beCogent Limited

Report and Financial Statements

Year ended 31 December 2007
Registered No: 3742876

Chairman's Statement

The Company has performed very well this year. Annual turnover increased by 43% to £36.9m in the twelve months to December with operating profits, excluding non recurring items, up by 125%. It is pleasing to report that since 2005 revenues have grown by almost 100%.

We added three new blue chips retailers to our client list this year and I am satisfied that we have a good spread of activity with no one client accounting for more than 25% of our business.

To accommodate this growth, we opened a new site in Glasgow city centre on a short lease. This has been a successful move and as a result, we will be making a longer term commitment on a larger city centre property. At the year end, we were trading from 120,000 sq ft from four properties in Airdrie, Erskine, Kilmarnock and Glasgow.

We have continued to invest significantly in our employees this year with the roll out of the beCogent Fast Track and Academy programmes and the implementation of a full grading structure, thereby creating opportunities for horizontal as well as vertical progression.

During the year, our Investor in People accreditation was renewed and the feedback from the lead assessor after 8 days and more than 125 random interviews across the business was that beCogent was "probably the best company" they had ever assessed. In November 2007, our employee numbers exceeded 3,000 for the first time and we intend to build on this success in 2008.

We completed the sale and leaseback of our Erskine facility for £3.9m in the second half of the year. This income coupled with the funds generated by the business allowed us to repay almost all our outstanding debt and end the year with net cash in the bank.

Capital expenditure during the year totalled £1.8m.

We intend to continue to grow the company and now have the financial ability to grow both by acquisition and organically and are actively seeking suitable opportunities in the sector and in adjacent businesses during 2008.

Although general economic conditions are uncertain, the current year has started strongly for beCogent and I anticipate that the company will continue to benefit from a buoyant contact centre environment in 2008.

A maiden dividend of 5p per share is proposed to be paid in Q2 2008.

On behalf of the Board, I would like to thank all our employees whose enthusiasm and expertise have made possible the success that we have achieved.

Directors' report

The directors present their eighth report and financial statements for the year ended 31 December 2007.

Principal activity

The principal activity of the company is the provision of outsourced contact centre services.

Results and dividends

The profit after taxation for the year ended 31 December 2007 amounted to £3,173,000 (18 months to December 2006 profit of £839,000). The directors recommend the payment of a dividend of 5p per share to ordinary shareholders.

Review of the business

This has been a year of significant growth. Revenue has increased by 43% from calendar 2006 and underlying profits have almost tripled in the same period. We end the year with positive reserves, positive working capital and cash in the bank.

During the year we continued to strengthen our client relationships and have won a number of prestigious new contracts. The final 6 months of 2007 have been exceptionally strong. In November our employee numbers hit 3,000 for the first time and we ended the year with a record quarter, with trading profits for Q4 of 2007 exceeding those made in the full 12 months to December 2006.

There were a number of non-recurring items affecting our results this year. The table below shows our underlying trading profit excluding the impact of those items.

	12 months to December 2007 £000s	**12 months to December 2006* £000s**
Turnover	**36,890**	**25,720**
Operating costs	(33,535)	(24,231)
Operating profit	**3,355**	**1,489**
Interest	(413)	(472)
Profit from ordinary activities pre tax	**2,942**	**1,017**

* *extracted from the audited accounts for the 18 months to December 2006*

We look forward to continuing to build on the success of beCogent during 2008.

Key Performance Indicators

The directors use a number of key performance indicators to monitor the performance of the business.

These include both financial and operational measures, as well as conducting regular employee forums to measure staff satisfaction.

Financial KPIs include daily gross profit monitoring, weekly analysis of debtors and cashflow projections plus a live full year profit forecast available to all directors. These tools enable us to closely monitor and react to trends in our business.

Operational statistics are monitored continuously and reported on daily and include industry specific KPIs such as shrinkage, absence and attrition.

Directors' report

Financial risk management objectives and policies

The company's operations expose it to a variety of financial risks, including the effects of changes in interest rates on debt, credit risk and liquidity risk. The company has a tight monitoring system which allows the directors to take action to limit any effects of adverse movements in any of the above risk factors.

Cashflow interest rate risk

Interest rates on bank loans and overdrafts are at market rate. The directors closely monitor the overall level of current and projected borrowings, cash balances and interest rates to limit the exposure to the company from an adverse change in interest rates.

Credit risk

The company has a largely blue chip client base. New clients are subject to credit checks and the percentage of the company's business from any one client is regularly monitored.

Liquidity risk

The board regularly reviews the company's liquidity projections to ensure the company has sufficient funds to run its operations.

Board of directors

The directors of the company who served during the year were:

D J Jenkinson
E Bell
J M Nikrant
K L Young
J A Lowe
J Devlin
C B Breslin (resigned 5 July 2007)

Directors' interests

The directors who served during the year and their interests in the share capital of the company were as follows:

	At 31st December 2007		*At 31st December 2006*	
	A Ordinary Shares of 73p Each No.	*Ordinary Shares of 0.2p Each No.*	*A Ordinary Shares of 73p Each No.*	*Ordinary Shares of 0.2p Each No.*
D J Jenkinson	*527,042*	*2,586,536*	*495,002*	*2,503,116*
E Bell	*24,000*	*89,870*	*24,000*	*89,870*
J M Nikrant	-	*38,995*	-	*38,995*
C B Breslin	-	-	*8,882*	*12,500*
J Devlin	-	*3,000*	-	*3,000*

At 31 December 2007, J Nikrant held interests of 346,882 ordinary shares of 0.2p each (December 2006 – 346,882 ordinary shares of 0.2p each) and 87,000 (December 2006 - 87,000) ordinary shares of 73p through his 10% holding in Cedar Investment Group.

Directors' report

Employment policies

beCogent always gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person.

In the event of any existing staff member becoming disabled every effort is made to ensure that their employment with the company remains.

It is the policy of the company that the training, career development and promotion of a disabled person should as far as possible be identical with that of the other employees.

Employee involvement

The company has a policy of providing employees with information about the company through a live intranet site and regular staff updates. Employees are encouraged to give feedback and present suggestions via the intranet or e-mail to management.

An Employment Involvement Group (EIG) has been set-up to give staff a direct link to senior management. Regular EIG meetings are held between management and employees to encourage a free flow of information and ideas.

Auditors

A resolution to reappoint Grant Thornton UK LLP as the company's auditor will be put to the forthcoming Annual General Meeting.

On behalf of the board

D J Jenkinson
Director

13 March 2008

Statement of directors' responsibilities in respect of the financial statements

Company law requires the directors to prepare financial statements for each financial period, which 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 those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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.

In so far as the directors are aware:

- there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Grant Thornton

Independent auditors' report to the members of beCogent Limited

We have audited the financial statements of beCogent Limited for the year ended 31 December 2007 which comprise the profit and loss account, the balance sheet, cash flow statement and notes 1 to 21. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. The other information comprises only of the Directors' Report and the Chairmen's Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Grant Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS

13 MARCH 2008

Profit and loss account

for the year ended 31 December 2007

	Notes	*Year 2007 £000*	*18 month Period 2006 £000*
Turnover	2	36,890	34,642
Operating Costs		(34,528)	(33,769)
Operating Profit	3	2,362	873
Exceptional Item:			
Gain on sale of property		1,925	-
Interest receivable		23	18
Interest payable and similar charges	6	(436)	(650)
Profit on ordinary activities before taxation		**3,874**	**241**
Taxation	7	(701)	598
Profit for the financial period attributable to shareholders		**3,173**	**839**

There are no recognised gains or losses other than the profit attributable to the shareholders of the company of £3,173,000 in the year ended 31 December 2007 (18 month period to December 2006 £839,000).

Balance sheet
at 31 December 2007

	Notes	*2007* *£000*	*2006* *£000*
Fixed asset			
Tangible assets	8	3,519	4,609
Current assets			
Debtors	10	7,817	5,803
Cash		1,054	16
Creditors: amounts falling due within one year	11	(6,627)	(6,310)
Net current assets/(liabilities)		2,244	(491)
Total assets less current liabilities		5,763	4,118
Creditors: amounts falling due after more than one year			
Loans	12	-	1,775
Obligations under finance leases and hire purchase contracts	18	449	182
Accruals and deferred income			
Deferred government grants	14	967	386
		4,347	1,774
Capital and reserves			
Called up share capital	15	1,366	1,366
Share premium account	16	2,697	2,697
Profit and loss account	16	284	(2,289)
Shareholders' funds		4,347	1,774

K L Young
Director

13 March 2008

Statement of cash flows

for the year ended 31 December 2007

	Notes	Year 2007 £000	18 month Period 2006 £000
Net cash inflow/(outflow) from operating activities	21(a)	2,681	(334)
Return on investment and servicing of finance			
Interest paid and similar charges on external finance		(399)	(620)
Interest received and similar income		23	18
Interest element of finance lease rental payments		(37)	(30)
		(413)	(632)
Taxation			
UK corporation tax paid		(1)	-
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(1,039)	(769)
Receipt from sale of tangible fixed assets		3,796	15
Receipt of government grants		980	330
		3,737	(424)
Financing			
Increase in long-term loans		-	300
Repayment of long-term loans		(2,345)	(670)
Repayment of capital element of finance leases	21(b)	(249)	(228)
		(2,594)	(598)
Increase/(decrease) in cash		3,410	(1,988)

Statement of cash flows

for the year ended 31 December 2007

Reconciliation in net cash flow to movement in net debt

		2007	*2006*
		£000	*£000*
Increase/(decrease) in cash		3,410	(1,988)
Repayment of loans		2,345	670
Repayment of capital element of finance leases		249	228
Increase in long term loan		-	(300)
Changes in net debt resulting from cash flows		6,004	(1,390)
New finance leases	21(b)	(767)	(344)
Movement in net debt		5,237	(1,734)
Net debt at 1 January 2007	21(b)	(5,595)	(3,861)
Net debt at 31 December 2007	21(b)	(358)	(5,595)

Notes to the financial statements

at 31 December 2007

1. Accounting policies

Basis of preparation

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

Turnover

Turnover represents amounts receivable for services provided in the normal course of business.

Tangible fixed assets

Tangible fixed assets are stated at cost. Depreciation is calculated to write off the net cost of each asset over its estimated useful life by equal annual instalments at the following rates:

Freehold property	-	2%
Leasehold property	-	over the lease term
Computer equipment	-	20% - 50%
Office fixtures and fittings	-	10% - 50%

Government grants

Government grants are released to profit and loss account over a 5 year period beginning with the receipt of the first tranche of grant in relation to the particular project to which the grant relates.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax with the following exception:

- deferred tax assets are recognised only to the extent that the directors consider that it is 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 is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the contracted rate if the transaction is covered by a forward foreign currency contract.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date or if appropriate at the forward contract rate.

All differences are taken to the profit and loss account.

Notes to the financial statements

at 31 December 2007

1. Accounting policies (continued)

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the assets have passed to the company, and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts, and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight-line basis over the lease term.

Capital instruments

Shares are included in shareholders' funds. Other instruments are classified as liabilities if they contain an obligation to transfer economic benefits and if not they are included in shareholders' funds. The finance cost recognised in the profit and loss account in respect of capital instruments other than equity shares is allocated to periods over the term of the instrument at a constant rate on the carrying amount.

Pensions

A stakeholder pension scheme is in operation. The pension charge for the year represents contributions payable by the company to the plan in accordance with the rules of the scheme.

2. Turnover

Turnover is attributable to one continuing activity, the provision of third party contact centre services within the UK and is stated net of VAT.

3. Operating profit

This is stated after charging/(crediting):

		Year 2007 £000	*18 month period 2006 £000*
Depreciation of owned fixed assets		868	1,182
Depreciation of assets held under hire purchase contracts		157	162
Auditors' remuneration	- audit services	27	24
	- non- audit services	16	6
Amortisation of government grants	- capital	(399)	(231)
Operating lease rentals	- land and buildings	590	503
	- plant and machinery	56	34

Notes to the financial statements

at 31 December 2007

4. Directors' emoluments

	Year 2007 £000	*18 month period 2006 £000*
Emoluments	880	705

The amounts in respect of the highest paid director are as follows:

	Year 2007 £000	*18 month period 2006 £000*
Emoluments	242	210

5. Staff costs

	Year 2007 £000	*18 month period 2006 £000*
Wages and salaries	27,110	25,467
Social security costs	1,625	1,716
Pension costs	133	161
	28,868	27,344

The monthly average number of employees during the year was 2,349 (18 month period to December 2006 – 1,778).

6. Interest payable and similar charges

	Year 2007 £000	*18 month period 2006 £000*
Interest payable on bank loan and overdraft	399	620
Finance charges payable under finance leases and hire purchase contracts	37	30
	436	650

Notes to the financial statements

at 31 December 2007

7. Taxation

(a) Analysis of charge in the year

	Year 2007 £000	18 month period 2006 £000
Current tax:		
UK corporation tax based on the results for the year at 30% (2006 - 30%)	486	2
Total current tax	486	2
Deferred tax:		
Origination and reversal of timing differences	215	(600)
Tax on profit on ordinary activities	701	(598)

(b) Factors affecting current tax charge for the year

	Year 2007 £000	18 month period 2006 £000
Profit on ordinary activities before tax	3,874	241
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006 - 30%)	1,162	72
Effects of:		
Income not subject to taxation	(120)	(69)
Disallowable expenses	34	56
Depreciation in respect of capital allowances	69	102
Capital allowances in excess of depreciation	-	-
Short term timing differences	(2)	(15)
Losses utilised in year	(560)	(141)
Unrelieved tax losses carried forward	-	-
Other reliefs	-	(3)
Difference between accounting gain and tax gain	(97)	-
Current tax charge for year	486	2

Notes to the financial statements

at 31 December 2007

(c) Factors that may affect future tax charges

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing difference can be deducted. Deferred tax asset not recognised in respect of tax losses is NIL (2006 - £263,689). Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse.

8. Tangible fixed assets

	Freehold Property £000	*Leasehold property £000*	*Computer equipment £000*	*Office fixtures and fittings £000*	*Total £000*
Cost:					
At 1 January 2007	1,994	530	3,319	3,519	9,362
Additions	-	6	1,007	797	1,810
Disposals	(1,994)	-	(6)	-	(2,000)
At 31 December 2007	-	536	4,320	4,316	9,172
Depreciation:					
At 1 January 2007	93	152	2,333	2,175	4,753
Charge for the year	30	23	526	446	1,025
Disposals	(123)	-	(2)	-	(125)
At 31 December 2007	-	175	2,857	2,621	5,653
Net book value:					
At 31 December 2007	-	361	1,463	1,695	3,519
At 1 January 2007	1,901	378	986	1,344	4,609

Included in the amounts above are the following relating to assets acquired under hire purchase contracts:

	Cost £000	*Net book value £000*
Office fixtures and fittings	600	519
Computer equipment	779	519

Notes to the financial statements

at 31 December 2007

9. Investments

	Investment in subsidiary undertaking
	£
Cost:	
At 1 January 2007	2
Dissolved in the year	(2)
At 31 December 2007	0

The investment in subsidiary undertaking comprised a holding of 100% of the issued ordinary share capital of E-incubator Limited. E-incubator Limited was dormant during 2006 and was dissolved on 2 October 2007.

10. Debtors

	2007	*2006*
	£000	*£000*
Trade debtors	6,713	4,601
Prepayments and accrued income	696	508
Other debtors	22	94
Deferred tax asset	386	600
	7,817	5,803

11. Creditors: amounts falling due within one year

	2007	*2006*
	£000	*£000*
Bank overdraft	244	2,615
Trade creditors	926	1,296
Bank loans (note 12)	300	870
VAT	1,714	559
Other taxes and social security costs	514	374
Obligations under finance leases and hire purchase contracts (note 18)	420	169
Accruals and deferred income	1,344	389
Pension creditor	18	18
Other creditors	61	19
Corporation tax creditor	486	2
Proposed dividend	600	-
	6,627	6,310

Notes to the financial statements

at 31 December 2007

12. Creditors: amounts falling due after more than one year

	2007 £000	2006 £000
Wholly repayable within five years:		
Bank loan	300	2,645
Less : included in creditors: amounts falling due within one year (note 11)	(300)	(870)
	-	1,775

The bank loan is secured by a debenture over all assets of the company.

The loan is payable in one lump sum on 31 July 2008.

13. Deferred taxation

The deferred taxation asset not recognised in the financial statements is as follows:

	2007 £000	2006 £000
Capital allowances in advance of depreciation	-	-
Less: losses carried forward available for offset	-	(263)
short term timing differences	-	-
	-	(263)

14. Accruals and deferred income

	Deferred government grant £000
Balance at 1 January 2007	386
Amortised during the year	(399)
Received during the year	980
Balance at 31 December 2007	967

Notes to the financial statements

at 31 December 2007

15. Share capital

	Authorised		Allotted, called up and fully paid	
	2007	*2006*	*2007*	*2006*
	No.	*No.*	*£000*	*£000*
Equity:				
Ordinary shares of 0.2p each	13,000,000	13,000,000	20	20
A Ordinary shares of 73p each	1,846,080	1,846,080	1,346	1,346
	14,846,080	14,846,080	1,366	1,366

The issued share capital at the beginning and end of the financial period comprised 10,152,827 ordinary shares and 1,846,080 A ordinary shares.

Share option over ordinary shares	EMI Scheme No of shares	Other No of Shares
Outstanding at beginning of the period	376,528	256,125
Granted during the period	-	-
Renounced or lapsed	(206,528)	-
Outstanding at the end of the period	170,000	256,125

20,000 options granted under the beCogent Limited Enterprise Management Incentive Scheme will in normal circumstances be exercisable in accordance with the scheme rules in whole or in part between 27 February 2007 and 27 February 2014 at a price of 60p per share and 150,000 options between 16 January 2009 and 16 January 2016 at a price of 50p per share.

The other options are exercisable by the holder at a price of 0.2p per share at any time up to six months following full repayment of the bank facilities.

Notes to the financial statements

at 31 December 2007

16. Reconciliation of shareholders' funds and movements on reserves

	Called up share capital £000	*Share premium account £000*	*Profit and loss account £000*	*Total shareholders' funds £000*
At 1 January 2007	1,366	2,697	(2,289)	1,774
Profit for the year	-	-	3,173	3,173
Proposed dividend			(600)	(600)
At 31 December 2007	1,366	2,697	284	4,347

17. Related party transactions

Mr D Jenkinson, director of the company, has an interest in Merse & Co Limited who provide his services under a consultancy agreement. During the year ended 31 December 2007 these consultancy fees amounted to £159,359 (18 month period to December 2006 - £206,795). Included in creditors at 31 December 2007 is an outstanding balance of £10,384 (December 2006 - £13,777) in relation to these services.

18. Obligations under finance leases and hire purchase contracts

The maturity of these amounts is as follows:

	2007 £000	*2006 £000*
Amounts payable:		
Within one year	469	189
In two to five years	510	202
	979	391
Less: finance charges allocated to future periods	(110)	(40)
	869	351

Finance leases and hire purchase contracts are analysed as follows:

	2007 £000	*2006 £000*
Current obligations (note 11)	420	169
Non-current obligations	449	182
	869	351

Notes to the financial statements

at 31 December 2007

19. Capital commitments

At the year end, amounts in relation to capital expenditure contracted for but not provided for totalled £112,528 (18 month period to December 2006 - £131,408).

20. Other financial commitments

Operating leases

At 31 December 2007, the company had annual commitments under non-cancellable operating leases as set out below:

		Land and buildings		*Plant and machinery*
	2007	*2006*	*2007*	*2006*
	£000	*£000*	*£000*	*£000*
Operating leases which expire:				
In two to five years	-	-	69	34
In over five years	679	329	-	-
	679	329	69	34

21. Notes to the statement of cashflows

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

	2007	*2006*
	£000	*£000*
Operating profit	2,362	873
Depreciation of tangible fixed assets	1,025	1,344
Deferred government grants released	(399)	(231)
(Increase) in debtors	(2,228)	(2,761)
Increase in creditors	1,921	441
Net cash inflow/(outflow) from operating activities	2,681	(334)

(b) Analysis of net debt

	At 1 January 2007	*Cash flow*	*Other non-cash movements*	*At 31 December 2007*
	£000	*£000*	*£000*	*£000*
Bank overdrafts	(2,615)	2,371	-	(244)
Cash in hand	16	1,039	-	1,055
Loans	(2,645)	2,345	-	(300)
Finance leases	(351)	249	(767)	(869)
	(5,595)	6,004	(767)	(358)