

Financial Statements Exponential-e Limited

For the year ended 31 January 2014

FRIDAY



A37IH0FM

A20

09/05/2014

#263

COMPANIES HOUSE

Registered number: 04499567

Company Information

Directors	L F Wade M Bavis M R Field A Hobbins S Acott C Keegan (resigned 7 January 2014) M C Cappella (appointed 7 January 2014)
Company secretary	M R Field
Registered number	04499567
Registered office	100 Leaman Street London E1 8EU
Independent auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor Grant Thornton House Melton Street Euston Square London NW1 2EP
Bankers	Lloyds Bank Group plc Technology, Media and Telecoms Team 4th Floor 25 Gresham Street London EC2V 7HN
Solicitors	DAC Beachcroft LLP 100 Fetter Lane London EC4A 1BN

Contents

	Page
Directors' report	1 - 3
Strategic report	4 - 5
Independent auditor's report	6 - 7
Profit and loss account	8
Balance sheet	9
Cash flow statement	10
Notes to the financial statements	11 - 22

Directors' report

For the year ended 31 January 2014

The directors present their report and the financial statements for the year ended 31 January 2014

Results and dividends

The profit for the year, after taxation, amounted to £2,068,612 (2013 - £2,241,556)

Dividends of £0.34 (2013 £0.29) per share were proposed and approved by the Board of directors

Directors

The directors who served during the year were

L F Wade
M Bavis
M R Field
A Hobbins
S Acott
C Keegan (resigned 7 January 2014)
M C Cappella (appointed 7 January 2014)

Political contributions

The company made no political contributions during the period (2013 £Nil)

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

Directors' report

For the year ended 31 January 2014

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 £7.05m, comprised of an overdraft facility of £50,000 and £7m of a revolving credit facility of £10m, which was obtained in April 2013

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 £211,000 in the year to January 2014 (January 2013 £139,000) The company's business is however widely distributed with no single customer contributing more than 3% of turnover which helps to mitigate this risk

Disclosure 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 relevant audit information and to establish that the company's auditor is aware of that information

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, 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 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 accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

Directors' report

For the year ended 31 January 2014

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.

Auditor

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

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.

This report was approved by the board on

2nd May 2014

and signed on its behalf



M R Field
Director

Strategic report

For the year ended 31 January 2014

Business review

2013 has been a year of major innovation and development for Exponential-e

The year started with the office move to Leman Street providing a new, modern working environment with additional space to expand headcount in departments focused on Cloud and Voice solutions. This resulted in new, integrated services being released over the year with great success. In addition to this, at the end of the year, we launched our new state-of-the-art data centre with 140 racks.

This significant logistical and structural change means Exponential-e is starting the new financial year in a strong position with a unique offering for its existing customer base and new clients including

- A continuing network business with an order book exceeding £100m
- A cloud computing business (linked with the network)
- A London data centre facility on the core network
- A hosted voice platform

Exponential-e can now provide, integrate and deliver to their customers the following services

- A VPLS WAN (Wide area network)
- A private cloud solution supporting office applications and data storage
- Private on-net data centre space (Tier-3 compliant)
- Integrated Telephony

This means that a single SLA (service level agreement) covers all of these services and Exponential-e can now exploit the delivery of unified communications solutions across its robust network, hence our marketing strap-line "Your Cloud is only as good as your Network"

Exponential-e has funded all of these advances internally meaning profitability has dipped in 2013 by 9% at a pre-tax level. However the key measure of EBITDA rose by 20.3% from £6.4m to £7.3m, and Gross margin percentage levels were maintained.

The results of this investment have been positive

- The initial build phase for the platforms required to deliver our enhanced range of services is now complete
- The recruitment of several key management personnel has given Exponential-e the required skills base to deliver these solutions (staff numbers increased from 230 to 255)
- The company now has a unique, world-leading 'Cloud-Ready Network', generating new orders with several contract wins in the £1m to £3m range
- Sales for Q1/2014 (calendar year) are up by 43% Year on Year and the Directors are confident of an increase in all key financial measures for 2014
- The London data centre is already approaching full utilisation

Strategic report (continued)

Exponential-e takes customer care seriously, and surveys carried out in Q3 of 2013 gave the company a Customer Referenceability score of 96% and a NPS (Net Promoter Score) of 40. In an industry where some of our peer group hold negative NPS numbers, the Directors consider that we have made good progress in this area.

In 2014 Exponential-e looks forward to making further progress into the enterprise space with an increased focus on larger 7-digit Cloud-Network solutions and into the development of professional services required to set up these solutions.

This report was approved by the board on 2nd May 2014 and signed on its behalf


M R 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 2014, 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 on page 1, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.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 2014 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 Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.



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

Simon Bevan (Senior Statutory Auditor)

for and on behalf of

Grant Thornton UK LLP

Chartered Accountants

Statutory Auditor

London

Date *2nd May 2014*

Profit and loss account

For the year ended 31 January 2014

	Note	2014 £	2013 £
Turnover	1,2	49,643,345	40,973,806
Cost of sales		<u>(24,749,626)</u>	<u>(20,747,754)</u>
Gross profit		24,893,719	20,226,052
Administrative expenses		<u>(22,217,210)</u>	<u>(17,343,278)</u>
Operating profit	3	2,676,509	2,882,774
Interest receivable and similar income		-	1,579
Interest payable and similar charges	7	<u>(228,726)</u>	<u>(186,597)</u>
Profit on ordinary activities before taxation		2,447,783	2,697,756
Tax on profit on ordinary activities	8	<u>(379,171)</u>	<u>(456,200)</u>
Profit for the financial year	18	<u><u>2,068,612</u></u>	<u><u>2,241,556</u></u>

All amounts relate to continuing operations

There were no recognised gains and losses for 2014 or 2013 other than those included in the Profit and loss account

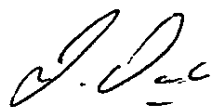
The notes on pages 11 to 22 form part of these financial statements

Balance sheet

As at 31 January 2014

	Note	£	2014 £	£	2013 £
Fixed assets					
Tangible assets	9		19,628,529		15,845,655
Current assets					
Stocks	10	115,575		115,121	
Debtors	11	7,858,644		6,068,037	
Cash at bank		442,671		536,595	
		<u>8,416,890</u>		<u>6,719,753</u>	
Creditors: amounts falling due within one year	12	<u>(6,814,927)</u>		<u>(3,641,291)</u>	
Net current assets			<u>1,601,963</u>		<u>3,078,462</u>
Total assets less current liabilities			<u>21,230,492</u>		<u>18,924,117</u>
Creditors: amounts falling due after more than one year	13		(3,000,000)		(4,250,000)
Provisions for liabilities					
Deferred tax	15		(355,850)		(345,459)
Deferred income	16		<u>(8,232,156)</u>		<u>(6,411,156)</u>
Net assets			<u><u>9,642,486</u></u>		<u><u>7,917,502</u></u>
Capital and reserves					
Called up share capital	17		51,787		51,617
Share premium account	18		673,373		665,011
Profit and loss account	18		<u>8,917,326</u>		<u>7,200,874</u>
Shareholders' funds	19		<u><u>9,642,486</u></u>		<u><u>7,917,502</u></u>

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



L F Wade
Director

2nd May 2014

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

Cash flow statement

For the year ended 31 January 2014

	Note	2014 £	2013 £
Net cash flow from operating activities	21	10,484,420	6,664,446
Returns on investments and servicing of finance	22	(228,726)	(185,018)
Taxation		(488,767)	(894,698)
Capital expenditure and financial investment	22	(8,320,001)	(7,543,249)
Equity dividends paid		(299,382)	(123,542)
Cash inflow/(outflow) before financing		1,147,544	(2,082,061)
Financing	22	(1,241,468)	757,087
Decrease in cash in the year		(93,924)	(1,324,974)

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

For the year ended 31 January 2014

	2014 £	2013 £
Decrease in cash in the year	(93,924)	(1,324,974)
Cash outflow from decrease in debt and lease financing	1,250,000	(750,000)
Movement in net debt in the year	1,156,076	(2,074,974)
Net debt at 1 February 2013	(3,713,405)	(1,638,431)
Net debt at 31 January 2014	(2,557,329)	(3,713,405)

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

Notes to the financial statements

For the year ended 31 January 2014

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 2016 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

Long term leasehold improvements	-	Period of lease
Network infrastructure	-	12.5 - 25% on cost
Office equipment	-	25% on cost

1.5 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 2014

1. Accounting policies (continued)

1.6 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

1.7 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.

1.8 Research and development

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

1.9 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

Notes to the financial statements

For the year ended 31 January 2014

1. Accounting policies (continued)

1.10 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.

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

	2014 £	2013 £
Depreciation of tangible fixed assets		
- owned by the company	4,049,532	3,142,815
Difference on foreign exchange	46,230	2,168
Loss on disposal of fixed assets	489,029	350,639
Operating lease payments	453,770	215,601
	<u>4,938,561</u>	<u>3,711,233</u>

Notes to the financial statements

For the year ended 31 January 2014

4. Auditors' remuneration

	2014	2013
	£	£
Fees payable to the company's auditor and its associates for the audit of the company's annual accounts	21,300	18,385
Fees payable to the company's auditor and its associates in respect of		
All other non-audit services not included above	5,400	9,116

5. Staff costs

Staff costs, including directors' remuneration, were as follows

	2014	2013
	£	£
Wages and salaries	12,180,353	10,237,908
Social security costs	1,496,212	1,236,248
Other pension costs	136,853	130,224
	13,813,418	11,604,380

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

	2014	2013
	No.	No.
Selling and distribution	81	91
Operations	101	73
Management and administration	57	42
	239	206

Notes to the financial statements

For the year ended 31 January 2014

6. Directors' remuneration

	2014 £	2013 £
Remuneration	<u>834,881</u>	<u>799,967</u>
Company pension contributions to defined contribution pension schemes	<u>24,167</u>	<u>27,167</u>

During the year retirement benefits were accruing to 3 directors (2013 - 3) in respect of defined contribution pension schemes

The highest paid director received remuneration of £184,095 (2013 - £188,404)

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £NIL (2013 - £11,311)

7. Interest payable

	2014 £	2013 £
On bank loans and overdrafts	<u>228,726</u>	<u>186,597</u>

8. Taxation

	2014 £	2013 £
Analysis of tax charge in the year		
Current tax (see note below)		
UK corporation tax charge on profit for the year	406,027	513,766
Adjustments in respect of prior periods	(37,247)	(42,799)
Total current tax	<u>368,780</u>	<u>470,967</u>
Deferred tax		
Origination and reversal of timing differences	38,882	3,511
Adjustments in respect of prior periods	19,055	11,457
Effect of tax rate change on opening balance	(47,546)	(29,735)
Total deferred tax (see note 15)	<u>10,391</u>	<u>(14,767)</u>
Tax on profit on ordinary activities	<u>379,171</u>	<u>456,200</u>

Notes to the financial statements

For the year ended 31 January 2014

8. Taxation (continued)**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2013 - lower than) the standard rate of corporation tax in the UK of 23.16% (2013 - 24.33%). The differences are explained below:

	2014 £	2013 £
Profit on ordinary activities before tax	<u>2,447,783</u>	<u>2,697,756</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.16% (2013 - 24.33%)	566,947	656,307
Effects of:		
Fixed asset differences	5,502	1,155
Expenses not deductible for tax purposes	16,128	6,999
Depreciation for year in excess of capital allowances	(40,645)	(5,137)
Additional deduction for R&D expenditure	(137,522)	(146,981)
Adjustments to tax charge in respect of prior periods	(37,247)	(42,799)
Short term timing difference leading to an increase in taxation	(4,383)	1,423
Current tax charge for the year (see note above)	<u><u>368,780</u></u>	<u><u>470,967</u></u>

Notes to the financial statements

For the year ended 31 January 2014

9. Tangible fixed assets

	Long term leasehold improvements £	Network infrastructure £	Office equipment £	Total £
Cost				
At 1 February 2013	159,013	23,811,140	949,404	24,919,557
Additions	183,241	8,012,269	124,491	8,320,001
Disposals	(159,013)	(2,425,392)	(470,836)	(3,055,241)
At 31 January 2014	183,241	29,398,017	603,059	30,184,317
Depreciation				
At 1 February 2013	159,013	8,210,365	704,524	9,073,902
Charge for the year	23,869	3,888,174	137,489	4,049,532
On disposals	(159,013)	(1,937,797)	(470,836)	(2,567,646)
At 31 January 2014	23,869	10,160,742	371,177	10,555,788
Net book value				
At 31 January 2014	159,372	19,237,275	231,882	19,628,529
At 31 January 2013	-	15,600,775	244,880	15,845,655

10. Stocks

	2014 £	2013 £
Finished goods and goods for resale	115,575	115,121

11. Debtors

	2014 £	2013 £
Trade debtors	5,927,336	5,174,296
Other debtors	147,808	44,741
Prepayments and accrued income	1,783,500	849,000
	7,858,644	6,068,037

Notes to the financial statements

For the year ended 31 January 2014

12. Creditors:**Amounts falling due within one year**

	2014	2013
	£	£
Trade creditors	5,339,701	2,333,741
Corporation tax	26,148	146,135
Other taxation and social security	518,856	621,576
Dividends payable	352,160	299,382
Other creditors	67,898	58,957
Accruals and deferred income	510,164	181,500
	<u>6,814,927</u>	<u>3,641,291</u>

13. Creditors:**Amounts falling due after more than one year**

	2014	2013
	£	£
Bank loans	<u>3,000,000</u>	<u>4,250,000</u>

At the balance sheet date the company had access to a total revolving credit facility of £10m

14. Borrowings

The bank loans are secured by a debenture. The company has a £10m revolving credit facility with an accordion to go to £14m which is repayable in July 2017. Interest is charged at 2.95% above LIBOR.

Borrowings are repayable as follows

	2014	2013
	£	£
Repayable within one year	-	-
Repayable after one and within two years	-	-
Repayable after two and within five years	3,000,000	4,250,000
Total	<u>3,000,000</u>	<u>4,250,000</u>

15. Deferred taxation

	2014	2013
	£	£
At beginning of year	345,459	360,226
Charge for/(released during) year (P&L)	10,391	(14,767)
At end of year	<u>355,850</u>	<u>345,459</u>

Notes to the financial statements

For the year ended 31 January 2014

15. Deferred taxation (continued)

The provision for deferred taxation is made up as follows

	2014 £	2013 £
Accelerated capital allowances	361,424	356,222
Short term timing differences	(5,574)	(10,763)
	<u>355,850</u>	<u>345,459</u>

16. Deferred income

	2014 £	2013 £
Deferred income	<u>8,232,156</u>	<u>6,411,156</u>

17 Share capital

	2014 £	2013 £
Allotted, called up and fully paid		
1,028,663 Ordinary 'A' shares of £0.05 each	51,433	51,433
7,101 Ordinary 'B' shares of £0.05 each	354	184
	<u>51,787</u>	<u>51,617</u>

During the year, no share options were exercised (2013: 2,835) and 3,413 Ordinary 'B' shares were issued at a premium of £2.45 each.

At 31 January 2014, options of 75,713 (2013: 75,713) 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.

Notes to the financial statements

For the year ended 31 January 2014

18. Reserves

	Share premium account £	Profit and loss account £
At 1 February 2013	665,011	7,200,874
Profit for the year	-	2,068,612
Dividends Equity capital	-	(352,160)
Premium on shares issued during the year	8,362	-
	<u>673,373</u>	<u>8,917,326</u>
At 31 January 2014		

19. Reconciliation of movement in shareholders' funds

	2014 £	2013 £
Opening shareholders' funds	7,917,502	5,968,241
Profit for the financial year	2,068,612	2,241,556
Dividends (Note 20)	(352,160)	(299,382)
Shares issued during the year	170	141
Share premium on shares issued (net of expenses)	8,362	6,946
	<u>9,642,486</u>	<u>7,917,502</u>
Closing shareholders' funds		

20. Dividends

	2014 £	2013 £
Dividends declared during the year £0 34 (2013 £0 29) per share	<u>352,160</u>	<u>299,382</u>

21. Net cash flow from operating activities

	2014 £	2013 £
Operating profit	2,676,509	2,882,774
Depreciation of tangible fixed assets	4,048,098	3,142,815
Loss on disposal of tangible fixed assets	489,029	350,639
(Increase)/decrease in stocks	(454)	2,381
Increase in debtors	(1,790,607)	(595,841)
Increase in creditors	5,061,845	881,678
	<u>10,484,420</u>	<u>6,664,446</u>
Net cash inflow from operating activities		

Notes to the financial statements

For the year ended 31 January 2014

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

	2014 £	2013 £
Returns on investments and servicing of finance		
Interest received	-	1,579
Interest paid	(228,726)	(186,597)
Net cash outflow from returns on investments and servicing of finance	(228,726)	(185,018)
	2014 £	2013 £
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(8,320,001)	(7,543,249)
	2014 £	2013 £
Financing		
Issue of ordinary shares	8,532	7,087
New secured loans	-	750,000
Repayment of loans	(1,250,000)	-
Net cash (outflow)/inflow from financing	(1,241,468)	757,087

23. Analysis of changes in net debt

	1 February 2013 £	Cash flow £	Other non-cash changes £	31 January 2014 £
Cash at bank and in hand	536,595	(93,924)	-	442,671
Debt				
Debts falling due after more than one year	(4,250,000)	1,250,000	-	(3,000,000)
Net debt	(3,713,405)	1,156,076	-	(2,557,329)

24. Capital commitments

There were no capital commitments at 31 January 2014 or 31 January 2013

Notes to the financial statements

For the year ended 31 January 2014

25. 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 £136,852 (2013 £130,224). At 31 January 2014, £27,874 (2013 £46,796) was owing to the scheme from the company.

26. Operating lease commitments

At 31 January 2014 the company had annual commitments under non-cancellable operating leases as follows,

	2014	2013
	£	£
Expiry date:		
Within 1 year	44,448	4,109
Between 2 and 5 years	614,596	-
After more than 5 years	665,823	-
	<u>665,823</u>	<u>-</u>

27. 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 £153,504 (2013 £138,797) for services provided. Desyfield Limited made purchases from the company of £4,742 (2013 £630) during the year. The balance outstanding as at 31 January 2014 of £30,509 (2013 £29,212) is included within creditors.

During the year, the company undertook the following transactions with Cassara Limited which is a related party through a common directorship and shareholding of M C Cappella. The company was charged £91,000 for services provided. The balance outstanding at 31 January 2014 of £19,983 is included within creditors due within one year.