



Grant Thornton

Financial Statements Exponential-e Limited

For the year ended 31 January 2012



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A31 01/05/2012 #149

COMPANIES HOUSE

A07 25/04/2012 #410

COMPANIES HOUSE

Registered number: 4499567

Company Information

Company number	4499567
Registered office	Central House 25 Camperdown Street London E1 8DQ
Directors	L F Wade M Bavis M R Field A Hobbins S Acott C Keegan
Company secretary	M R Field
Bankers	Lloyds Bank Technology, Media and Telecoms Team 4th Floor 25 Gresham Street London EC2V 7HN
Solicitors	Beachcroft LLP 100 Fetter Lane London EC4A 1BN
Auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 4 Hardman Square Spinningfields Manchester M3 3EB

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Directors' report

For the year ended 31 January 2012

The directors present their report and the financial statements for the year ended 31 January 2012

Principal activities

Exponential-e Limited is a communication solutions company specialising in the design, installation and support of Ethernet networks. It provides leading edge Ethernet services to a wide range of blue chip national and international corporate clients.

Business review

The growth envisaged in last year's review materialised as follows

Turnover rose by 33% to £33.2m, and profit before tax by 32% to £2.5m. Employee numbers at the end of the year grew by 21% to 183.

The company continues to sign up new business and the contracts register held over £60m of contracted revenues awaiting delivery at the balance sheet date.

The Directors invested £5.7m in new equipment and have secured a £7.3m revolving credit facility with our bankers during the year, with an option to extend this to £10m in early 2013 if certain conditions are met.

The balance sheet was strengthened with net current assets rising from £0.8m to £3.1m.

The Directors are planning to invest a further £8m into network infrastructure and equipment in the forthcoming year, and expect to see the turnover rise during the year. By mid-2012, the company will announce the increase in capacity of its central core network to 100 Gigabits per second – one of the first 100Gig networks in the UK.

We continue to invest into new growth areas and in particular, we have made great strides to increase the company's presence in broadcast media, cloud aggregation solutions and larger WAN's based on the successes of 2011. An example of such success during the year was when Exponential-e won the infrastructure and deployment contract to transmit live coverage of the Royal Wedding (HDTV over IP) to over 110m viewers worldwide.

The directors monitor the UK economy continuously, paying particular attention to transformative regulatory changes and events which may impact the business going forward.

The company is able to grow by substituting new technology solutions that satisfy the ever increasing demand for capacity and bandwidth, hence the outlook for the financial year 2012/2013 remains positive and we expect to achieve revenue growth in excess of 20%.

Directors' report

For the year ended 31 January 2012

Corporate governance

The Board of directors, so far as is practicable and to the extent appropriate, having regard for the size of the Company, intends to continue to comply with the main provisions of the principles of good corporate governance

The Board holds regular meetings and is responsible for formulating, reviewing and approving the Company's strategy, budgets, and major items of capital expenditure, key personnel appointments and key performance indicators. The company's financial key performance indicators include revenue, gross profit, operating profit, cash balances, borrowings and total contracted revenues

The non-financial key performance indicators include new business sign-ups, contract renewals and contract cancellations as well as network performance, provisioning times and customer satisfaction

Finally, we operate the business within a disciplined managerial structure with procedural safeguards and counter-checks in accordance with our banking covenants and our commitment to three separate ISO standards,

ISO 9001 2008 Quality Management

ISO 9001 is one of the most sought after 'good corporate governance' accreditations. It is recognised globally for providing Quality Assured service to our customers

ISO 27001 Information Security Management

We are accredited to ensure our customers' information is managed with levels of confidentiality, security and integrity

ISO 20000 IT Service Management

Exponential-e provide world-class IT Service Management to our customers and business partners

Results and dividends

The profit for the year, after taxation, amounted to £1,969,359 (2011 - £1,436,039)

Dividends of £0.12 (2011 - £0.09) were proposed and approved by the Board of directors

Directors' report

For the year ended 31 January 2012

Financial risk management objectives and policies

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

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

Market risk

Market risk encompasses three types of risk, being currency risk, fair value interest rate risk and price risk. The company's policies for managing fair value interest rate risk are considered, along with those for managing cash flow interest rate risk, and are set out in the subsection entitled "interest rate risk".

The directors manage price risk by matching the prices of inputs to sales contracts where this is possible through the supply contracts.

Currency risk

The company is exposed to translation and transaction foreign exchange risk arising from the purchase of a small number of circuits in US dollars and Euros. As this risk relates to less than 2% of circuits purchased, the directors recognise any losses or gains as invoices are settled.

All sales to customers are denominated in Sterling.

Interest rate risk

The company finances its operations through a mixture of retained profits, bank borrowings and asset-based lease finance. The company's exposure to interest rate fluctuations on its borrowings is managed by the use of both fixed and floating facilities.

Liquidity risk

The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Short-term flexibility is achieved by overdraft and revolving credit facilities. The company has access to undrawn facilities totalling £3.8m, comprised of an overdraft facility of £50,000 and £3.75m of a revolving credit facility of £7.3m, which was obtained in January 2012.

Credit risk

The company's principal financial assets are cash and trade debtors. The credit risk associated with the cash is limited as the counterparties have high credit ratings. The principal credit risk arises, therefore, from its trade debtors.

In order to manage credit risk, the directors set limits for customers based on a combination of payment history and third party credit references. Credit limits are reviewed by the credit controller on a regular basis in conjunction with debt ageing and collection history. The directors recognise that there is an elevated risk of bad debts to the business in the current economic climate. The cost of this risk rose to £253,000 in the year to January 2012 (January 2011: £209,000). The company's business is however widely distributed, with no single customer contributing more than 3% of turnover, which helps to mitigate this risk.

Directors' report

For the year ended 31 January 2012

Directors

The directors who served during the year were

L F Wade
M Bavis
M R Field
A Hobbins
S Acott
C Keegan

The company has granted share options to a number of directors and employees under two share option schemes, an Enterprise Management Incentive Scheme and an unapproved option scheme

The number of share options held by the directors is listed below

	2012	2011
L F Wade	3,138	3,138
M Bavis	1,706	1,706
M R Field	1,555	1,555
A Hobbins	853	853
S Acott	7,900	7,900
C Keegan	9,200	9,200

Directors' report

For the year ended 31 January 2012

Directors' responsibilities statement

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 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,
- 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.

Provision of information to auditor

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditor in connection with preparing its report and to establish that the company's auditor is aware of that information.

Auditor

The auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 20th April 2012 and signed on its behalf



MICHAEL FIELD

Director



Independent auditor's report to the members of Exponential-e Limited

We have audited the financial statements of Exponential-e Limited for the year ended 31 January 2012, which comprise the Profit and loss account, the Balance sheet, the 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 members, 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 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

As explained more fully in the Directors' responsibilities statement, 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 Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Auditing Practices Board's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 January 2012 and of its profit for the year then ended,
- 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.



Grant Thornton

Independent auditor's report to the members of Exponential-e Limited

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

Grant Thornton UK LLP

John Shinnick (Senior statutory auditor)

for and on behalf of

Grant Thornton UK LLP

Chartered Accountants

Statutory Auditor

Manchester

Date 24 April 2012

Profit and loss account

For the year ended 31 January 2012

	Note	2012 £	2011 £
Turnover	1,2	33,233,663	25,033,194
Cost of sales		<u>(15,898,877)</u>	<u>(11,297,895)</u>
Gross profit		17,334,786	13,735,299
Administrative expenses		<u>(14,722,807)</u>	<u>(11,726,632)</u>
Operating profit	3	2,611,979	2,008,667
Interest receivable and similar income		-	(321)
Interest payable and similar charges	6	<u>(118,795)</u>	<u>(116,890)</u>
Profit on ordinary activities before taxation		2,493,184	1,891,456
Tax on profit on ordinary activities	7	<u>(523,825)</u>	<u>(455,417)</u>
Profit for the financial year	17	<u>1,969,359</u>	<u>1,436,039</u>

All amounts relate to continuing operations

There were no recognised gains and losses for 2012 or 2011 other than those included in the Profit and loss account

The notes on pages 11 to 22 form part of these financial statements

Balance sheet

As at 31 January 2012

	Note	£	2012 £	£	2011 £
Fixed assets					
Tangible assets	8		11,795,860		8,989,365
Current assets					
Stocks	9	117,502		138,410	
Debtors	10	5,472,195		4,062,616	
Cash at bank		1,861,569		2,327,934	
		<u>7,451,266</u>		<u>6,528,960</u>	
Creditors' amounts falling due within one year	11	<u>(4,347,503)</u>		<u>(5,739,151)</u>	
Net current assets			<u>3,103,763</u>		<u>789,809</u>
Total assets less current liabilities			<u>14,899,623</u>		<u>9,779,174</u>
Creditors' amounts falling due after more than one year	12		<u>(3,500,000)</u>		<u>(987,594)</u>
Provisions for liabilities					
Deferred tax	14		(360,226)		(370,000)
Deferred income	15		<u>(5,071,156)</u>		<u>(4,299,156)</u>
Net assets			<u><u>5,968,241</u></u>		<u><u>4,122,424</u></u>
Capital and reserves					
Called up share capital	16		51,476		51,476
Share premium account	17		658,065		658,065
Profit and loss account	17		<u>5,258,700</u>		<u>3,412,883</u>
Shareholders' funds	18		<u><u>5,968,241</u></u>		<u><u>4,122,424</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

20th April 2012



Director

LEE WADE

The notes on pages 11 to 22 form part of these financial statements

Cash flow statement

For the year ended 31 January 2012

	Note	2012 £	2011 £
Net cash flow from operating activities	20	4,652,351	5,375,793
Returns on investments and servicing of finance	21	(118,795)	(117,211)
Taxation		(486,023)	(58,659)
Capital expenditure and financial investment	21	(5,745,944)	(4,220,604)
Equity dividends paid		(92,656)	(87,436)
Cash (outflow)/inflow before financing		(1,791,067)	891,883
Financing	21	1,324,702	(581,679)
(Decrease)/Increase in cash in the year		(466,365)	310,204

Reconciliation of net cash flow to movement in net funds/debt

For the year ended 31 January 2012

	2012 £	2011 £
(Decrease)/Increase in cash in the year	(466,365)	310,204
Cash (inflow)/outflow from (increase)/decrease in debt and lease financing	(1,324,702)	583,812
Movement in net debt in the year	(1,791,067)	894,016
Net funds/(debt) at 1 February 2011	152,636	(741,380)
Net (debt)/funds at 31 January 2012	(1,638,431)	152,636

The notes on pages 11 to 22 form part of these financial statements

Notes to the financial statements

For the year ended 31 January 2012

1. Accounting policies

1.1 Basis of preparation of financial statements

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

The principal accounting policies of the company have remained unchanged from the previous year and are set out below. The directors have reviewed the accounting policies in accordance with FRS 18 and consider them to be the most appropriate to the company's circumstances

1.2 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied during the year, exclusive of Value Added Tax

Turnover from network installations is recognised on completion of the installation and in the same period as the related costs. Turnover from network rental and maintenance/support is recognised evenly over the period in which the service is provided to the customer

1.3 Going concern

These financial statements have been prepared on a going concern basis. The directors have prepared cash flow projections for the period until 31 January 2015 and are satisfied that the company has adequate resources to continue in operational existence for the foreseeable future. The company forecasts and projections, which take into account reasonable possible changes in trading performance, show that the company will be able to operate within the level of the current facilities. Accordingly, they continue to adopt the going concern basis in preparing these financial statements

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases

L/Term Leasehold Improvements -	Period of lease
Plant & equipment -	12.5 - 25% on cost
Office equipment -	25% on cost

1.5 Leasing and hire purchase

Assets held under finance leases and hire purchase contracts are capitalised and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term

1.6 Stocks

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

Notes to the financial statements

For the year ended 31 January 2012

1. Accounting policies (continued)

1.7 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation

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

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse

Deferred tax assets and liabilities are not discounted

1.8 Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

1.9 Research and development

Research and development expenditure is charged to profits in the period in which it is incurred

1.10 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year

1.11 Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. A financial liability exists where there is a contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities under potentially unfavourable conditions. In addition, contracts which result in the entity delivering a variable number of its own equity instruments are financial liabilities. Shares containing such obligations are classified as financial liabilities.

Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. The carrying amount of the liability is increased by the finance costs and reduced by payments made in respect of that liability. Finance costs are calculated so as to produce a constant rate of change on the outstanding liability.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Dividends and distributions relating to equity instruments are debited directly to reserves.

Notes to the financial statements

For the year ended 31 January 2012

2. Turnover

The turnover and profit on ordinary activities before taxation are attributable to the principal activity of the company and arose wholly within the United Kingdom

3. Operating profit

The operating profit is stated after charging

	2012 £	2011 £
Depreciation of tangible fixed assets		
- owned by the company	2,410,584	1,833,313
- held under finance leases	111,746	101,087
Auditors' remuneration	17,850	17,000
Auditors' remuneration - non-audit	8,850	4,200
Loss on disposal of fixed assets	417,119	575,917
Operating lease payments	214,706	147,524
	<u> </u>	<u> </u>

4. Staff costs

Staff costs, including directors' remuneration, were as follows

	2012 £	2011 £
Wages and salaries	8,559,669	6,646,844
Social security costs	1,002,619	765,013
Other pension costs	77,802	65,432
	<u> </u>	<u> </u>
	9,640,090	7,477,289
	<u> </u>	<u> </u>

The average monthly number of employees, including the directors, during the year was as follows

	2012 No.	2011 No.
Selling and distribution	73	54
Operations	54	58
Management and administration	47	24
	<u> </u>	<u> </u>
	174	136
	<u> </u>	<u> </u>

Notes to the financial statements

For the year ended 31 January 2012

5. Directors' remuneration

	2012 £	2011 £
Emoluments	<u>934,843</u>	<u>869,076</u>
Company pension contributions to defined contribution pension schemes	<u>26,437</u>	<u>22,364</u>

During the year retirement benefits were accruing to 3 directors (2011 - 3) in respect of defined contribution pension schemes

The highest paid director received remuneration of £215,909 (2011 - £252,677)

6. Interest payable

	2012 £	2011 £
On bank loans and overdrafts	119,292	81,996
On finance leases and hire purchase contracts	(497)	34,894
	<u>118,795</u>	<u>116,890</u>

7. Taxation

	2012 £	2011 £
Analysis of tax charge in the year		
Current tax (see note below)		
UK corporation tax charge on profit for the year	588,125	525,306
Adjustments in respect of prior periods	(54,526)	(4,889)
Total current tax	<u>533,599</u>	<u>520,417</u>
Deferred tax		
Origination and reversal of timing differences	(33,115)	(73,252)
Adjustments in respect of prior periods	54,809	25,359
Effect of tax rate change on opening balance	(31,468)	(17,107)
Total deferred tax (see note 14)	<u>(9,774)</u>	<u>(65,000)</u>
Tax on profit on ordinary activities	<u>523,825</u>	<u>455,417</u>

Notes to the financial statements

For the year ended 31 January 2012

7. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2011 - lower than) the standard rate of corporation tax in the UK of 26.32% (2011 - 28%). The differences are explained below:

	2012 £	2011 £
Profit on ordinary activities before tax	<u>2,493,184</u>	<u>1,891,456</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 26.32% (2011 - 28%)	656,288	529,608
Effects of:		
Expenses not deductible for tax purposes	10,488	18,540
Depreciation for year in excess of capital allowances	26,723	72,380
Additional deduction for R&D expenditure	(113,519)	(98,946)
Adjustments to tax charge in respect of prior periods	(54,526)	(4,889)
Short term timing difference leading to an increase in taxation	8,145	3,724
Current tax charge for the year (see note above)	<u><u>533,599</u></u>	<u><u>520,417</u></u>

Notes to the financial statements

For the year ended 31 January 2012

8. Tangible fixed assets

	L/Term Leasehold Improvements £	Plant & machinery £	Office equipment £	Total £
Cost				
At 1 February 2011	158,528	12,582,697	712,063	13,453,288
Additions	485	5,641,852	103,607	5,745,944
Disposals	-	(980,034)	-	(980,034)
At 31 January 2012	159,013	17,244,515	815,670	18,219,198
Depreciation				
At 1 February 2011	112,388	3,938,160	413,375	4,463,923
Charge for the year	45,756	2,318,068	158,506	2,522,330
On disposals	-	(562,915)	-	(562,915)
At 31 January 2012	158,144	5,693,313	571,881	6,423,338
Net book value				
At 31 January 2012	869	11,551,202	243,789	11,795,860
At 31 January 2011	46,140	8,644,537	298,688	8,989,365

Included within plant and equipment are assets held under finance leases and similar vendor finance agreements with a net book amount of £Nil (2011 £597,584). The depreciation charge on these assets during the year was £111,746 (2011 £101,087).

9. Stocks

	2012 £	2011 £
Finished goods and goods for resale	117,502	138,410

10. Debtors

	2012 £	2011 £
Trade debtors	4,633,187	3,355,752
Other debtors	90,008	92,864
Prepayments and accrued income	749,000	614,000
	5,472,195	4,062,616

Notes to the financial statements

For the year ended 31 January 2012

11. Creditors:

Amounts falling due within one year

	2012	2011
	£	£
Bank loans and overdrafts	-	1,091,695
Net obligations under finance leases and hire purchase contracts	-	96,009
Trade creditors	2,272,937	3,013,749
Corporation tax	569,866	522,290
Social security and other taxes	1,129,825	694,280
Dividends payable	123,542	92,656
Other creditors	20,308	17,180
Accruals and deferred income	231,025	211,292
	<u>4,347,503</u>	<u>5,739,151</u>

12. Creditors:

Amounts falling due after more than one year

	2012	2011
	£	£
Bank loans	<u>3,500,000</u>	<u>987,594</u>

The company has access to a total revolving credit facility of £7.3m

Notes to the financial statements

For the year ended 31 January 2012

13. Borrowings

The bank loans are secured by a debenture. Obligations under finance leases are secured on the assets financed. The revolving credit facility is repayable in January 2015 and interest is charged at 3.25% above LIBOR.

Borrowings are repayable as follows

	2012 £	2011 £
Bank loans		
Repayable within one year	-	1,091,695
Repayable after one and within two years	-	556,684
Repayable after two and within five years	3,500,000	430,910
Total	3,500,000	2,079,289
Net obligations under finance leases		
Repayable within one year	-	96,009
Repayable after one and within two years	-	-
Repayable after two and within five years	-	-
Total	-	96,009

14. Deferred taxation

	2012 £	2011 £
At beginning of year	370,000	435,000
Credit for the year	(9,774)	(65,000)
At end of year	360,226	370,000

The provision for deferred taxation is made up as follows

	2012 £	2011 £
Accelerated capital allowances	370,462	370,000
Short term timing differences	(10,236)	-
Total	360,226	370,000

Notes to the financial statements

For the year ended 31 January 2012

15. Deferred income

	2012	2011
	£	£
Deferred income	<u>5,071,156</u>	<u>4,299,156</u>

16. Share capital

	2012	2011
	£	£
Allotted, called up and fully paid		
1,028,663 Ordinary 'A' shares of £0.05 each	51,433	51,433
853 Ordinary 'B' shares of £0.05 each	43	43
	<u>51,476</u>	<u>51,476</u>

At 31 January 2012, options over 78,548 (2011: 88,648) shares were outstanding under the Enterprise Management Incentive Scheme and an un-approved option scheme. The directors do not consider the fair value of these options to be material to the company.

17. Reserves

	Share premium account	Profit and loss account
	£	£
At 1 February 2011	658,065	3,412,883
Profit for the year	-	1,969,359
Dividends: Equity capital	-	(123,542)
	<u>658,065</u>	<u>5,258,700</u>
At 31 January 2012		

18. Reconciliation of movement in shareholders' funds

	2012	2011
	£	£
Opening shareholders' funds	4,122,424	2,776,908
Profit for the year	1,969,359	1,436,039
Dividends (Note 19)	(123,542)	(92,656)
Shares issued during the year	-	43
Share premium on shares issued (net of expenses)	-	2,090
	<u>5,968,241</u>	<u>4,122,424</u>
Closing shareholders' funds		

Notes to the financial statements

For the year ended 31 January 2012

19. Dividends

	2012 £	2011 £
Dividends declared during the year £0 12 (2011 £0 09) per share	<u>123,542</u>	<u>92,656</u>

20. Net cash flow from operating activities

	2012 £	2011 £
Operating profit	2,611,979	2,008,667
Depreciation of tangible fixed assets	2,522,330	1,934,400
Loss on disposal of tangible fixed assets	417,119	575,917
Decrease/(increase) in stocks	20,908	(55,439)
Increase in debtors	(1,409,578)	(992,594)
Increase in creditors	489,593	1,904,842
Net cash inflow from operating activities	<u>4,652,351</u>	<u>5,375,793</u>

21. Analysis of cash flows for headings netted in cash flow statement

	2012 £	2011 £
Returns on investments and servicing of finance		
Interest received	-	321
Interest paid	(119,292)	(82,638)
Hire purchase interest	497	(34,894)
Net cash outflow from returns on investments and servicing of finance	<u>(118,795)</u>	<u>(117,211)</u>

	2012 £	2011 £
Capital expenditure and financial investment		
Purchase of tangible fixed assets	<u>(5,745,944)</u>	<u>(4,220,604)</u>

	2012 £	2011 £
Financing		
Issue of ordinary shares	-	2,133
New secured loans	1,420,711	-
Repayment of loans	-	(141,817)
Repayment of finance leases	(96,009)	(441,995)
Net cash inflow/(outflow) from financing	<u>1,324,702</u>	<u>(581,679)</u>

Notes to the financial statements

For the year ended 31 January 2012

22. Analysis of changes in net debt

	1 February 2011	Cash flow	Other non-cash changes	31 January 2012
	£	£	£	£
Cash at bank and in hand	2,327,934	(466,365)	-	1,861,569
Debt				
Debts due within one year	(1,187,704)	1,187,704	-	-
Debts falling due after more than one year	(987,594)	(2,512,406)	-	(3,500,000)
Net funds	<u>152,636</u>	<u>(1,791,067)</u>	<u>-</u>	<u>(1,638,431)</u>

23. Capital commitments

There were no capital commitments at 31 January 2012 or 31 January 2011

24. Retirement benefits

The company operates a defined contribution pension scheme for the benefit of employees. The assets of the scheme are administered by trustees in a fund independent from those of the company. The contributions payable by the company to the scheme during the year amounted to £77,802 (2011 £65,432). At 31 January 2012 £15,643 (2011 £13,938) was owing to the scheme from the company.

25. Operating lease commitments

Operating lease payments amounting to £215,577 (2011 £82,737) are due within one year. The leases to which these amounts relate expire as follows:

	2012 £	2011 £
Expiry date.		
Within 1 year	4,109	12,464
Between 2 and 5 years	<u>132,762</u>	<u>122,264</u>

Notes to the financial statements

For the year ended 31 January 2012

26. Related party transactions

During the year the company undertook the following transactions with Desyfield Limited, a company in which Mr M Field, a director, has a 50% interest. All transactions took place under normal commercial terms.

The company was charged £134,201 (2011 £119,610) for services provided. Desyfield Limited made purchases from the company of £295 (2011 £306) during the year. The balance outstanding as at 31 January 2012 of £15,162 (2011 £10,496) is included within creditors.