


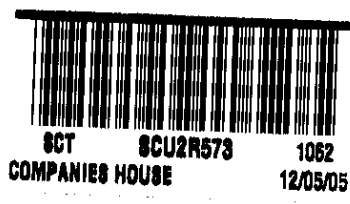
138829

Whitelink Seafoods Limited

Report and Financial Statements

30 June 2004

 ERNST & YOUNG



Whitelink Seafoods Limited

Registered No: 138829

Directors

James Sutherland
Marie Sutherland

Secretary

Marie Sutherland

Auditors

Ernst & Young LLP
Barony House
Stoneyfield Business Park
Stoneyfield
Inverness
IV2 7PA

Bankers

Bank of Scotland
Seaforth Street
Fraserburgh
AB43 5BB

The Royal Bank of Scotland
62 Broad Street
Fraserburgh
AB43 8AS

Banque Scalbert Dupont
Place Dalton
62200 Boulogne Sur Mer
France

Commerzbank AG
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Cramer/me
Neue Mainzer StraBe 32-36
60261 Frankfurt

Icebank Limited
Raudarastig 27
105 Reykjavik
Iceland

National Westminster Bank Plc
14 Blythswood Square
Glasgow
G2 4AQ

Solicitors

Jameson & Co.
Trading Town Side
Kilkenny

Registered office

Maxwell Place
Fraserburgh
AB43 5SX

Directors' report

The directors present their report and financial statements for the year ended 30 June 2004.

Results and dividends

The profit for the year, after taxation, amounted to £439,189. The directors do not recommend the payment of any dividends.

Principal activities and review of the business

The principal activity of the company relates to the sale of fish.

The directors are satisfied with the performance of the business during the year.

Directors and their interests

The directors at 30 June 2004 and their interests in the share capital of the company were as follows:

	<i>At 30 June 2004 Ordinary shares</i>	<i>At 1 July 2003 Ordinary shares</i>
James Sutherland	40,000	40,000
Marie Sutherland	60,000	60,000

Charitable donations

During the year, the company made charitable donations totalling £9,998.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the board



Marie Sutherland
Secretary

6 May 2005

Statement of directors' responsibilities in respect of the financial statements

Company law requires the directors to prepare financial statements for each financial year 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; 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.

Independent auditors' report to the members of Whitelink Seafoods Limited

We have audited the company's financial statements for the year ended 30 June 2004 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet, Statement of Cash Flows and the related notes 1 to 23. These financial statements have been prepared on the basis of 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 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 described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards 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.

Independent auditors' report
to the members of Whitelink Seafoods Limited (continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 30 June 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Inverness

6 May 2005

Profit and loss account

for the year ended 30 June 2004

	<i>Notes</i>	2004 £	2003 £
Turnover	2	27,481,216	23,879,234
Cost of sales		26,070,636	22,508,823
		<u>1,410,580</u>	<u>1,370,411</u>
Gross profit		1,410,580	1,370,411
Administrative expenses		1,566,267	1,528,751
Other operating income	3	(859,530)	(546,093)
		<u>703,843</u>	<u>387,753</u>
Operating profit	4	703,843	387,753
Bank interest receivable	7	8,594	17,541
Interest payable and similar charges	8	(70,029)	(67,762)
		<u>(61,435)</u>	<u>(50,221)</u>
		<u>642,408</u>	<u>337,532</u>
Profit on ordinary activities before taxation		642,408	337,532
Tax on profit on ordinary activities	9	203,219	182,179
		<u>439,189</u>	<u>155,353</u>
Profit retained for the financial year		<u>439,189</u>	<u>155,353</u>

Statement of total recognised gains and losses
for the year ended 30 June 2004

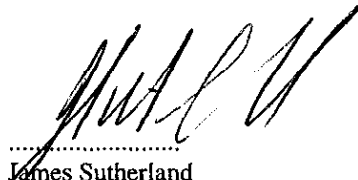
	2004	2003
	£	£
Profit for the financial year	439,189	155,353
Unrealised surplus on revaluation of certain fixed assets	38,791	—
Total gains and losses recognised since the last annual report	<u>477,980</u>	<u>155,353</u>

Balance sheet

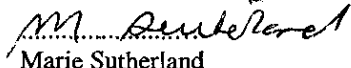
at 30 June 2004

	<i>Notes</i>	2004 £	2003 £
Fixed assets			
Tangible assets	10	2,508,381	2,057,130
Current assets			
Stocks	11	160,108	183,312
Debtors	12	3,604,769	3,610,117
Cash in hand		612,244	633,461
		4,377,121	4,426,890
Creditors: amounts falling due within one year	13	3,487,475	3,579,090
Net current assets		889,646	847,800
Total assets less current liabilities		3,398,027	2,904,930
Creditors: amounts falling due after more than one year	14	547,726	635,891
Provisions for liabilities and charges	17	176,450	144,029
Accruals and deferred income			
Deferred government grants	18	324,004	253,143
		2,349,847	1,871,867
Capital and reserves			
Called up share capital	21	120,000	120,000
Profit and loss account	22	2,229,847	1,751,867
Equity shareholders' funds	22	2,349,847	1,871,867

ERNST & YOUNG



James Sutherland
Director



Marie Sutherland
Director

6 May 2005

Statement of cash flows

for the year ended 30 June 2004

	Notes	2004 £	2003 £
Net cash inflow from operating activities	23(a)	1,158,422	(300,525)
Returns on investments and servicing of finance	23(b)	(61,435)	(50,221)
Taxation	23(c)	(94,960)	(6,035)
Capital expenditure and financial investment	23(d)	(505,601)	(437,302)
Financing	23(e)	(131,203)	(118,684)
Increase/(decrease) in cash		<u>365,223</u>	<u>(912,767)</u>

Reconciliation of net cash flow to movement in net debt

		2004 £	2003 £
Increase/(decrease) in cash		365,223	(912,767)
Cash used to repay capital element of hire purchase payments		70,342	68,700
Cash outflow from decrease in bank loans		60,861	49,984
Change in net debt resulting from cash flows	23(f)	<u>496,426</u>	<u>(794,083)</u>
New hire purchase contracts		(39,000)	(37,000)
Movement in net debt		<u>457,426</u>	<u>(831,083)</u>
Net debt at 1 July	23(f)	(1,324,664)	(493,581)
Net debt at 30 June	23(f)	<u>(867,238)</u>	<u>(1,324,664)</u>

Notes to the financial statements

at 30 June 2004

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention, modified to include the revaluation of investment properties, and in accordance with applicable accounting standards. This requires a departure from the Companies Act 1985 relating to depreciation and an explanation of the departure is given below.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land and investment properties, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows:

Heritable buildings	-	50 years straight line
Plant & equipment	-	10 years straight line
Motor vehicles	-	5 years straight line
Office equipment	-	5 years straight line

An amount equal to the excess of the annual depreciation charge on revalued assets over the notional historical cost depreciation charge on those assets is transferred annually from the revaluation reserve to the profit and loss reserve.

Investment properties

Heritable property held for long term investment purposes is not depreciated. Investment properties are accounted for in accordance with the Statement of Standard Accounting Practice 19 "Accounting for Investment Properties", as follows:

- investment properties are revalued annually by the directors. The surplus or deficit on revaluation is transferred to the revaluation reserve, unless a deficit below original cost, or its reversal, on an individual investment property, is expected to be permanent, in which case it is recognised in the profit and loss account for the year; and
- no depreciation is provided in respect of investment properties.

Although the Companies Act 1985 would normally require the systematic annual depreciation of fixed assets, the directors believe that the policy of not providing depreciation is necessary in order for the financial statements to give a true and fair view, since the current value of investment properties, and changes to that current value, are of prime importance rather than a calculation of systematic annual depreciation. Depreciation is only one of the many factors reflected in the annual valuation, and the amount which might otherwise have been included cannot be separately identified or quantified.

Government grants

Grants in respect of capital expenditure are credited to a deferred income account and are released to profit over the expected useful lives of the relevant assets by equal annual instalments.

Grants of a revenue nature are credited to income in the period to which they relate.

Stocks

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

Notes to the financial statements

at 30 June 2004

1. Accounting policies (continued)

Deferred taxation

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 exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;
- 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.

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

All differences are taken to the profit and loss account.

Leased assets

Assets held under leasing arrangements and hire purchase contracts that transfer substantially all the risk and rewards of ownership to the company are capitalised. The capital element of the related rental obligation is included in creditors. The interest element of the rental obligations is charged to the profit and loss account so as to produce a constant periodic rate of charge. Rentals in respect of all other leases are charged to the profit and loss account as incurred.

Operating lease agreements

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

Pension costs

The company operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

Notes to the financial statements

at 30 June 2004

2. Turnover

Turnover, which is attributable to one continuing activity, comprises the invoice value of goods and services supplied, exclusive of VAT.

An analysis of turnover by geographical market is given below:

	2004 £	2003 £
United Kingdom and Europe	<u>27,481,216</u>	<u>23,879,234</u>

3. Other operating income

	2004 £	2003 £
Gain on Foreign Exchange	<u>859,530</u>	<u>546,093</u>

4. Operating profit

This is stated after charging/(crediting):

	2004 £	2003 £
Auditors' remuneration - audit services	<u>8,000</u>	<u>8,000</u>
Depreciation of owned fixed assets	188,935	198,088
Depreciation of assets held under hire purchase contracts	50,887	36,345
	<u>239,822</u>	<u>234,433</u>
Profit on disposal of fixed assets	(9,513)	(21,255)
Operating lease rentals - plant and machinery	15,312	17,891
Government grants released re fixed assets	<u>(27,307)</u>	<u>(24,381)</u>

5. Staff costs

	2004 £	2003 £
Wages and salaries	1,873,176	2,019,012
Social security costs	154,299	158,507
Staff pension contributions	41,738	13,682
	<u>2,069,213</u>	<u>2,191,201</u>

The monthly average number of employees during the year was as follows:

	2004 No.	2003 No.
Factory	84	89
Management and office staff	18	9
	<u>102</u>	<u>98</u>

Notes to the financial statements

at 30 June 2004

6. Directors' emoluments

	2004 £	2003 £
Emoluments	<u>249,217</u>	<u>466,887</u>
Value of company pension contributions to money purchase schemes	<u>27,918</u>	<u>-</u>

	2004 No.	2003 No.
Members of money purchase pension schemes	<u>2</u>	<u>2</u>

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

	2004 £	2003 £
Emoluments	<u>212,779</u>	<u>242,887</u>
Value of company pension contributions to money purchase schemes	<u>13,950</u>	<u>-</u>

7. Interest receivable

	2004 £	2003 £
Bank interest receivable	<u>8,594</u>	<u>17,541</u>

8. Interest payable and similar charges

	2004 £	2003 £
Bank interest	60,053	59,799
Finance charges payable under hire purchase contracts	6,229	7,963
Interest on corporation tax	3,747	-
	<u>70,029</u>	<u>67,762</u>

Notes to the financial statements

at 30 June 2004

9. Taxation on ordinary activities

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2004	2003
	£	£
<i>Current tax:</i>		
UK corporation tax	171,529	75,321
Tax (over)/under provided in previous years	(731)	33,996
Total current tax (note 9(b))	<u>170,798</u>	<u>109,317</u>
<i>Deferred tax:</i>		
Origination and reversal of timing differences	32,421	72,862
Tax on profit on ordinary activities	<u>203,219</u>	<u>182,179</u>

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% (2003 - 30%). The differences are reconciled below:

	2004	2003
	£	£
Profit on ordinary activities before taxation	<u>642,408</u>	<u>337,532</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2002 - 20%)	192,722	101,260
Expenses not deductible for tax purposes	11,227	(21,382)
Short term timing differences	2,035	6,124
Capital allowances in excess of depreciation	(35,579)	(4,409)
Adjustment in respect of previous periods	(731)	33,995
Other differences	1,124	(6,271)
Total current tax (note 9(a))	<u>170,798</u>	<u>109,317</u>

(c) Deferred tax

	2004	2003
	£	£
Capital allowances in advance of depreciation	(298,847)	(233,818)
Other timing differences	122,397	89,789
Provision for deferred taxation	<u>(176,450)</u>	<u>(144,029)</u>
		£
At 1 July 2003		(144,029)
Profit and loss account movement arising during the year		(32,421)
At 30 June 2004		<u>(176,450)</u>

Notes to the financial statements

at 30 June 2004

10. Tangible fixed assets

	<i>Heritable Property</i> £	<i>Investment Property</i> £	<i>Plant & equipment</i> £	<i>Fixtures & Fittings</i> £	<i>Other Assets</i> £	<i>Total</i> £
Cost:						
At 1 July 2003	1,038,698	51,209	1,633,558	-	504,509	3,227,974
Additions	133,862	-	453,313	-	87,844	675,019
Surplus on revaluation	-	38,791	-	-	-	38,791
Disposals	-	-	(2,250)	-	(55,000)	(57,250)
Transfers	-	-	(35,091)	40,463	-	5,372
At 30 June 2004	<u>1,172,560</u>	<u>90,000</u>	<u>2,049,530</u>	<u>40,463</u>	<u>537,353</u>	<u>3,889,906</u>
Depreciation:						
At 1 July 2003	107,138	-	739,655	-	324,051	1,170,844
Provided during the year	20,247	-	152,972	-	66,603	239,822
Disposals	-	-	(413)	-	(34,100)	(34,513)
Transfers	-	-	(35,091)	40,463	-	5,372
At 30 June 2004	<u>127,385</u>	<u>-</u>	<u>857,123</u>	<u>40,463</u>	<u>356,554</u>	<u>1,381,525</u>
Net book value:						
At 30 June 2004	<u>1,045,175</u>	<u>90,000</u>	<u>1,192,407</u>	<u>-</u>	<u>180,799</u>	<u>2,508,381</u>
At 1 July 2003	<u>931,560</u>	<u>51,209</u>	<u>893,903</u>	<u>-</u>	<u>180,458</u>	<u>2,057,130</u>

The investment property was revalued on an open market value for existing use basis at 30 June 2004 by the directors of the company. If it had not been revalued, investment property would have been carried in the balance sheet at 30 June 2004 at a cost of £51,209.

The net book value of assets above includes an amount of £216,595 (2003 - £199,982) in respect of assets held under hire purchase contracts.

11. Stocks

	2004 £	2003 £
Finished goods	<u>160,108</u>	<u>183,312</u>

12. Debtors

	2004 £	2003 £
Trade debtors	3,274,426	3,114,261
Other debtors	252,476	257,444
Sundry debtors and prepayments	52,677	213,222
Long term debtor	25,190	25,190
	<u>3,604,769</u>	<u>3,610,117</u>

Notes to the financial statements

at 30 June 2004

12. Debtors (continued)

Included in trade debtors is an amount of £25,190 which is due after more than one year (2003 - £25,190).

13. Creditors: amounts falling due within one year

	2004	2003
	£	£
Current instalment due on bank loan (note 15)	60,707	57,370
Bank overdraft	818,916	1,205,356
Obligations under hire purchase contracts (note 16)	52,133	59,508
Trade creditors	1,806,864	1,145,083
Corporation tax	227,850	152,012
Other taxation and social security	55,622	38,067
Other creditors	231,704	144,293
Directors loan	26,299	84,342
Accruals and deferred income	207,380	693,059
	<u>3,487,475</u>	<u>3,579,090</u>

The following liabilities disclosed under creditors falling due within one year are secured by the company:

	2004	2003
	£	£
Bank loans and overdraft	<u>879,623</u>	<u>1,262,726</u>

The Bank of Scotland holds a bond and floating charge over the assets of the company and standard securities over the lease of premises and processing factory.

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

	2004	2003
	£	£
Loans (note 15)	528,448	592,646
Obligations under hire purchase contracts (note 16)	19,278	43,245
	<u>547,726</u>	<u>635,891</u>

The following liabilities disclosed under creditors falling due after more than one year are secured by the company:

	2004	2003
	£	£
Loans	<u>528,448</u>	<u>592,646</u>

Notes to the financial statements

at 30 June 2004

15. Loans

Creditors include bank loans which are due for repayment as follows:

	2004 £	2003 £
Amounts repayable:		
In one year or less or on demand	60,707	57,370
In more than one year but not more than two years	64,139	60,707
In more than two years but not more than five years	214,950	203,448
	<u>339,796</u>	<u>321,525</u>
In more than five years	249,359	328,491
	<u>589,155</u>	<u>650,016</u>
	2004 £	2003 £
Not wholly repayable within five years:		
£700,000 term loan at base plus 1.5%, repayable in monthly instalments over 10 years	589,155	650,016
Less: included in creditors: amounts falling due within one year (note 13)	60,707	57,370
	<u>528,448</u>	<u>592,646</u>

16. Obligations under hire purchase contracts

The maturity of these amounts is as follows:

	2004 £	2003 £
Amounts payable:		
Within one year	57,800	66,615
In two to five years	20,844	48,224
	<u>78,644</u>	<u>114,839</u>
Less: finance charges allocated to future periods	(7,233)	(12,086)
	<u>71,411</u>	<u>102,753</u>
Hire purchase contracts are analysed as follows:		
Current obligations (note 13)	52,133	59,508
Non-current obligations (note 14)	19,278	43,245
	<u>71,411</u>	<u>102,753</u>

17. Provisions for liabilities and charges

	<i>Deferred taxation £</i>
At 1 July 2003	144,029
Profit and Loss Account movement arising during the year	32,421
At 30 June 2004	<u>176,450</u>

Notes to the financial statements

at 30 June 2004

18. Accruals and deferred income

	<i>Deferred government grants</i>	
	2004	2003
	£	£
Balance as at 1 July	253,143	234,148
Received during the year	98,168	43,376
Released during the year	(27,307)	(24,381)
Balance as at 30 June	<u>324,004</u>	<u>253,143</u>

19. Commitments under operating leases

At 30 June 2004 the company had annual commitments under non-cancellable operating leases as set out below:

	<i>Assets other than land and buildings</i>	
	2004	2003
	£	£
Operating leases which expire:		
Within one year	5,452	–
In two to five years	11,530	11,613
	<u>16,982</u>	<u>11,613</u>

20. Related party transactions

During the year the company was charged commission of £187,371, and funds of £147,774 were transferred to Whitelink GmbH, a company in which James and Marie Sutherland's son James is a shareholder. At the balance sheet date the amount due to Whitelink GmbH was £31,436. A loan of £13,000 due from James Sutherland at 30 June 2003 remains outstanding at 30 June 2004.

During the year the company made purchases of £87,784 and was charged commission of £499,716 by Whitelink France Sarl, a company incorporated in France in which James and Marie Sutherland's daughters, Marie and Valerie are directors. There were net bankings made by Whitelink France Sarl on behalf of Whitelink Seafoods Limited of £693,795. In addition, Whitelink Seafoods Limited made net payments of £120,465 on behalf of Whitelink France Sarl, and Whitelink France Sarl made payments totalling £134,344 on behalf of Whitelink Seafoods Limited. At the balance sheet date, an amount of £110,519 was due from Whitelink France Sarl. As in the prior year, full provision has been made against this outstanding balance. A loan of £50,000 due from Marie Noble at 30 June 2003 was repaid during the year.

There has been no movement in the balance due to Whitelink Transport Limited of £138,856, a company in which James and Marie Sutherland are the main shareholders.

Notes to the financial statements

at 30 June 2004

21. Share capital

	2004		Authorised 2003	
	£		£	
Ordinary shares of £1 each	500,000		500,000	
	<i>Allotted, called up and fully paid</i>			
	2004		2003	
	No.	£	No.	£
Ordinary shares of £1 each	120,000	120,000	120,000	120,000

22. Reconciliation of shareholders' funds and movement on reserves

	Share capital	Profit and loss	Total share-
	£	account	holders' funds
	£	£	£
At 1 July 2002	120,000	1,596,514	1,716,514
Profit for the year	–	155,353	155,353
At 30 June 2003	120,000	1,751,867	1,871,867
Profit for the year	–	439,189	439,189
Other movements			
- transfer to/from revaluation reserve	–	38,791	38,791
At 30 June 2004	120,000	2,229,847	2,349,847

23. Notes to the statement of cash flows

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

	2004	2003
	£	£
Operating profit	703,843	387,753
Depreciation	239,822	234,433
Profit on disposal of fixed assets	(9,513)	(21,255)
Deferred government grants released	(27,307)	(24,381)
Decrease in stocks	23,204	129,428
Decrease/(increase) in debtors	5,348	(648,044)
Increase/(decrease) in creditors	223,025	(358,459)
Net cash inflow/(outflow) from operating activities	1,158,422	(300,525)

Notes to the financial statements

at 30 June 2004

23. Notes to the statement of cash flows (continued)

(b) Returns on investments and servicing of finance

	2004 £	2003 £
Interest received	8,594	17,541
Interest paid	(63,800)	(59,799)
Interest element of hire purchase rentals payments	(6,229)	(7,963)
	<u>(61,435)</u>	<u>(50,221)</u>

(c) Taxation

	2004 £	2003 £
Corporation tax paid	<u>(94,960)</u>	<u>(6,035)</u>

(d) Capital expenditure

	2004 £	2003 £
Payments to acquire tangible fixed assets	(636,019)	(528,333)
Receipts from sales of tangible fixed assets	32,250	47,655
Receipt of government grant	98,168	43,376
	<u>(505,601)</u>	<u>(437,302)</u>

(e) Financing

	2004 £	2003 £
Repayment of bank loans	(60,861)	(49,984)
Repayment of capital element of hire purchase contracts	(70,342)	(68,700)
	<u>(131,203)</u>	<u>(118,684)</u>

(f) Analysis of changes in net debt

	At 1 July 2003 £	Cash flows £	Other changes £	At 30 June 2004 £
Cash at bank and in hand	633,461	(21,217)	-	612,244
Overdrafts	(1,205,356)	386,440	-	(818,916)
Debt due within one year	(57,370)	(3,337)	-	(60,707)
Debt due after one year	(592,646)	64,198	-	(528,448)
Hire purchase contracts	(102,753)	70,342	(39,000)	(71,411)
	<u>(1,324,664)</u>	<u>496,426</u>	<u>(39,000)</u>	<u>(867,238)</u>

Notes to the financial statements

at 30 June 2004

23. Notes to the statement of cash flows (continued)

(g) Non-cash transactions

During the year, the company entered into finance lease arrangements in respect of assets with a total capital value at the inception of the lease of £39,000 (2003 - £37,000).