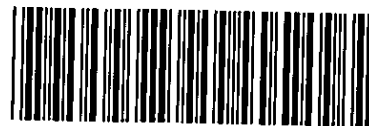


Capital Copiers (Edinburgh) Limited
Trading as Capital solutions...

**Directors' report and financial
statements**

Registered number SC80982
31 December 2009

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Company information

Directors

Thomas Flockhart
Andrew R Aikman
Gordon Affleck (appointed 25 March 2010)
Ian GL Bulloch (resigned 30 April 2010)
Richard Smith
Ross Haston
W Shields Henderson

Bankers

The Royal Bank of Scotland plc
24-25 St Andrews Square
Edinburgh
EH2 1AF

Solicitors

Shepherd & Wedderburn WS
1 Exchange Crescent
Conference Square
Edinburgh
EH3 8UL

Auditors

KPMG LLP
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

Secretary and registered office

Gordon Affleck
101 McDonald Road
Edinburgh
EH7 4NW

Directors' report

The Directors present their annual report and audited financial statements for the year ended 31 December 2009.

Principal activity and business review

The principal activity of the company continued to be the sale and maintenance of digital Multi-Functional Devices (MFDs), network copy/print/fax/scan and Electronic Document Management solutions.

The company has achieved a satisfactory result for the year to 31 December 2009, against a background of increasingly challenging competitive activity and continued economic uncertainty. Turnover was £352,000 (3%) down on the previous year, and profit before tax was 16% down. The directors consider the level of profit before tax achieved of 7% of turnover (8% 2008) was satisfactory given the market conditions and the ongoing level of investment in the business, with traditional markets holding up reasonably well and sales of total document and print management solutions increasing.

The principal risks and uncertainties affecting the business include the following:

- Product, consumables and parts availability and prices: the company monitors these on a regular basis and negotiates purchase contracts where appropriate with key suppliers.
- Environmental risks: the company places considerable emphasis upon environmental compliance in its business and not only seeks to ensure ongoing compliance with relevant legislation but also strives to ensure that environmental best practice is incorporated into its key Environmental Management Systems (EMS). All four of the company's branches are ISO14001:2004 environmentally accredited and our focus remains on continued improvement in this area.
- Debtors: the company maintains strong relationships with each of its key customers and operates well established credit control parameters. Appropriate credit terms are agreed with all customers and these are closely managed.
- Major disruption/ disaster: business continuity planning is reviewed regularly, and a comprehensive Disaster Recovery Plan was updated during the year. The necessary infrastructure is to be deployed and tested in the near future. The directors will ensure this Plan is reviewed and updated on an ongoing basis.
- The effect of legislation or other regulatory activities: the company monitors forthcoming and current legislation regularly.

Key areas of strategic development and performance of the business include:

- Sales and Marketing: new and replacement business is being won continually; new markets such as electronic document management and managed print services are continually being developed in line with the company's strategy; key customer relationships are managed on a regular basis; investment in marketing activity is prioritised within overall expenditure programmes.
- Capital Investment: the company continues to invest heavily in improving its facilities in order to present its people, premises and products in the best possible light, whilst offering world class working conditions for its employees. The company continues to invest in IT and communications infrastructure, as demonstrated by the investment in a new ERP system which will go live within the next 12 – 18 months, to ensure its people have the latest technology to deliver the very highest levels of customer service.

Directors' report *(continued)*

- Health and Safety: the company continues to seek ways of ensuring that a safe and healthy working environment is progressively improved.
- Public sector contracts: The company was successful in being awarded preferred supplier status on the Scottish National Framework Agreement for its products and services. It has invested in personnel and infrastructure to maximise this business opportunity and has been successful in tendering for public sector business in Scotland.
- The company was also successful in its acquisition of West End Business Systems Limited giving it increased presence in the North of Scotland and access to a new customer base and technology partner.

Key financial performance indicators include the monitoring of profitability, return on capital, current ratio, stock turnover and the management of working capital.

Results and dividends

The results for the year are shown on page 6. The profit on ordinary activities after taxation for the year is £577,306 (2008: profit £703,848). The directors have recommended a dividend of £3.50 per share (2008: £3.50).

Directors and directors' interests

The directors at the year end were as follows:

Thomas Flockhart
Andrew R Aikman
Ian G L Bulloch (resigned 30 April 2010)
Gordon Affleck (appointed 25 March 2010)
Richard Smith
Ross Haston
W Shields Henderson

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office

By order of the board


Gordon Affleck
Secretary

Edinburgh
18 August 2010

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

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EG

Independent auditors' report to the members of Capital Copiers (Edinburgh) Limited

We have audited the financial statements of Capital Copiers (Edinburgh) Limited for the year ended 31 December 2009 set out on pages 6 to 20. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK 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 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

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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 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 APB's web-site at www.frc.org.uk/apb/scope/UKNP.

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 December 2009 and of its profit for the year then ended;
- have been properly prepared in accordance with UK 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.

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.

Hugh Harvie (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

19 August 2010

Profit and loss account
for the year ended 31 December 2009

	<i>Note</i>	2009 £	2008 £
Turnover		11,892,513	12,245,112
Cost of sales		(3,940,900)	(4,097,577)
Gross profit		7,951,613	8,147,535
Distribution costs		(539,774)	(577,727)
Administrative expenses		(6,536,390)	(6,489,076)
Operating profit		875,449	1,080,732
Interest receivable	2	5,263	17,106
Interest payable	3	(25,331)	(77,173)
Profit on ordinary activities before taxation	4	855,381	1,020,665
Tax on profit on ordinary activities	7	(278,075)	(316,817)
Profit on ordinary activities after taxation		577,306	703,848

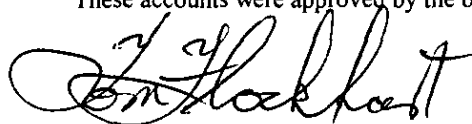
Other than the profit for the current year there have been no recognised gains or losses.

All activities of the company are continuing operations.

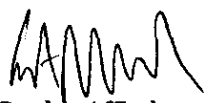
Balance sheet
at 31 December 2009

	<i>Note</i>	2009 £	2008 £
Fixed assets			
Intangible assets	9	230,873	38,900
Tangible assets	10	2,908,885	2,825,364
Investments	11	8,800	8,800
		3,148,558	2,873,064
Current assets			
Stocks	12	724,945	629,755
Debtors	13	2,330,856	1,788,687
Cash in hand		655,648	1,080,741
		3,711,449	3,499,183
Creditors: amounts falling due within one year	15	(3,284,528)	(2,958,479)
Net current assets		426,921	540,704
Total assets less current liabilities		3,575,479	3,413,768
Creditors: amounts falling due after more than one year	15	(937,029)	(947,684)
Net assets		2,638,450	2,466,084
Capital and reserves			
Called up share capital	17	168,719	168,719
Share premium account	19	88,292	88,292
Capital redemption reserve	19	33,354	33,354
Profit and loss account	19	2,662,427	2,490,061
Own shares held	19	(314,342)	(314,342)
Equity shareholders' funds		2,638,450	2,466,084

These accounts were approved by the board of directors on 18 August 2010 and were signed on its behalf by:



Thomas Flockhart
Director



Gordon Affleck
Director

Cash flow statement
for the year ended 31 December 2009

	<i>Note</i>	2009 £	2008 £
Net cash inflow from operating activities	23	496,485	1,805,909
Returns on investments and servicing of finance	24	(20,068)	(60,067)
Taxation		(294,521)	(308,970)
Capital expenditure	24	(237,490)	(1,310,635)
Acquisition of subsidiary	24	(115,759)	-
Equity dividends paid		(204,940)	(347,091)
Cash outflow before financing		(376,293)	(220,854)
Financing	24	(1,353)	446,095
(Decrease)/increase in cash in the period		(377,646)	225,241

Reconciliation of net cash flow to movement in net (debt)/funds
for the year ended 31 December 2009

	2009 £	2008 £
(Decrease)/increase in cash in the period	(377,646)	225,241
Cash flow from movement in net debt	1,353	(446,095)
New hire purchase agreements	(67,501)	(76,788)
Movement in net debt in the period	(443,794)	(297,642)
Net (debt)/funds at the start of the period	(108,051)	189,591
Net debt at the end of the period	(551,845)	(108,051)

Notes

(forming part of the financial statements)

1 Basis of preparation

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

Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Goodwill

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

Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation.

Depreciation is provided at rates calculated to write-off the cost less estimated residual value of fixed assets over their estimated useful lives. The rates used are as follows:

Freehold property	2% per annum (straight line)
Leasehold improvements	4% - 5% per annum (straight line)
Fixtures and fittings	25% per annum (reducing balance)
Office equipment	25% per annum (reducing balance)
Motor vehicles	25% per annum (reducing balance)
Rental equipment	25% per annum (straight line)

Stocks

Stocks are stated at the lower of cost and net realisable value. No value is placed on stocks of copier supplies in the field.

Taxation and deferred taxation

The charge for taxation is based on the results for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Full provision without discounting for deferred taxation is made for all timing differences as they arise, except as otherwise required by FRS 19.

Own shares held by Employee benefit trust

Transactions of the Company-sponsored employee benefit trust are treated as being those of the Company and are therefore reflected in the Company's financial statements. In particular, the trust's purchases and sales of shares in the Company are debited and credited directly to equity.

Notes (continued)

1 Accounting policies (continued)

Hire purchase agreements

Assets which are acquired on hire purchase are recorded on the balance sheet as tangible fixed assets. Future instalments under such agreements, net of hire purchase charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

Leases

Assets leased to customers under operating leases are included in "Tangible fixed assets". Rentals payable and receivable under operating leases are accounted for on the straight line basis over the periods of the leases.

Maintenance agreements

Annual maintenance is paid for in advance and the income is credited to the profit and loss account on an accruals basis over the life of the agreement.

Turnover

Turnover comprises the value (excluding VAT and trade discounts) of goods and services supplied in the normal course of business.

Pension costs

The company operates a number of defined contribution pension schemes. The assets of these schemes are held separately from those of the company in independently administered funds.

Grants

Revenue based grants are credited to income in the period in which the related expenditure is incurred.

Dividends on shares presented within shareholders' funds

Dividends unpaid at the balance sheet date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

2	Interest receivable and similar income	2009	2008
		£	£
	On bank deposits	5,263	17,106
		<u> </u>	<u> </u>
3	Interest payable	2009	2008
		£	£
	On bank loans and overdrafts	19,120	68,313
	On hire purchase agreements	6,211	8,860
		<u> </u>	<u> </u>
		25,331	77,173
		<u> </u>	<u> </u>

Notes (continued)

4	Profit on ordinary activities before taxation	2009	2008
		£	£
	<i>Profit on ordinary activities before taxation is stated after charging/(crediting):</i>		
	Amortisation of goodwill	38,900	115,000
	Depreciation	183,410	299,672
	Hire of plant and machinery under operating leases	181,134	194,003
	Property rentals under operating leases	269,000	269,400
	Property rentals receivable under operating leases	(66,654)	(71,233)
	Plant and machinery rentals receivable under operating leases	(117,001)	(135,118)
	Auditors' remuneration - audit	16,145	13,700
	- non-audit services	3,855	3,300
	(Gain)/loss on disposal of assets	3,119	(2,744)

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year was as follows:

	2009	2008
	Number	Number
Administration	29	30
Maintenance	73	76
Sales and distribution	48	44
Total	150	150

The aggregate payroll costs of these persons were as follows:

	£	£
Wages and salaries	4,456,847	4,284,304
Social security costs	494,318	483,145
Defined contribution pension scheme costs	164,558	189,129
	5,115,723	4,956,578

6 Remuneration of directors

	2009	2008
	£	£
Directors' emoluments	665,720	583,811
Company contributions to money purchase pension schemes	30,388	30,790
	696,108	614,601

The emoluments of the highest paid director were £270,676 (2008: £227,350).

Retirement benefits are accruing to four (2008: four) directors under money purchase schemes.

Notes *(continued)*

7 Tax on profit on ordinary activities

	2009 £	2008 £
<i>Corporation tax</i>		
Current year	232,314	320,614
Adjustments in respects of prior years	(18,910)	(10,493)
	<u>213,404</u>	<u>310,121</u>
<i>Deferred tax</i>		
Current year	17,940	4,511
Adjustments in respects of prior years	46,731	2,185
	<u>64,671</u>	<u>6,696</u>
Total tax	<u>278,075</u>	<u>316,817</u>

UK taxation for the year is higher (2008: *higher*) than the standard rate of corporation tax (28%). The differences are explained below:

	2009 £	2008 £
Profit on ordinary activities before tax	855,381	1,020,665
Current tax at 28% (2008: 28.5%)	239,507	290,890
Difference between depreciation and capital allowances	(29,407)	(4,641)
Expenditure permanently disallowable for taxation	22,214	41,195
Small companies relief	-	(6,830)
Adjustments in respect of prior years	(18,910)	(10,493)
Current tax (see above)	<u>213,404</u>	<u>310,121</u>

8 Dividends

	2009 £	2008 £
Dividend paid in the year	204,940	347,091
Dividends in respect of the year recognised as a liability at the year end	200,000	-
	<u>404,940</u>	<u>347,091</u>

Notes (continued)

9 Intangible fixed assets

	Customer list £	Goodwill £	Total £
Cost			
At beginning and end of year	333,000	-	333,000
Additions	-	230,873	230,873
At end of year	333,000	230,873	563,873
Amortisation			
At beginning of year	294,100	-	294,100
Charge for year	38,900	-	38,900
At end of year	333,000	-	333,000
Net book value			
At 31 December 2009	-	230,873	230,873
At 31 December 2008	38,900	-	38,900

Goodwill is amortised over a period of 5 years, being the estimated useful life.

The company purchased West End Business Limited on 30 November 2009. Immediately following the acquisition of West End Business Limited the trade and assets of the company were transferred to Capital Copiers (Edinburgh) Limited. As a result of this transfer, the value of the company's investment in this subsidiary fell to below the amount at which it was stated in the company's records. However, rather than write down the investment, the directors consider there has been no overall loss to the company and that such a write down would fail to give a true and fair view. As such the directors have elected to re-allocate the investment carrying value to goodwill.

A further consequence of the transfer of trade and assets of West End Business Limited is that, with the trade now in Capital Copiers (Edinburgh) Limited, the company holds an investment in an immaterial subsidiary which qualifies for exemption for consolidation under section 405 of the Companies Act 2006.

Notes (continued)

10 Tangible fixed assets

	Freehold property £	Leasehold improvements £	Equipment, fixtures and fittings £	Motor vehicles £	Total £
<i>Cost</i>					
At beginning of year	2,158,792	775,444	2,069,456	392,823	5,396,515
Additions	-	-	320,161	10,500	330,661
Disposals	-	-	(386,097)	(78,191)	(464,288)
At end of year	2,158,792	775,444	2,003,520	325,132	5,262,888
<i>Depreciation</i>					
At beginning of year	97,239	403,880	1,860,260	209,772	2,571,151
Charge for year	43,176	37,158	97,236	48,387	225,957
Disposals	-	-	(386,097)	(57,008)	(443,105)
At end of year	140,415	441,038	1,571,399	201,151	2,354,003
<i>Net book value</i>					
At 31 December 2009	2,018,377	334,406	432,121	123,981	2,908,885
At 31 December 2008	2,061,553	371,564	209,196	183,051	2,825,364

Included above are assets held under hire purchase contracts. At 31 December 2009 the net book value of these assets was £111,557 (2008: £171,225). Depreciation of £37,186 (2008: £55,539) was charged in the year. Included in equipment are assets with a net book value of £20,553 (2008: £51,422) held for rental under operating leases. Depreciation of £30,869 (2008: £98,058) was charged in the year.

11 Investments

	Unlisted subsidiary undertakings £	Other investments £	Total £
<i>Cost</i>			
At beginning of year	-	8,800	8,800
Additions	230,873	-	230,873
Transfer to goodwill (see note 9)	(230,873)	-	(230,873)
At end of year	-	8,800	8,800

Notes (continued)

12 Stocks

	2009 £	2008 £
Office equipment	404,390	373,099
Spare parts for office equipment	208,871	162,186
Supplies for office equipment	111,684	94,470
	<u>724,945</u>	<u>629,755</u>

13 Debtors

	2009 £	2008 £
Trade debtors	2,004,313	1,636,741
Deferred tax asset (see note 14)	-	59,398
Prepayments and accrued income	326,536	89,007
Other debtors	7	3,541
	<u>2,330,856</u>	<u>1,788,687</u>

14 Deferred tax

	Accelerated capital allowances £
As at 31 December 2008	59,398
Charged to profit and loss account	(64,671)
	<u>(5,273)</u>
As at 31 December 2009 (see note 15)	<u>(5,273)</u>

Notes *(continued)*

15	Creditors	2009 £	2008 £
	Amounts falling due within one year:		
	Bank overdraft	30,769	78,216
	Term loan	180,301	110,000
	Trade creditors	1,186,140	967,496
	Corporation tax	232,314	313,431
	Deferred tax liability	5,273	-
	Other taxes and social security	473,748	524,710
	Hire purchase creditors	59,394	52,892
	Other creditors	11,138	-
	Accruals and deferred income	1,105,451	911,734
		3,284,528	2,958,479
	Amounts falling due after more than one year:		
	Hire purchase creditors	26,673	40,184
	Term loan	910,356	907,500
		937,029	947,684
	Debt can be analysed as falling due:		
	In one year or less, or on demand	211,070	188,216
	Between one and two years	185,322	110,000
	Between two and five years	367,534	330,000
	More than five years	357,500	467,500
		1,121,426	1,095,716

The overdraft is secured by a bond and floating charge over the company's assets. The term loan is secured by a charge over the property of the company.

Notes *(continued)*

15 Creditors *(continued)*

The maturity of obligations under finance leases and hire purchase contracts is as follows:

	2009 £	2008 £
Within one year	59,394	52,892
Between one and two years	26,673	37,417
Between two and five years	-	2,767
	86,067	93,076

16 Acquisitions

On 30 November 2009 the company acquired the trade and assets of West End Business Limited.

	Book value £	Fair value acquisition £	Net assets at fair value £
Tangible assets	7,606	-	7,606
Stocks	68,463	(27,091)	41,372
Debtors	91,326	-	91,326
Cash	275	-	275
Creditors	(255,693)	-	(255,693)
Net assets acquired	(88,023)	(27,091)	(115,114)
Purchase consideration			(109,909)
Related acquisition costs			(5,850)
			(115,759)
Goodwill			230,873

The fair value adjustment of £27,091 represents an adjustment in respect of unsubstantiated stock items following the acquisition.

17 Called up share capital

	2009 £	2008 £
<i>Authorised</i>		
Ordinary shares of £1 each	500,000	500,000
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	168,719	168,719

Notes *(continued)*

18 Employee share option scheme

Employees and directors held 44,500 options (2008: 44,500) to subscribe for ordinary shares at an exercise price range of £6.00 to £7.75. No options were granted in the year. Options lapse on the holder leaving the company.

19 Reserves

	Share premium account £	Capital redemption reserve £	Profit and loss account £	Own shares held
At 1 January 2009	88,292	33,354	2,490,061	(314,342)
Profit for the financial year	-	-	577,306	-
Dividend paid	-	-	(404,940)	-
At 31 December 2009	88,292	33,354	2,662,427	(314,342)

The investment in own shares represents 53,022 (2008: 53,022) ordinary shares (with a nominal value of £1.00) of the company held by the company's Employee Benefit Trust. The purchase of these shares is funded by contributions from the company. The dividend rights in respect of these shares have been waived. All costs of administering the Trust have been charged to the profit and loss account as they arise.

20 Reconciliation of movement in equity shareholders' funds

	2009 £	2008 £
Profit for the financial year	577,306	703,848
Dividends	(404,940)	(347,091)
Retained profit for the year	172,366	356,757
Opening shareholders' funds	2,466,084	2,109,327
Closing shareholders' funds	2,638,450	2,466,084

Notes (continued)

21 Lease commitments

The company is committed to paying lease rentals on certain office equipment and vehicles under operating leases. In addition the company leases certain land and buildings on long-term leases. The rents payable under these leases are subject to renegotiation at various intervals specified in the leases. The company pays all insurance, maintenance and repair of these properties. The minimum annual rentals under the foregoing leases are as follows:

	2009	2009	2008	2008
	Property	Plant and machinery and vehicles	Property	Plant and machinery and vehicles
	£	£	£	£
Leases which expire				
- within one year	-	52,589	-	1,421
- between 2-5 years	269,400	123,895	269,400	188,366
	<u>269,400</u>	<u>176,484</u>	<u>269,400</u>	<u>189,787</u>

22 Transactions with directors

The company leases two properties on an arms length basis from Mr T Flockhart at an annual rental of £211,650 (2008: £211,650).

23 Reconciliation of operating profit to cash inflow from operating activities

	2009 £	2008 £
Operating profit	875,449	1,080,732
Depreciation charges	225,957	299,672
Amortisation of goodwill	38,900	115,000
(Gain)/loss on disposal of fixed assets	3,119	(2,745)
Decrease/(Increase) in stocks	(53,818)	234,175
Decrease/(Increase) in debtors	(510,241)	76,507
(Decrease)/increase in creditors	(82,881)	2,568
	<u>496,485</u>	<u>1,805,909</u>
Cash inflow from operating activities		

Notes (continued)

24 Analysis of cash flows

	2009 £	2008 £
Returns on investment and servicing of finance		
Interest received	5,263	17,106
Interest paid	(19,120)	(68,313)
Interest element of hire purchase payments	(6,211)	(8,860)
	<u>(20,068)</u>	<u>(60,067)</u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(255,554)	(1,328,635)
Sale of tangible fixed assets	18,064	18,000
	<u>(237,490)</u>	<u>(1,310,635)</u>
Acquisition		
Purchase of West End Business Limited (note 16)	(115,759)	-
Financing		
Capital element of hire purchase payments	(74,510)	(71,405)
New Loans	73,157	517,500
	<u>(1,353)</u>	<u>446,095</u>

25 Analysis of net (debt)/funds

	At beginning of year £	Cash flow £	Other non cash changes £	At end of year £
Cash in hand, at bank	1,080,741	(425,093)	-	655,648
Overdrafts	(78,216)	47,447	-	(30,769)
	<u>1,002,525</u>	<u>(377,646)</u>	<u>-</u>	<u>624,879</u>
Loans due within one year	(110,000)	(70,301)	-	(180,301)
Loans due in more than one year	(907,500)	(2,856)	-	(910,356)
Hire purchase liabilities	(93,076)	74,510	(67,501)	(86,067)
	<u>(1,080,576)</u>	<u>(70,647)</u>	<u>(67,501)</u>	<u>(1,118,724)</u>
Total	<u>(108,051)</u>	<u>(376,293)</u>	<u>(67,501)</u>	<u>(551,845)</u>