

KIRIL MISCHEFF (TRADING) LIMITED

Company Registration Number 5486353

Annual Report and Financial Statements

Year ended 30 September 2010



Brown Butler
Chartered Accountants
Leeds

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Kiril Mischeff (Trading) Limited

Officers and Professional Advisers

Directors	R A R Mischeff A V Charlton T A Davies M K L Jackson I R Marlow D A Mirchev V G Morrell W R S Neill
Secretary	T A Davies
Registered Office	Broadwall House 21 Broadwall London SE1 9PL
Company Registration Number	5486353
Statutory Auditor	Brown Butler Chartered Accountants Apsley House 78 Wellington Street Leeds LS1 2JT
Bankers	Royal Bank of Scotland plc 9 th Floor 280 Bishopgate London EC3M 5RB
Solicitors	Laytons Solicitors Carmelite 50 Victoria Embankment Blackfriars London EC4Y 0LS Keeble Hawson LLP Protection House 16-17 East Parade Leeds West Yorkshire LS1 2BR

Directors' Report

The directors present their report together with the audited financial statements of the company and the group for the year ended 30 September 2010

1 Activities, review of the business and future development

The company is the parent company of Kiril Mischeff (Group) Limited, the holding company of the Kiril Mischeff group of companies

The principal activities of the group are the importing and distribution of food products, food products broking and trading, shipping and forwarding

The results of the group reflect the trading results of its subsidiaries

Turnover increased and with improved margins for the year under review gross profitability increased. The high cost of servicing additional sales has led to a large increase in administration costs although selling and distribution cost increases have been kept to a minimum

We expect turnover to reduce in 2011 in line with general economic conditions

2 Results and dividends

The results for the year are shown in the group profit and loss account on page 6. The profit for the year after taxation was £597,170

No interim dividends were paid during the year. The directors do not recommend payment of a final dividend

3 Fixed assets

Changes in fixed assets are summarised in note 9 to the financial statements

4 Purchase and cancellation of ordinary shares

On 31 May 2010 the company repurchased and subsequently cancelled 37,500 ordinary shares of 10p each for no consideration. These shares represented 7.5% of the company's issued ordinary share capital at that date. This transaction is reflected in notes 18 and 19 of the financial statements

The purchase by the company of its own shares is considered to be of benefit to the interests of the company and its shareholders

Directors' report (continued)

5 Directors' responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

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

In preparing those financial statements, the directors are required to -

- Select suitable accounting policies and apply them consistently,
- Make judgements 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,
- Prepare the financial statements on the going concern basis unless it is appropriate to presume that the company will continue to operate.

The directors are responsible for keeping proper accounting records which 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.

6 Directors and their interests

The present composition of the board is set out on page 1.

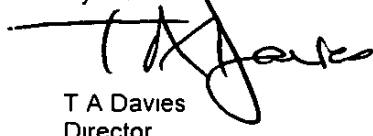
The directors who held office during the year are as set out below -

R A R Mischeff
A V Charlton
T A Davies
M K L Jackson
I R Marlow
D A Mirchev
V G Morrell
W R S Neill

7 Audit enquiries

So far as the directors are aware there is no information relevant to the audit of which the company's auditors are unaware. The directors have taken the necessary steps to ensure they themselves are aware of all relevant audit information and made sure that the company's auditors are also aware of that information.

By order of the Board



T A Davies
Director

2 March 2011

Independent Auditor's Report to the Members of Kiril Mischeff (Trading) Limited

We have audited the financial statements of Kiril Mischeff (Trading) Limited for the year ended 30 September 2010 which comprise the Consolidated Profit and Loss Account, Consolidated and Parent Company Balance Sheets, Consolidated Cash Flow Statement and 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 auditors

As explained more fully in the Directors' Responsibilities Statement set out in the Directors' Report, 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 Ethical Standards for Auditors.

Scope of the audit

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 group and parent 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 and parent company's affairs as at 30 September 2010 and of the profit of the group 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 matters 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.

Continued on page 5

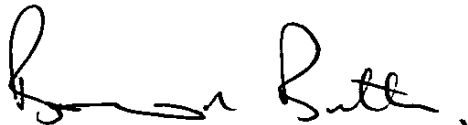
Independent Auditor's Report to the Members of Kiri Mischeff (Trading) Limited

Continued from page 4

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 group and parent company's 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



Robert Solyom (Senior Statutory Auditor)
For and on behalf of Brown Butler
Chartered Accountants and Statutory Auditor

Apsley House
78 Wellington Street
Leeds
LS1 2JT

8 March 2011

Kiri Mischeff (Trading) Limited

Consolidated Profit and Loss Account
30 September 2010

	Note	2010 £	2009 £
Turnover		101,492,136	98,349,547
Cost of sales		95,061,749	92,346,607
Gross profit		6,430,387	6,002,940
Distribution costs		2,498,068	2,330,955
Administrative expenses		3,060,684	2,721,517
Operating profit		871,635	950,468
Exceptional items	3	-	264,908
Profit on ordinary activities before interest		871,635	685,560
Interest payable and similar charges	4	67,398	31,677
Profit on ordinary activities before taxation	6	804,237	653,883
Tax on profit on ordinary activities	7	207,067	155,188
Profit for the financial year	20	597,170	498,695

The group had no recognised gains or losses other than the profit for the year, and the above results derive from continuing operations

The notes on pages 10 to 21 form part of these financial statements


Kiril Mischeff (Trading) Limited

Company Registration Number 5486353
Consolidated Balance Sheet
30 September 2010

	Note	2010 £	2009 £
Fixed assets			
Tangible assets	9	502,025	457,330
Current assets			
Stock	11	4,847,233	4,714,807
Debtors	12	18,569,949	15,909,496
Cash at bank and in hand		200,598	1,595,722
		<u>23,617,780</u>	<u>22,220,025</u>
Creditors amounts falling due within one year	13	<u>20,373,041</u>	<u>19,475,391</u>
Net current assets		<u>3,244,739</u>	<u>2,744,634</u>
Total assets less current liabilities		<u>3,746,764</u>	<u>3,201,964</u>
Creditors amounts falling due after more than one year	14	<u>1,018,632</u>	<u>1,074,752</u>
		<u><u>2,728,132</u></u>	<u><u>2,127,212</u></u>
Capital and reserves			
Called up share capital	18	50,000	50,000
Capital redemption reserve	19	3,750	-
Profit and loss account	20	2,674,382	2,077,212
Equity shareholders' funds	21	<u><u>2,728,132</u></u>	<u><u>2,127,212</u></u>

These financial statements were approved and authorised for issue by the board on 2 March 2011 and signed on its behalf by

T A Davies



Directors

D A Mirchev



The notes on pages 10 to 21 form part of these financial statements

Kiril Mischeff (Trading) Limited

Company Balance Sheet
30 September 2010

	Note	2010 £	2009 £
Fixed assets			
Investments	10	670,000	670,000
Current assets			
Debtors		-	3,924
Creditors amounts falling due within one year	13	368,876	93,000
Net current liabilities		(368,876)	(89,076)
Total assets less current liabilities		301,124	580,924
Creditors amounts falling due after more than one year	14	-	351,750
		301,124	229,174
Capital and reserves			
Called up share capital	18	50,000	50,000
Capital redemption reserve	19	3,750	-
Profit and loss account	20	247,374	179,174
Shareholders' funds	21	301,124	229,174

These financial statements were approved and authorised for issue by the board on 2 March 2011 and signed on its behalf by

T A Davies



Directors

D A Mirchev



The notes on pages 10 to 21 form part of these financial statements

Kiri Mischeff (Trading) Limited

Consolidated Cash Flow Statement
30 September 2010

	Note	2010 £	2009 £
Net cash inflow from operating activities	26a	462,424	1,132,589
Return on investments and servicing of finance			
Interest paid		<u>(67,398)</u>	<u>(31,677)</u>
Net cash outflow from returns on investments and servicing of finance		(67,398)	(31,677)
Taxation			
Corporation tax paid		(86,748)	(73,449)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		195,533	137,591
Sale of tangible fixed assets		<u>(43,706)</u>	<u>(17,350)</u>
Net cash outflow from capital expenditure and financial investment		<u>(151,827)</u>	<u>(120,241)</u>
Net cash inflow before financing		156,451	907,222
Financing			
Bank loans advanced/(repaid)		164,830	(966,801)
Loans advanced		295,772	67,561
Capital element of hire purchase repayments		(712)	(1,025)
Loan notes repaid		(418,750)	-
Proceeds from issue of shares		<u>3,750</u>	<u>-</u>
Net cash inflow/(outflow) from financing		44,890	(900,265)
Increase in cash	26b	<u>201,341</u>	<u>6,957</u>

The notes on pages 10 to 21 form part of these financial statements

Notes to the Financial Statements
30 September 2010

1 Accounting Policies

(a) Accounting convention

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

(b) Turnover

Turnover represents amounts receivable for goods and services and net agency income from haulage, freight and rental services provided, net of VAT

(c) Depreciation

Depreciation of tangible fixed assets is provided on original cost over their estimated useful lives. The annual rates and methods of depreciation are as follows -

Freehold property	straight line basis over 50 years
Plant, equipment, fixtures and fittings	straight line basis over 5 years
Motor vehicles	straight line basis over 4 years

(d) Leases

Operating lease rentals are charged or credited to the profit and loss account as they are incurred or fall due

(e) Basis of consolidation

The consolidated financial statements combine the financial statements of Kiril Mischeff (Trading) Limited and its subsidiary undertakings

As permitted by Section 408 of the Companies Act 2006, Kiril Mischeff (Trading) Limited has not presented its own profit and loss account

(f) Stock

Stocks are stated at the lower of cost and net realisable value

(g) Pensions

The group operates a defined contribution pension scheme. The pension costs charged to the profit and loss account are the premiums payable in respect of the accounting period

(h) Deferred Tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed by the balance sheet date. Deferred tax is not recognised when assets are revalued, unless, by the balance sheet date, the company has entered into a binding agreement to sell the assets and recognised the gains or losses expected to arise on sale

(i) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are settled by buying forward foreign exchange contracts. All differences are taken to the profit and loss account

Kiril Mischeff (Trading) Limited

Notes to the Financial Statements
30 September 2010

2 Turnover

The directors consider it prejudicial to the group's interest to disclose the geographical analysis of turnover

3 Exceptional items

	2010 £	2009 £
Provision for irrecoverable loan	-	264,908

4 Interest payable and similar charges

	£	£
On bank loans and overdrafts	67,398	31,677

Notes to the Financial Statements
30 September 2010

5 Staff costs

Group employee costs, including directors during the year -

	2010 £	2009 £
Wages and salaries	3,458,086	3,070,000
Social security costs	406,537	326,149
Other pension costs	295,494	94,607
	<u>4,160,117</u>	<u>3,490,756</u>

The average number of employees of the group, including directors, during the year was -

	No	No
Office, management and selling	<u>74</u>	<u>70</u>

Directors' remuneration

	£	£
Remuneration	1,682,576	1,393,311
Benefits in kind	43,639	39,984
	<u>1,726,215</u>	<u>1,433,295</u>
Aggregate remuneration	1,726,215	1,433,295
Pension contributions	206,458	52,379
	<u>1,932,673</u>	<u>1,485,674</u>

Seven (2009 – seven) directors are accruing pension benefits under money purchase schemes

The remuneration of the highest paid director were as follows -

	£	£
Aggregate remuneration	<u>369,014</u>	<u>280,664</u>

6 Profit on ordinary activities before taxation

The profit is after charging / (crediting) -

	£	£
Depreciation of owned assets	138,413	150,318
Depreciation of assets held under hire purchase contracts	810	810
Auditor's remuneration – audit services	34,500	34,500
Auditor's remuneration – other services	7,970	1,500
Operating lease charges – land and buildings	26,188	26,750
Profit on disposal of fixed assets	<u>(32,091)</u>	<u>(2,018)</u>

Notes to the Financial Statements
30 September 2010

7	Tax charge on profit on ordinary activities	2010 £	2009 £
	Corporation tax		
	Current year	237,338	95,549
	Adjustments for prior year	(8,801)	318
		<u>228,537</u>	<u>95,867</u>
	Transfer in respect of deferred tax	(21,470)	59,321
	Current year tax charge	<u>207,067</u>	<u>155,188</u>

The standard rate of corporation tax is the full rate of United Kingdom corporation tax applicable for the year

A reconciliation of the current year tax charge to the charge that would result from applying the standard rate of tax to the profit on ordinary activities before taxation is set out below

	£	£
Profit on ordinary activities before taxation	<u>804,237</u>	<u>653,883</u>
Profit on ordinary activities before taxation multiplied by the standard rate of corporation tax of 28% (2009 – 28%)	225,188	183,087
Effects of -		
Expenses not deductible for tax purposes	24,713	3,891
Depreciation in excess of capital allowances	-	6,184
Capital allowances in excess of depreciation	(11,862)	-
Movement in unpaid pension contributions	39,281	(80,777)
Adjustment in respect of marginal relief	(14,047)	(16,836)
Utilisation of tax losses by certain subsidiaries	-	-
Adjustment in respect of prior years	(8,801)	318
Adjustment for other allowable deductions	(25,935)	-
Current year tax charge	<u>228,537</u>	<u>95,867</u>

The transfer in respect of deferred tax is made up as follows -

Origination and reversal of timing differences	<u>(21,470)</u>	<u>59,321</u>
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Notes to the Financial Statements
30 September 2010

8 Profit for the year attributable to shareholders

As permitted by Section 408 of the Companies Act 2006, the profit and loss account of the company is not presented as part of the financial statements

9 Tangible fixed assets

Group	Freehold property £	Plant, equipment, fixtures and fittings £	Motor vehicles £	Total £
Cost				
At 1 October 2009	197,788	266,562	476,529	940,879
Additions	-	-	195,533	195,533
Disposals	-	-	(222,556)	(222,556)
At 30 September 2010	<u>197,788</u>	<u>266,562</u>	<u>449,506</u>	<u>913,856</u>
Depreciation				
At 1 October 2009	16,121	188,157	279,271	483,549
Charge for the year	4,000	31,759	103,464	139,223
Disposals	-	-	(210,941)	(210,941)
At 30 September 2010	<u>20,121</u>	<u>219,916</u>	<u>171,794</u>	<u>411,831</u>
Net book value				
At 30 September 2009	<u>181,667</u>	<u>78,405</u>	<u>197,258</u>	<u>457,330</u>
At 30 September 2010	<u>177,667</u>	<u>46,646</u>	<u>277,712</u>	<u>502,025</u>
Assets held under hire purchase contracts included above -				
Depreciation charge		<u>810</u>		<u>810</u>
Net book value		<u>2,297</u>		<u>2,297</u>

Kiril Mischeff (Trading) Limited

Notes to the Financial Statements 30 September 2010

10 Investments

Company

Subsidiary
Undertakings
£

Cost

At 1 October 2009 & 30 September 2010

670,000

In the opinion of the directors, the aggregate value of the company's investment in the subsidiary undertakings is not less than the amount included in the balance sheet

At the balance sheet date the subsidiary undertakings were as follows

	Proportion of shares held %	Main activity
Direct holding		
Kiril Mischeff (Group) Limited	100	Non-trading
Indirect holdings		
Kiril Mischeff Limited^	100	Import and distribution of food products
W Saunders (Shipping & Forwarding) Limited*	100	Shipping and forwarding
EE & Brian Smith (1928) Limited*	100	Food broking and trading
CBJ Securities Limited*	100	Investment company
CBJ Holdings Limited*	100	Non-trading
Cereal and General Products Limited*	100	Non-trading
House of York Limited"	100	Non-trading
Brian Smith Holdings Limited~	100	Non-trading

^ Interest held by Kiril Mischeff (Group) Limited

* Interest held by Kiril Mischeff Limited

" Interest held by CBJ Securities Limited

~ Interest held by EE & Brian Smith (1928) Limited

All shares held in subsidiary companies are ordinary shares

Kiril Mischeff (Trading) Limited

Notes to the Financial Statements
30 September 2010

11	Stock	2010 Group £	2010 Company £	2009 Group £	2009 Company £
	Finished goods and goods for resale	<u>4,847,233</u>	<u>-</u>	<u>4,714,807</u>	<u>-</u>
12	Debtors	2010 Group £	2010 Company £	2009 Group £	2009 Company £
	Trade debtors	18,408,852	-	15,785,173	-
	Other debtors	-	-	31,343	-
	Amounts due from subsidiaries	-	-	-	3,924
	Deferred tax asset – see note 16	64,400	-	42,930	-
	Prepayments	<u>96,697</u>	<u>-</u>	<u>50,050</u>	<u>-</u>
		<u>18,569,949</u>	<u>-</u>	<u>15,909,496</u>	<u>3,924</u>

The deferred tax asset is due after more than one year

13	Creditors amounts falling due within one year	2010 Group £	2010 Company £	2009 Group £	2009 Company £
	Bank loans & overdrafts	1,561,155	-	2,992,790	-
	Loan notes	-	-	67,000	67,000
	Trade creditors	13,297,671	-	12,870,752	-
	Hire purchase creditors	1,528	-	2,098	-
	Social security and taxes	361,576	-	263,690	-
	Amount due to subsidiaries	-	368,876	-	26,000
	Corporation tax	237,338	-	95,549	-
	Other creditors	255,223	-	-	-
	Accruals and deferred income	<u>4,658,549</u>	<u>-</u>	<u>3,183,512</u>	<u>-</u>
		<u>20,373,041</u>	<u>368,876</u>	<u>19,475,391</u>	<u>93,000</u>

The bank loans & overdrafts are secured on the assets of the group

Hire purchase creditors are secured on the assets to which they relate

Notes to the Financial Statements
30 September 2010

14 Creditors amounts falling due after more than one year

	2010 Group £	2010 Company £	2009 Group £	2009 Company £
Loan notes	-	-	351,750	351,750
Other creditors	1,018,250	-	722,478	-
Hire purchase creditors	382	-	524	-
	<u>1,018,632</u>	<u>-</u>	<u>1,074,752</u>	<u>351,750</u>

15 Loans

Repayable by instalments

	2010 Group £	2010 Company £	2009 Group £	2009 Company £
Loan notes	<u>-</u>	<u>-</u>	<u>418,750</u>	<u>418,750</u>

Analysis of loan instalments

Amounts due

	2010 Group £	2010 Company £	2009 Group £	2009 Company £
Within one year	-	-	67,000	67,000
Between one and two years	-	-	67,000	67,000
Between two and five years	-	-	201,000	201,000
In over five years	-	-	83,750	83,750
	<u>-</u>	<u>-</u>	<u>418,750</u>	<u>418,750</u>

Notes to the Financial Statements
30 September 2010

16 Deferred tax asset

Deferred tax is analysed over the following timing differences -

	2010 Group £	2010 Company £	2009 Group £	2009 Company £
Depreciation in excess of capital allowances	<u>(64,400)</u>	<u>-</u>	<u>(42,930)</u>	<u>-</u>

Movements on the provision for deferred tax are as follows -

	£	£	£	£
At 1 October 2009	(42,930)	-	(102,251)	-
(Credit)/charge in profit and loss account	<u>(21,470)</u>	<u>-</u>	<u>59,321</u>	<u>-</u>
At 30 September 2010	<u>(64,400)</u>	<u>-</u>	<u>(42,930)</u>	<u>-</u>

17 Pension costs

The group operates a defined contribution pension scheme. The pension cost charge represents contributions payable by the group and amounted to £155,494 (2009 £94,607) for the year.

18 Share capital

	2010 £	2009 £
Allotted, called up and fully paid 500,000 ordinary shares of £10p each		
At 1 October 2009	50,000	50,000
Issued by the company during the year	3,750	-
Repurchased by the company during the year	<u>(3,750)</u>	<u>-</u>
At 30 September 2010	<u>50,000</u>	<u>50,000</u>

On 31 May 2010 the company repurchased and subsequently cancelled 37,500 ordinary shares of 10p each for no consideration. These shares represented 7.5% of the company's issued ordinary share capital at that date.

On 16 June 2010 the company issued 37,500 ordinary shares of 10p each at par.

19 Capital redemption reserve

	2010 £	2009 £
Arising on purchase of own shares during the year	<u>3,750</u>	<u>-</u>

Kiril Mischeff (Trading) Limited

Notes to the Financial Statements 30 September 2010

20 Profit and loss account

	2010 Group £	2010 Company £	2009 Group £	2009 Company £
At 1 October 2009	2,077,212	179,174	1,578,517	110,974
Retained profit for the year	597,170	68,200	498,695	68,200
At 30 September 2010	<u>2,674,382</u>	<u>247,374</u>	<u>2,077,212</u>	<u>179,174</u>

21 Reconciliation of movements in shareholders' funds

	2010 Group £	2010 Company £	2009 Group £	2009 Company £
Profit for the year	597,170	68,200	498,695	68,200
Issue of shares	3,750	3,750	-	-
Opening shareholders' funds	<u>2,127,212</u>	<u>229,174</u>	<u>1,628,517</u>	<u>160,974</u>
Closing shareholders' funds	<u>2,728,132</u>	<u>301,124</u>	<u>2,127,212</u>	<u>229,174</u>

22 Controlling party

The company had no identifiable controlling party during the year

23 Related party transactions

Company

At 30 September 2010 the company owed £Nil (2009 £418,750) to a director, R A R Mischeff, in respect of loan notes issued to him on the purchase by the company of his 100% shareholding in Kiril Mischeff (Group) Limited

Group

At 30 September 2010 a loan of £1,273,473 (2009 £722,478) was due by a group company to Broadwall Properties Limited, a company controlled by R A R Mischeff

Notes to the Financial Statements
30 September 2010

24 Leasing commitments

At 30 September 2010 the group had operating lease commitments for the following year as set out below -

	Land & buildings	
	2010	2009
	£	£
Operating leases which expire -		
within less than one year	-	26,750
from one to five years	24,500	-
	<u>24,500</u>	<u>26,750</u>

25 Contingent liabilities

Group

At 30 September 2010 the group had outstanding forward foreign exchange contracts of £30,536,474 (2009 £32,459,680)

The group has jointly and severally guaranteed the bank borrowings of certain group companies. At 30 September 2010 the borrowings covered by these guarantees amounted to £28,621 (2009 £1,703,953)

26 Notes to the Cash Flow Statement

a) Reconciliation of operating profit to net cash inflow from operating activities

	2010	2009
	£	£
Operating profit	871,635	950,468
Depreciation	139,223	151,128
Profit on disposal of fixed assets	(32,091)	(2,018)
Exceptional items	-	(264,908)
(Increase)/decrease in stocks	(132,426)	446,701
Increase in debtors	(2,638,983)	(249,384)
Increase in creditors	2,255,066	100,602
Net cash inflow from operating activities	<u>462,424</u>	<u>1,132,589</u>

b) Reconciliation of net cash flow to the movement in net debt

	2010	2009
	£	£
Increase in cash in the year	201,341	6,957
Movement in bank loans	(164,830)	966,801
Movement in other loans	123,690	(66,536)
Movement in net debt in the year	<u>160,201</u>	<u>907,222</u>
Opening net debt	(2,540,918)	(3,448,140)
Closing net debt	<u>(2,380,717)</u>	<u>(2,540,918)</u>

Notes to the Financial Statements
30 September 2010

26 Notes to the Cash Flow Statement (continued)

c) Reconciliation of net cash flow to movement in net debt

	2009 £	Cash flow £	Other £	2010 £
Cash at bank and in hand	1,595,722	(1,395,124)	-	200,598
Bank overdrafts	(1,625,086)	1,596,465	-	(28,621)
	<u>(29,364)</u>	<u>201,341</u>	<u>-</u>	<u>171,977</u>
Debt falling due within one year	(1,436,802)	(97,260)	-	(1,534,062)
Debt falling due after more than one year	(1,074,752)	56,120	-	(1,018,632)
	<u>(2,540,918)</u>	<u>160,201</u>	<u>-</u>	<u>(2,380,717)</u>