undertakings	-	996,498
	<u>693,758</u>	<u>996,498</u>

14. LOANS

An analysis of the maturity of loans is given below:

	2008	2007
	£	£
Amounts falling due within one year or on demand:		
Bank overdrafts	14,261	-
Bank loans	604,537	-
Other loans	55,548	-
	<u>674,346</u>	<u>-</u>

**Notes to the Financial Statements - continued
for the Year Ended 31 May 2008**

14. LOANS - continued

	2008 £	2007 £
Amounts falling due between one and two years:		
Bank loans - 1-2 years	314,098	-
Other loans - 1-2 years	<u>55,548</u>	<u>-</u>
	<u>369,646</u>	<u>-</u>
Amounts falling due between two and five years:		
Other loans - 2-5 years	<u>166,644</u>	<u>-</u>
Amounts falling due in more than five years:		
Repayable by instalments		
Other loans	<u>157,468</u>	<u>-</u>

15. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS AND LEASES

	2008 £	Hire purchase contracts 2007 £
Net obligations repayable:		
Within one year	<u>-</u>	<u>4,788</u>

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

	Land and buildings		Other operating leases	
	2008 £	2007 £	2008 £	2007 £
Expiring:				
Within one year	-	-	3,770	-
Between one and five years	-	-	13,211	-
In more than five years	<u>248,164</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>248,164</u>	<u>-</u>	<u>16,981</u>	<u>-</u>

**Notes to the Financial Statements - continued
for the Year Ended 31 May 2008**

16. SECURED DEBTS

The following secured debts are included within creditors:

	2008	2007
	£	£
Bank overdraft	14,261	-
Bank loans	918,635	-
Hire purchase contracts	-	4,788
	<u>932,896</u>	<u>4,788</u>

The nature of the security is a first legal mortgage over the company properties.

17. CALLED UP SHARE CAPITAL

Authorised, allotted, issued and fully paid:

Number:	Class:	Nominal value:	2008	2007
			£	£
25,000	Ordinary	£1	<u>25,000</u>	<u>25,000</u>

18. RESERVES

	Profit and loss account £
At 1 June 2007	1,306,216
Profit for the year	433,269
Dividends	<u>(290,000)</u>
At 31 May 2008	<u>1,449,485</u>

19. CONTINGENT LIABILITIES

The company has entered into a composite guarantee structure with its bankers. An associate, Datel Protex Systems Limited has indebtedness at 31 May 2008 of £182,250 (31 May 2007 - £Nil), Included within the guarantee.

20. CAPITAL COMMITMENTS

The maximum capital commitments contracted for but not provided for in the financial statements are £135,000.

**Notes to the Financial Statements - continued
for the Year Ended 31 May 2008**

21. RELATED PARTY DISCLOSURES

The ultimate holding company is Datel Group plc, a company registered in England and Wales.

Exemption has been taken of related party disclosures in respect of group transactions on the grounds that details of the company are included in publicly available consolidated financial statements.

Datel Protex Systems Limited is an associate of Datel Group plc.

At the balance sheet date, Datel Protex Systems Limited owed Datel Computing Limited a net amount of £64,397 (2007 - £125,364).

During the year, Datel Computing Limited invoiced Datel Protex Systems Limited a net amount of £32,093 (2007 - £Nil) in respect of the provision of goods and services. During the previous year, Datel Protex Systems Limited invoiced Datel Computing Limited a net amount of £47,407 in respect of the provision of goods and services. These transactions were undertaken on an arms length basis.

22. ULTIMATE CONTROLLING PARTY

The ultimate controlling party throughout the year was A K Simpson.

23. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2008 £	2007 £
Profit for the financial year	433,269	490,080
Dividends	(290,000)	-
Net addition to shareholders' funds	143,269	490,080
Opening shareholders' funds	<u>1,331,216</u>	<u>841,136</u>
Closing shareholders' funds	<u>1,474,485</u>	<u>1,331,216</u>

24. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2008 £	2007 £
Operating profit	667,616	638,917
Depreciation charges	461,461	321,031
(Profit)/Loss on disposal of fixed assets	(1,283)	4,445
(Increase)/Decrease in stocks	(23,262)	8,215
(Increase)/Decrease in debtors	(1,105,650)	57,704
Increase in creditors	<u>476,897</u>	<u>2,268,105</u>
Net cash inflow from operating activities	<u>475,779</u>	<u>3,298,417</u>

25. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2008 £	2007 £
Returns on investments and servicing of finance		
Interest received	-	6,100
Interest paid	(40,103)	-
Interest element of hire purchase payments	<u>-</u>	<u>(4,781)</u>
Net cash (outflow)/inflow for returns on investments and servicing of finance	<u>(40,103)</u>	<u>1,319</u>

**Notes to the Financial Statements - continued
for the Year Ended 31 May 2008**

25. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT - continued

	2008 £	2007 £
Capital expenditure		
Purchase of intangible fixed assets	(750,320)	(3,093,077)
Purchase of tangible fixed assets	(79,630)	(95,362)
Sale of tangible fixed assets	<u>1,283</u>	<u>(4,445)</u>
Net cash outflow for capital expenditure	<u>(828,667)</u>	<u>(3,192,884)</u>
Financing		
New loans in year	1,378,474	-
Loan repayments in year	(24,631)	(500,000)
Hire purchase repayments in year	<u>(4,788)</u>	<u>(13,279)</u>
Net cash inflow/(outflow) from financing	<u>1,349,055</u>	<u>(513,279)</u>

26. ANALYSIS OF CHANGES IN NET FUNDS

	At 1.6.07 £	Cash flow £	At 31.5.08 £
Net cash:			
Cash at bank and in hand	636,214	511,591	1,147,805
Bank overdraft	<u>-</u>	<u>(14,261)</u>	<u>(14,261)</u>
	<u>636,214</u>	<u>497,330</u>	<u>1,133,544</u>
Debt:			
Hire purchase	(4,788)	4,788	-
Debts falling due within one year	-	(660,085)	(660,085)
Debts falling due after one year	<u>-</u>	<u>(693,758)</u>	<u>(693,758)</u>
	<u>(4,788)</u>	<u>(1,349,055)</u>	<u>(1,353,843)</u>
Total	<u>631,426</u>	<u>(851,725)</u>	<u>(220,299)</u>