

**REGISTRAR'S COPY**

**Company Number 1477836**

**MALA INVESTMENTS LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**YEAR ENDED 31 MARCH 2010**



## **MALA INVESTMENTS LIMITED**

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**COMPANY INFORMATION**  
**as at 31 March 2010**

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<b>Directors:</b>	K Crane M A Crane P F Zumens
<b>Secretary</b>	M A Crane
<b>Registered office</b>	57 London Road Enfield Middlesex EN2 6SW
<b>Auditors:</b>	Moore Stephens LLP Registered Auditors Chartered Accountants 57 London Road Enfield Middlesex EN2 6SW

**DIRECTORS' REPORT  
for the year ended 31 March 2010**

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The directors present their report and the consolidated financial statements of the group for the year ended 31 March 2010

**Results and Dividends**

The profit and loss account of the group appears on page 7 and discloses a profit before taxation of £110,883 (2009 £698,092). The profit after taxation and minority interests amounted to £77,016 (2009 £462,722), the full amount being taken to reserves. No dividends were paid (2009 £nil) during the year.

**Business Review and Future Developments**

The company's principal activity continued to be that of a holding company. The company's subsidiaries continued to trade in the installation, sale or maintenance of commercial air conditioning, refrigeration and heating equipment or provide services complementary to these trades. The directors expect to continue with the group's principal activities for the current year.

Like our competitors, we have been affected by the UK recession, with turnover falling by 7% to £10.5m and gross margins being squeezed. However, we managed to reduce our Administrative Expenses by 22% which partly reduced the impact of the fall in turnover and gross margins. As a result, Operating Profit fell by 84% to £110,812, and our operating margin fell from 6.2% to 1.1%.

Our Shareholders' Funds increased by £77,016. Despite the reduced trade caused by the recession, we are still a well capitalised group, with significant bank deposits at the year-end.

Our business started to improve in the last quarter of 2009 and this has continued into the first quarter of 2010, but uncertainty surrounds what could happen in the remainder of the year and we remain cautious in our outlook.

The directors consider the following to be the principal risks and uncertainties facing the group:

- a very slow improvement in the UK economy
- increases in taxation and interest rates reducing customer spending on industrial and commercial construction projects
- market competition

**Financial Instruments**

The group does not actively use financial instruments as part of its financial risk management. It is exposed to the usual credit risk and cash flow risk associated with trading on credit and manages this through credit control procedures. The nature of its financial instruments means that they are not subject to price risk or liquidity risk.

**Land and Buildings**

The directors consider the market value of land and buildings to exceed their book values.

**DIRECTORS' REPORT (CONTINUED)**  
**for the year ended 31 March 2010**

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**Directors' Responsibilities**

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 the financial statements for each financial year. Under that law, the directors had elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Standards and applicable law). Under company law, the directors must not approve the financial statements unless they are satisfied that the financial statements give a true and fair view of the state of affairs of the group and of the company and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. The directors are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Provision of Information to Auditors**

Each of the persons who are the directors at the time when this report is approved confirms that

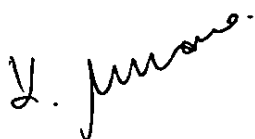
(a) so far as each director is aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) each director has taken all steps that ought to have been taken as a director, including making appropriate enquiries of fellow directors and of the company's auditors for that purpose, in order to be aware of any information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information.

**22 DEC 2010**

This report was approved by the Board on

and signed on its behalf



K Crane  
Director

**Independent Auditors' Report to the Members of Mala Investments Limited**

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We have audited the financial statements of Mala Investments Limited for the year ended 31 March 2010 which are set out on pages 7 to 20. 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 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 Boards (APB's) Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

**Opinion on financial statements**

In our opinion, the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2010 and of the group's 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.

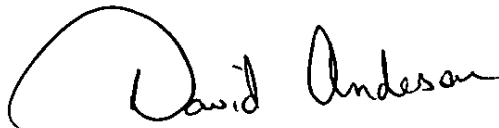
Independent Auditors' Report to the Members of Mala Investments Limited (Continued)

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**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



David Anderson, Senior Statutory Auditor

For and on behalf of Moore Stephens LLP, Statutory Auditor

57 London Road  
Enfield  
Middlesex  
EN2 6SW

Date 23 December 2010

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**for the year ended 31 March 2010**

	<u>Note</u>	<u>2010</u> £	<u>2009</u> £
<b>Turnover</b>	1,2	10,502,058	11,281,618
Cost of sales		(8,555,876)	(8,252,237)
<b>Gross Profit</b>		1,946,182	3,029,381
Distribution costs		(69,347)	(72,633)
Administrative expenses		(1,773,258)	(2,277,168)
Other operating income		7,235	14,999
<b>Operating Profit</b>	3	110,812	694,579
Interest receivable and similar income		71	3,513
Interest payable and similar charges		-	-
<b>Profit on Ordinary Activities before Taxation</b>		110,883	698,092
Taxation on Profit on Ordinary Activities	5	(28,734)	(204,014)
<b>Profit on Ordinary Activities after Taxation</b>		82,149	494,078
<b>Minority Interests</b>		(5,133)	(31,356)
<b>Retained Profit for the Year</b>	15	77,016	462,722

All of the above relates to continuing activities

There were no recognised gains or losses during the year other than those disclosed in the profit and loss account. Accordingly, no Statement of Total Recognised Gains and Losses has been prepared

GROUP BALANCE SHEET  
as at 31 March 2010

Company Number 1477836

	<u>Note</u>	<u>2010</u>		<u>2009</u>	
		£	£	£	£
<b>Fixed Assets</b>					
Tangible assets	8		81,172		97,226
<b>Current Assets</b>					
Stocks	10		87,129		68,521
Debtors	11		2,603,098		2,349,246
Cash at bank and in hand			1,918,248		2,329,614
			<u>4,608,475</u>		<u>4,747,381</u>
<b>Creditors: amounts falling due within one year</b>	12		<u>(2,101,181)</u>		<u>(2,338,290)</u>
<b>Net Current Assets</b>			2,507,294		2,409,091
<b>Total Assets Less Current Liabilities</b>			<u>2,588,466</u>		<u>2,506,317</u>
<b>Capital and Reserves</b>					
Called up share capital	13		118,541		118,541
Profit and loss account	14		2,362,029		2,285,013
<b>Shareholders' Funds</b>	15		2,480,570		2,403,554
<b>Minority Interests</b>			107,896		102,763
			<u>2,588,466</u>		<u>2,506,317</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 2010

K Crane  
Director

22 DEC 2010

COMPANY BALANCE SHEET  
as at 31 March 2010

Company Number 1477836

	<u>Note</u>	£	<u>2010</u>	£	£	<u>2009</u>	£
<b>Fixed Assets</b>							
Investments	9			29,040			29,040
<b>Current Assets</b>							
Debtors	11		302,548			302,548	
Cash at bank and in hand			732,094			730,291	
			1,034,642			1,032,839	
<b>Creditors: amounts falling due within one year</b>	12		(197,326)			(200,011)	
<b>Net Current Assets</b>				837,316			832,828
<b>Total Assets Less Current Liabilities</b>				866,356			861,868
<b>Capital and Reserves</b>							
Called up share capital	13		118,541			118,541	
Share premium	14		28,436			28,436	
Profit and loss account	14		719,379			714,891	
<b>Shareholders' Funds</b>	15			866,356			861,868

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 2010

K Crane  
Director

22 DEC 2010

**GROUP CASHFLOW STATEMENT**  
**for the year ended 31 March 2010**

	<u>Note</u>	<u>2010</u> £	<u>2009</u> £
<b>Net Cash (Outflow)/Inflow from Operating Activities</b>	19	(229,127)	298,852
<b>Returns on Investments and Servicing of Finance</b>	20	71	3,513
<b>Taxation</b>	20	(204,002)	(104,935)
<b>Capital Expenditure and Financial Investment</b>	20	(796)	(11,230)
<b>Dividends Paid</b>	20	-	-
<b>Cash (Outflow)/Inflow Before Financing</b>		(433,854)	186,200
<b>Financing</b>		-	-
<b>(Decrease)/Increase in Cash in the Year</b>	21	<u>(433,854)</u>	<u>186,200</u>

**Reconciliation of Net Cash Flow  
To Movement in Net Funds**

<b>(Decrease)/Increase in Cash in the Year</b>		(433,854)	186,200
<b>Net Funds at 1 April 2009</b>		<u>2,320,551</u>	<u>2,134,351</u>
<b>Net Funds at 31 March 2010</b>	21	<u>1,886,697</u>	<u>2,320,551</u>

**NOTES TO THE FINANCIAL STATEMENTS  
for the year ended 31 March 2010**

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**1 Accounting Policies****Basis of Accounting**

The financial statements have been prepared in accordance with applicable accounting standards

**Consolidation**

The consolidated accounts include the company and its subsidiaries. In accordance with the provision of Section 408 of the Companies Act 2006, a separate profit and loss account for Mala Investments Limited is not presented. The profits and losses of subsidiary undertakings are consolidated using the acquisition method.

**Turnover**

Group turnover represents amounts receivable for work undertaken or goods delivered during the year. Turnover is stated net of Value Added Tax.

**Tangible Fixed Assets**

Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation is provided to write off the cost of tangible fixed assets as follows:

Short leasehold properties	15% reducing balance
Plant and machinery	15% - 25% reducing balance
Computer equipment	25% straight line
Motor vehicles	25% reducing balance

**Stocks**

Stocks are valued at the lower of cost and net realisable value.

The cost of stock is calculated on a first in first out basis.

**Long Term Contract Work in Progress**

Amounts recoverable on long term contracts, are stated at the net sales value of the work done after provision for contingencies and anticipated future losses on contracts, less amounts received as progress payments on account. Excess progress payments are deducted from debtors.

**Operating Leases**

Costs in respect of operating leases are charged on a straight line basis over the lease term.

**Pension Costs**

The group operates two defined contribution pension schemes in respect of its employees. The assets of the schemes are held separately from those of the group. The pension cost charge represents the amount of the contributions payable to the schemes in respect of the year.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**for the year ended 31 March 2010**

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**1. Accounting Policies (continued)**

**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

**Investments**

Fixed asset investments are stated at cost, less any provisions required where there has been a permanent diminution in their value

**2. Segmental Information**

Group turnover and results were derived wholly from activities within the UK

**3. Operating Profit**

	<u>2010</u> £	<u>2009</u> £
Operating profit is stated after charging		
Depreciation - owned assets	16,850	20,006
Auditors' remuneration - audit	-	-
Auditors' remuneration - non-audit	-	-
Operating lease rentals - equipment and vehicles	33,306	33,306
	<u>          </u>	<u>          </u>

As in previous years, the auditors' remuneration for the group were paid by a related company, Mala Engineering Limited

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**for the year ended 31 March 2010**

**4. Information on Directors and Employees**

	<u>2010</u> £	<u>2009</u> £
<b>Staff costs, including directors:-</b>		
Wages and salaries	963,338	1,006,194
Social security costs	84,761	99,483
Pension costs	3,428	6,813
	<u>1,051,527</u>	<u>1,112,490</u>
	<u>2010</u> No	<u>2009</u> No
<b>The average monthly number of employees during the year was made up as follows:-</b>		
Office and management	2	2
Sales and production	24	26
	<u>26</u>	<u>28</u>
	<u>2010</u> £	<u>2009</u> £
<b>Directors' emoluments:-</b>		
Emoluments	-	-
Pension costs	-	-
	<u>-</u>	<u>-</u>
<b>Highest paid director:</b>		
Emoluments	-	-
Pension costs	-	-
	<u>-</u>	<u>-</u>

As in previous years, the emoluments of the parent company directors were paid by a related company, Mala Engineering Limited, which charged the group for the provision of management and other services during the year

There are no directors for whom retirement benefits are accruing under money purchase pension schemes (2009 nil) Pension contributions outstanding at the year end amounted to £nil (2009 £nil)

The pension cost for the group amounted to £3,428 (2009 £6,813)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
for the year ended 31 March 2010

**5. Taxation**

	<u>2010</u> £	<u>2009</u> £
UK corporation tax	28,734	204,014
Prior period tax	-	-
	<u>28,734</u>	<u>204,014</u>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2009 higher than) the standard rate of corporation tax in the UK (28%) The differences are explained below

	<u>2010</u> £	<u>2009</u> £
Profit on ordinary activities before tax	110,883	698,092
Profit on ordinary activities multiplied by effective rate of corporation tax in the UK of 21% (2009 27.73%)	23,285	193,550
Effects of		
Expenses not deductible for tax purposes	1,492	12,518
Capital allowances for the year in excess of depreciation	1,307	(1,033)
Tax losses carried back	2,621	-
Other adjustments	29	163
Small companies relief	-	(1,184)
Current tax charge for the year (see note above)	<u>28,734</u>	<u>204,014</u>

Factors that may affect future tax charges

At the balance sheet date, there were no factors which would materially affect future tax charges

**6. Dividends**

No dividends were declared or paid during the year (2009 £nil)

**7 Profit of the Parent Company**

The parent company's profit for the financial year after taxation was £4,488 (2009 £25,485, loss)

The company has taken advantage of the exemption conferred by Section 408 of the Companies Act 2006, in not publishing its own profit and loss account

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**for the year ended 31 March 2010**

**8. Tangible Fixed Assets**

**GROUP**

	<u>Land and buildings</u> £	<u>Plant and machinery</u> £	<u>Motor Vehicles</u> £	<u>Total</u> £
<b>Cost</b>				
At 1 April 2009	40,067	321,128	22,360	383,555
Additions	-	796	-	796
Disposals	-	-	-	-
	<u>40,067</u>	<u>321,924</u>	<u>22,360</u>	<u>384,351</u>
<b>Depreciation</b>				
At 1 April 2009	37,331	236,071	12,927	286,329
Charge for the year	411	14,051	2,388	16,850
Eliminated on disposal	-	-	-	-
	<u>37,742</u>	<u>250,122</u>	<u>15,315</u>	<u>303,179</u>
<b>Net book value</b>				
At 31 March 2010	<u>2,325</u>	<u>71,802</u>	<u>7,045</u>	<u>81,172</u>
At 1 April 2009	<u>2,736</u>	<u>85,057</u>	<u>9,433</u>	<u>97,226</u>

The net book value of land and buildings is split as follows

	2010 £	2009 £
Freehold	-	-
Short leasehold	2,325	2,736
	<u>2,325</u>	<u>2,736</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**for the year ended 31 March 2010**

**9 Fixed Asset Investments**

**COMPANY**

**Cost and Net Book Value**

At 1 April 2009 and 31 March 2010

Subsidiary  
Undertakings  
 £

29,040

Details of the investments in which the company holds 20% or more of the nominal value of any class of shares are as follows

<u>Company</u>	<u>Holdings and voting rights</u>	<u>Class of shares held</u>	<u>Country of incorporation</u>
Mala Electrical Limited	90%	Ordinary shares of £1 each	United Kingdom
Mala Mechanical Services Limited	100%	Ordinary shares of £1 each	United Kingdom
Mala Special Works Limited	100%	Ordinary shares of £1 each	United Kingdom
Mala Maintenance Limited	90%	Ordinary shares of £1 each	United Kingdom
Mala Designs Limited	100%	Ordinary shares of £1 each	United Kingdom
Mala Management Limited	80%	Ordinary shares of £1 each	United Kingdom

Mala Management Limited and Mala Designs Limited do not trade. All of the other companies trade in the installation, sale or maintenance of commercial air conditioning, refrigeration and heating equipment or provide services complementary to these trades.

**10 Stock**

	<u>2010</u> <u>Group</u>	<u>2009</u> <u>Group</u>
	£	£
Contract work in progress	87,129	68,521

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**for the year ended 31 March 2010**

**11. Debtors**

	<u>2010</u>		<u>2009</u>	
	<u>Group</u>	<u>Company</u>	<u>Group</u>	<u>Company</u>
	£	£	£	£
Trade debtors	2,425,745	-	2,059,624	-
Amounts owed by group undertakings	-	285,345	-	285,345
Other debtors	177,353	17,203	289,622	17,203
Prepayments and accrued income	-	-	-	-
	<u>2,603,098</u>	<u>302,548</u>	<u>2,349,246</u>	<u>302,548</u>

Included within trade debtors are trade balances of £1,098,978 (2009 £798,977) owed by Mala Engineering Limited, a company in which K Crane, M A Crane and P Zumeris are directors and shareholders

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

	<u>2010</u>		<u>2009</u>	
	<u>Group</u>	<u>Company</u>	<u>Group</u>	<u>Company</u>
	£	£	£	£
Bank loans and overdrafts	31,551	-	9,063	-
Trade creditors	1,057,395	-	1,458,366	-
Amounts due to group undertakings	-	60	-	60
Corporation tax	127,691	100,109	302,959	102,794
Other taxation and social security	176,785	-	52,260	-
Other creditors	598,665	2,778	405,328	2,778
Accruals and deferred income	109,094	94,379	110,314	94,379
	<u>2,101,181</u>	<u>197,326</u>	<u>2,338,290</u>	<u>200,011</u>

Included within trade creditors are trade balances of £104,705 (2009 £172,214) owed to Mala Engineering Limited, a company in which K Crane, M A Crane and P Zumeris are directors and shareholders

**13. Called up Share Capital**

	<u>2010</u>	<u>2009</u>
	£	£
<b>Allotted, called up and fully paid:</b>		
119 Ordinary shares of £1 each	119	119
118,422 Preference shares of £1 each	118,422	118,422
	<u>118,541</u>	<u>118,541</u>

The preference shares are irredeemable and carry a dividend at a rate of 2% below the base rate of National Westminster Bank plc. The shares carry no voting rights and rank prior to the ordinary shares on winding up for the amounts paid up on preference shares together with any arrears of the fixed dividend calculated to the date of such repayment. As at 31 March 2010, the shareholders have waived their entitlement to the accumulated dividends

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**for the year ended 31 March 2010**

**14. Reserves**

	<u>Profit and loss account</u> £	<u>Total</u> £
<b>Group</b>		
At 1 April 2009	2,285,013	2,285,013
Profit for the year	77,016	77,016
	<hr/>	<hr/>
At 31 March 2010	<u>2,362,029</u>	<u>2,362,029</u>

	<u>Share premium</u> £	<u>Profit and loss account</u> £	<u>Total</u> £
<b>Company</b>			
At 1 April 2009	28,436	714,891	743,327
Profit for the year	-	4,488	4,488
	<hr/>	<hr/>	<hr/>
At 31 March 2010	<u>28,436</u>	<u>719,379</u>	<u>747,815</u>

**15. Reconciliation of Movements in Shareholders' Funds**

	<u>2010</u>	<u>2010</u>	<u>2009</u>	<u>2009</u>
	<u>Group</u> £	<u>Company</u> £	<u>Group</u> £	<u>Company</u> £
Profit/(Loss) for the year after taxation	77,016	4,488	462,722	(25,485)
Dividends Paid	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net movement to shareholders' funds	77,016	4,488	462,722	(25,485)
Opening shareholders' funds	2,403,554	861,868	1,940,832	887,353
	<hr/>	<hr/>	<hr/>	<hr/>
Closing shareholders' funds	<u>2,480,570</u>	<u>866,356</u>	<u>2,403,554</u>	<u>861,868</u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**for the year ended 31 March 2010**

**16 Capital Commitments**

At the year end, the group had no capital commitments (2009 £nil)

**17. Group Operating Lease Commitments**

At the year end, the group was committed to making the following payments during the next year in respect of non-cancellable operating leases with expiry dates as follows

	<u>2010</u> £	<u>2009</u> £
<b>Land and buildings</b>		
within two and five years inclusive	-	-
	<u>          </u>	<u>          </u>
<b>Other</b>		
within one year	8,002	8,002
within two and five years inclusive	25,304	25,304
	<u>          </u>	<u>          </u>
	<u>33,306</u>	<u>33,306</u>

**18. Related Party Transactions**

The group has taken advantage of the exemptions available under Financial Reporting Standard No 8, not to disclose any transactions or balances with entities that are 100% controlled by Mala Investments Limited

The group's ultimate controlling party is K Crane and M A Crane jointly

During the year, the group charged Mala Engineering Limited, a company in which K Crane, M A Crane and P Zumeris are directors and shareholders, rent of £7,235 (2009 £39,999)

Total group sales to Mala Engineering Limited during the year amounted to £2,297,125 (2009 £4,296,527)

During the year, total service charges payable to Mala Engineering Limited was £1,198,638 (2009 £1,600,832) These charges were in respect of management and other services provided to the group during the year

During the year, the group was charged rent of £nil (2009 £25,000) by the Mala Directors' Pension Fund At the year end, the group owed the Pension Fund £77,778 (2009 £77,778)

At the year end, the net amount owed by Mala Engineering Limited to the group was £584,451 (2009 £405,979)

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**for the year ended 31 March 2010**

**19. Reconciliation of Operating Profit to Net Cash (Outflow)/Inflow from Operating Activities**

	<u>2010</u> £	<u>2009</u> £
Operating profit	110,812	694,579
Depreciation charges	16,850	20,006
Profit on disposal of fixed assets	-	-
(Increase)/Decrease in stocks	(18,608)	99,415
(Increase)/Decrease in debtors	(253,852)	1,886,906
(Decrease) in creditors	(84,329)	(2,402,054)
<b>Net cash (outflow)/inflow from operating activities</b>	<u>(229,127)</u>	<u>298,852</u>

**20. Analysis of Cash Flows for Headings Included in the Cash Flow Statement**

	<u>2010</u> £	<u>2009</u> £
<b>Returns on investments and servicing of finance</b>		
Bank and other interest received	71	3,513
<b>Taxation</b>		
UK Corporation Tax	(204,002)	(104,935)
<b>Capital Expenditure and Financial Investment</b>		
Payments to acquire fixed assets	(796)	(11,230)
Receipts from sale of fixed assets	-	-
	<u>(796)</u>	<u>(11,230)</u>
<b>Dividends paid during the year</b>	<u>-</u>	<u>-</u>

**21. Analysis of Changes in Net Funds**

	At 1 April <u>2009</u> £	<u>Cashflow</u> £	At 31 March <u>2010</u> £
Cash at bank and in hand	2,329,614	(411,366)	1,918,248
Bank overdraft	(9,063)	(22,488)	(31,551)
	<u>2,320,551</u>	<u>(433,854)</u>	<u>1,886,697</u>