

HYS (HOLDINGS) LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 SEPTEMBER 2002

Company no 3007521

HYS (HOLDINGS) LIMITED

FINANCIAL STATEMENTS

For the year ended 30 September 2002

Company registration number:	3007521
Registered office:	Town Quay House 7 Town Quay Southampton S014 2PT
Directors:	Mr R J Saint Mr A S King Mr R W Littledale
Secretary:	Mr R J Saint
Bankers:	Bank of Scotland
Solicitors:	Bond Pearce
Auditors:	Grant Thornton Registered auditors Chartered accountants

HYS (HOLDINGS) LIMITED

FINANCIAL STATEMENTS

For the year ended 30 September 2002

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REPORT OF THE DIRECTORS

The directors present their report together with financial statements for the year ended 30 September 2002.

Principal activities

The group is principally engaged in yacht repairing and dry berthing of boats. The parent company is engaged in property ownership.

Business review

Turnover decreased slightly on the prior year. The capital expenditure has resulted in significant improvements to the main yard, and the directors expect the benefits of this to be reflected in increased future revenues.

There was a profit for the year after taxation amounting to £97,222 (2001: profit £289,173). The directors recommend dividends absorbing £83,932 (2001: £119,842), leaving £13,290 retained (2001: £169,331 retained).

Repurchase of shares

During the year the company repurchased 180,000 "A" ordinary shares of £1 each, and 920,000 preference shares of 1p each. This created a capital redemption reserve of £189,200. The "A" ordinary shares represented 100% of the "A"ordinary share capital. The preference shares represented 100% of the preference share capital.

The purpose of the share repurchase was to buy back the shares previously held by the 3i Group Plc. The consideration amounted to £2.05m.

Directors

The present membership of the Board is set out below. All directors served throughout the year.

The interests of the directors in the shares of the company as at 1 October 2001 and 30 September 2002 were as follows:

	Ordinary shares	
	30 September 2002	1 October 2001
Mr R J Saint	**150,000**	150,000
Mr A S King	**150,000**	150,000
Mr R W Littledale	**-**	-

Directors' responsibilities for the financial statements

Company law in the United Kingdom 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 the group and of the profit or loss of the group 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
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

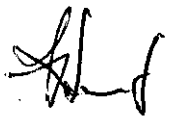
The directors are responsible for keeping proper accounting records, for safeguarding the assets of the group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

During the year certain freehold properties were revalued and the revised values incorporated in the financial statements. The surplus of £1,153,600 arising from the revaluations has been transferred to reserves.

Auditors

Grant Thornton offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD



R J Saint
Director
27 February 2003

Grant Thornton

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF

HYS (HOLDINGS) LIMITED

We have audited the financial statements of HYS (Holdings) Limited for the year ended 30 September 2002 on pages 5 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 the directors and auditors

The directors' responsibilities for preparing the directors' report and the financial statements in accordance with United Kingdom law and accounting standards 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 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 other information contained in the directors' report, and consider whether it is consistent with the audited financial statements. 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 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 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.

Grant Thornton

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF

HYS (HOLDINGS) LIMITED

Opinion

In our opinion the financial statements give a true and fair view of the state of the affairs of the company and the group as at 30 September 2002 and the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Grant Thornton

GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS

SOUTHAMPTON
5 March 2003

PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention except that certain freehold and leasehold properties are shown at their revalued amounts.

The principal accounting policies of the group have remained unchanged from the previous year and are set out below.

BASIS OF CONSOLIDATION

The group financial statements consolidate those of the company and of its subsidiary undertakings (see note 8) drawn up to 30 September 2002.

Goodwill on consolidation first accounted for in accounting periods ending before 23 December 1998, the implementation date of Financial Reporting Standard No 10, was eliminated from the financial statements by immediate write-off on acquisition against reserves. Such goodwill will be charged or credited to the profit and loss account on the subsequent disposal of the business to which it relates.

TURNOVER

Turnover is the total amount receivable by the group for goods supplied and services provided, excluding VAT and trade discounts.

In the case of long-term contracts, turnover reflects the contract activity during the year and represents the proportion of total contract value which costs incurred to date bear to total expected contract costs.

DEPRECIATION

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets other than freehold land by equal annual instalments over their expected useful lives. The periods generally applicable are:

Freehold buildings	10 years
Leasehold land	over the period of the lease
Plant and machinery	between 3 and 20 years
Motor vehicles	3 years
Fixtures and fittings	between 3 and 10 years

STOCKS

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

DEFERRED TAXATION

Deferred tax is recognised on all timing differences where the transactions or events that give the group an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance date.

CONTRIBUTIONS TO PENSION FUNDS

Defined contribution schemes

The pension costs charged against profits represent the amount of the contributions payable to the schemes in respect of the accounting year.

LEASED ASSETS

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the year of the lease.

HYS (HOLDINGS) LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended 30 September 2002

	Note	2002 £	2001 £
Turnover	1	**4,003,542**	4,139,937
Cost of sales		**(2,544,149)**	(2,522,409)
Gross profit		**1,459,393**	1,617,528
Administrative expenses		**(1,491,705)**	(1,347,040)
Other operating income		**261,942**	253,702
Operating profit		**229,630**	524,190
Interest receivable and similar income		**433**	21,469
Interest payable and similar charges	2	**(144,442)**	(147,923)
Profit on ordinary activities before taxation	1	**85,621**	397,736
Tax on profit on ordinary activities	4	**11,601**	(108,563)
Profit for the financial year	18	**97,222**	289,173
Dividends	6	**(83,932)**	(119,842)
Profit transferred to reserves	17	**13,290**	169,331

The accompanying accounting policies and notes form an integral part of these financial statements.

HYS (HOLDINGS) LIMITED

CONSOLIDATED BALANCE SHEET AT 30 SEPTEMBER 2002

	Note	2002 £	2002 £	2001 £	2001 £
Fixed assets					
Tangible assets	7		**4,805,722**		3,637,227
Investments	8		**100**		100
			4,805,822		3,637,327
Current assets					
Stock	9	**254,379**		154,101	
Debtors	10	**721,609**		1,021,365	
Cash at bank and in hand		**68,456**		147,418	
		1,044,444		1,322,884	
Creditors: amounts falling due within one year	11	**(1,595,144)**		(1,997,460)	
Net current liabilities			**(550,700)**		(674,576)
Total assets less current liabilities			**4,255,122**		2,962,751
Creditors: amounts falling due after more than one year	12		**(2,972,809)**		(1,184,967)
Provisions for liabilities and charges	14		**(23,810)**		(70,082)
			1,258,503		1,707,702
Capital and reserves					
Called up share capital	16		**300,000**		489,200
Share premium account	17		**884,000**		884,000
Revaluation reserve	17		**1,114,384**		-
Other reserves	17		**189,200**		-
Profit and loss account	17		**(1,229,081)**		334,502
Shareholders' funds	18		**1,258,503**		1,707,702
Equity shareholders' funds			**1,258,503**		607,702
Non-equity shareholders' funds			**-**		1,100,000
			1,258,503		1,707,702

The financial statements were approved by the Board of Directors on 27 February 2003.

R J Saint **Director**

The accompanying accounting policies and notes form an integral part of these financial statements.

HYS (HOLDINGS) LIMITED

BALANCE SHEET AT 30 SEPTEMBER 2002

	Note	2002 £	2002 £	2001 £	2001 £
Fixed assets					
Tangible assets	7		**4,432,824**		-
Investments	8		**477,275**		1,373,200
			4,910,099		1,373,200
Current assets					
Debtors	10	-		481,799	
Creditors: amounts falling due within one year	11	**(295,642)**		(426,470)	
Net current liabilities			**(295,642)**		55,329
Total assets less current liabilties			**4,614,457**		1,428,529
Creditors: amounts falling due after more than one year	12		**(3,209,607)**		-
			1,404,850		1,428,529
Capital and reserves					
Called up share capital	16		**300,000**		489,200
Share premium account	17		**884,000**		884,000
Other reserves	17		**189,200**		-
Profit and loss account	17		**31,650**		55,329
Shareholders' funds			**1,404,850**		1,428,529

The financial statements were approved by the Board of Directors on 27 February 2003.

R J Saint **Director**

The accompanying accounting policies and notes form an integral part of these financial statements.

HYS (HOLDINGS) LIMITED

CONSOLIDATED CASH FLOW STATEMENT

For the year ended 30 September 2002

	Note	2002 £	2001 £
Net cash inflow from operating activities	19	**590,877**	341,778
Returns on investments and servicing of finance			
Interest received		**433**	21,469
Interest paid		**(141,771)**	(143,713)
Finance lease interest paid		**(2,671)**	(4,210)
Non equity dividends paid		**(510,402)**	(110,000)
Net cash outflow from returns on investments and servicing of finance		**(654,411)**	(236,454)
Taxation		**(89,306)**	(42,866)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		**(143,221)**	(95,386)
Sale of tangible fixed assets		**-**	10,849
Net cash outflow from capital expenditure and financial investment		**(143,221)**	(84,537)
Financing			
Receipts from borrowings		**3,260,000**	-
Repayment of borrowings		**(1,369,825)**	(196,260)
Purchase of own shares		**(1,616,089)**	-
Capital element of finance lease rentals		**(9,930)**	(18,575)
Net cash inflow from financing		**264,156**	(214,835)
Decrease in cash	20	**(31,905)**	(236,914)

The accompanying accounting policies and notes form an integral part of these financial statements.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 30 September 2002

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	2002	2001
	£	£
Profit for the financial year	**97,222**	289,173
Unrealised surplus on revaluation of land and buildings	**1,153,600**	-
Total recognised gains and losses for the year	**1,250,822**	289,173

NOTE OF HISTORICAL COST PROFITS AND LOSSES

	2002	2001
	£	£
Profit on ordinary activities before taxation	**85,621**	397,736
Difference between historical cost depreciation charge and depreciation charge based on revalued amounts	**(39,216)**	-
Historical cost profit on ordinary activities before taxation	**46,405**	397,736
Historical cost loss retained	**(25,926)**	169,331

The accompanying accounting policies and notes form an integral part of these financial statements.

1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The profit on ordinary activities is stated after:	**2002** £	2001 £
Auditors' remuneration	**12,000**	11,700
Depreciation and amortisation:		
Tangible fixed assets, owned	**125,192**	75,761
Tangible fixed assets, held under finance leases and hire purchase contracts	**3,134**	12,030

2 INTEREST PAYABLE AND SIMILAR CHARGES

	2002 £	2001 £
On bank loans and overdrafts	**141,771**	143,713
Finance charges in respect of finance leases	**2,671**	4,210
	144,442	147,923

3 DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows:	**2002** £	2001 £
Wages and salaries	**1,550,506**	1,261,830
Social security costs	**147,384**	116,820
Other pension costs	**42,510**	41,812
	1,740,400	1,420,462

The average number of employees of the company during the year were as follows:

	2002 Number	2001 Number
Production	**54**	48
Administration	**23**	20
	77	68

Remuneration in respect of directors was as follows:	2002 £	2001 £
Emoluments	**132,830**	116,742
Pension contributions to money purchase pension schemes	**18,000**	13,000
	150,830	129,742

During the year one director (2001: one) participated in a money purchase pension scheme.

4 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2002 £	2001 £
Corporation tax at 20% (2001: 23%)	**34,671**	89,322
Deferred taxation	**(46,272)**	19,241
	(11,601)	108,563

Factors affecting tax charge for period

The tax assessed for the period is higher than the standard rate of corporation tax for small companies in the UK (20 per cent). The differences are explained as follows:

	2002 £	2001 £
Profit on ordinary activities before tax	**85,621**	397,736
Profit on ordinary activities multiplied by standard rate of corporation tax for small companies in the UK of 20% (2001: 30%)	**17,124**	119,321
Effect of:		
Expenses not deductible for tax purposes	**944**	937
Depreciation in excess of capital allowances	**17,428**	(3,192)
Marginal relief	**(825)**	(27,744)
Current tax charge	**34,671**	89,322

5 PROFIT FOR THE FINANCIAL YEAR

The parent company has taken advantage of Section 230 of the Companies Act 1985 and has not included its own profit and loss account in these financial statements. The company profit for the year was £1,621,343.

6 DIVIDENDS

	2002 £	2001 £
Preference dividend	**70,198**	92,000
Fixed dividend on "A" ordinary shares	**13,734**	18,000
Participating dividend on "A" ordinary shares	**-**	9,842
	83,932	119,842

7 TANGIBLE FIXED ASSETS

Group	Freehold land and buildings £	Long leasehold land £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Total £
Cost						
At 1 October 2001	3,169,211	330,000	783,678	61,254	48,603	4,392,746
Additions	-	-	143,221	-	-	143,221
Surplus on revaluation	906,408	94,381	-	-	-	1,000,789
Reclassification	-	-	4,419	-	(4,419)	-
At 30 September 2002	4,075,619	424,381	931,318	61,254	44,184	5,536,756
Depreciation						
At 1 October 2001	98,728	54,083	523,947	47,964	30,797	755,519
Charged for the year	59,015	8,161	46,890	7,664	6,596	128,326
Eliminated on revaluation	(98,728)	(54,083)	-	-	-	(152,811)
At 30 September 2002	59,015	8,161	570,837	55,628	37,393	731,034
Net book amount at 30 September 2002	**4,016,604**	**416,220**	**360,481**	**5,626**	**6,791**	**4,805,722**
Net book amount at 30 September 2001	3,070,483	275,917	259,731	13,290	17,806	3,637,227

Included in plant and machinery additions is a boat purchased from Mr A S King, a director of the company, at an arm's length price of £50,000.

Freehold and leasehold property was purchased by HYS (Holdings) Limited from Hamble Yacht Services Limited, at a directors' valuation of £4,500,000. This transaction occurred on 5 July 2002. This amount of £4,500,000 is greater than the original cost to the group. The surplus on revaluation of £1,153,600 has been taken to the revaluation reserve.

Company	Freehold land and buildings £	Leasehold land and buildings £	Total £
Cost			
At 1 October 2001	-	-	-
Transfers from group undertakings	4,075,619	424,381	4,500,000
At 30 September 2002	4,075,619	424,381	4,500,000
Depreciation			
At 1 October 2001	-	-	-
Charge for the year	59,015	8,161	67,176
At 30 September 2002	59,015	8,161	67,176
Net book amount at 30 September 2002	**4,016,604**	**416,220**	**4,432,824**
Net book amount at 30 September 2001	-	-	-

The figures stated above include assets held under finance leases and similar hire purchase contracts, as follows:

Group

	£
Net book amount at 30 September 2002	**15,570**
Net book amount at 30 September 2001	18,884
Depreciation provided in the year	3,134

If freehold and leasehold property had not been revalued, they would have been included on the historical cost basis at the following amount:

Group

	Freehold land and buildings £	Leasehold land and buildings £
Cost	3,169,211	330,000
Accumulated depreciation	(121,188)	(59,583)
Net book amount at 30 September 2002	3,048,023	270,417

8 FIXED ASSET INVESTMENTS

Group	Other investments £
Cost	
At 1 October 2001 and 30 September 2002	100

Company	Shares in group undertakings £
Cost	
At 1 October 2001 and 30 September 2002	477,275

At 30 September 2002 the group held more than 20% of the equity share capital of the following undertakings:

Name of undertaking	Class of share capital held	Proportion held by Parent company	Proportion held by Group	Nature of business
Hamble Yacht Services Limited	Ordinary	100%		Yacht repairs and dry berthing of boats
Hamble Point Yacht Services Ltd	Ordinary		100%	Dormant

9 STOCKS

	Group 2002 £	Group 2001 £
Raw materials and consumable stores	**67,400**	61,611
Work in progress	**186,979**	92,490
	254,379	154,101

10 DEBTORS

	Group 2002 £	Group 2001 £	Company 2002 £	Company 2001 £
Trade debtors	**662,528**	970,654	-	-
Amounts owed by subsidiary undertakings	-	-	-	481,799
Prepayments and accrued income	**59,081**	50,711	-	-
	721,609	1,021,365	-	481,799

11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	2002	2001	**2002**	2001
	£	£	**£**	£
Bank loans and overdrafts	**599,432**	555,407	**297,184**	-
Less: deferred arrangement costs	**(1,542)**	(2,520)	**(1,542)**	-
	597,890	552,887	**295,642**	-
Payments received on account	**-**	53,379	**-**	-
Trade creditors	**394,161**	295,613	**-**	-
Corporation tax	**34,687**	89,322	**-**	-
Social security and other taxes	**115,669**	75,512	**-**	-
Dividends payable	**-**	426,470	**-**	426,470
Other creditors	**208,455**	173,743	**-**	-
Accruals and deferred income	**233,995**	320,590	**-**	-
Amounts due under finance leases and hire purchase contracts	**10,287**	9,944	**-**	-
	1,595,144	1,997,460	**295,642**	426,470

The bank loan and overdraft are secured by means of:
i) Debentures constituting first fixed and floating charges over the assets of the group, and
ii) Legal charges constituting first fixed charges over the property.

12 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Company	
	2002	2001	**2002**	2001
	£	£	**£**	£
Bank loans and overdrafts	**2,989,481**	1,177,565	**2,989,481**	-
Less: deferred arrangement costs	**(28,921)**	(15,120)	**(28,921)**	-
	2,960,560	1,162,445	**2,960,560**	-
Amounts owed to group undertakings	**-**	-	**249,047**	-
Amounts due under finance leases and hire purchase contracts	**12,249**	22,522	**-**	-
	2,972,809	1,184,967	**3,209,607**	-

The bank loan is secured by means of:
i) Debentures constituting first fixed and floating charges over the assets of the group, and
ii) Legal charges constituting first fixed charges over the property.

The bank loan is repayable in monthly instalments of £23,945 expiring July 2022. The interest rate applicable is 2.25% above Bank of Scotland's base rate.

13 BORROWINGS

Borrowings are repayable as follows:

	Group	
	2002	2001
	£	£
Within one year		
Bank and other borrowings	**597,890**	552,887
Finance leases	**10,287**	9,944
After one and within two years		
Bank and other borrowings	**258,421**	193,740
Finance leases	**11,268**	10,287
After two and within five years		
Bank and other borrowings	**862,025**	581,220
Finance leases	**981**	12,105
After five years		
Bank and other borrowings	**1,840,114**	387,485
Finance leases	**-**	130
	3,580,986	1,747,798

14 PROVISION FOR LIABILITIES AND CHARGES

	Deferred taxation
	£
At 1 October 2001	70,082
Utilised during the year	(46,272)
At 30 September 2002	**23,810**

15 DEFERRED TAXATION

Deferred taxation provided for in the financial statements is set out below.

Group	**Amount provided**	
	2002	2001
	£	£
Accelerated capital allowances	**70,082**	70,082

16 SHARE CAPITAL

	2002 £	2001 £
Authorised, allotted, called up and fully paid		
300,000 ordinary shares of £1 each	**300,000**	300,000
180,000 "A" ordinary shares of £1 each	-	180,000
920,000 preference shares of 1p each	-	9,200
	300,000	489,200

Repurchase of shares

During the year the company repurchased 180,000 "A" ordinary shares of £1 each, and 920,000 preference shares of 1p each.

17 SHARE PREMIUM ACCOUNT AND RESERVES

Group	**Share premium account £**	**Revaluation reserve £**	**Capital redemption reserve £**	**Profit and loss account £**
At 1 October 2001	884,000	-	-	334,502
Retained profit for the year	-	-	-	13,290
Surplus on revaluation of assets	-	1,153,600	-	-
Transfer from revaluation reserve to profit and loss account	-	(39,216)	-	39,216
Purchase of own shares	-	-	189,200	(1,616,089)
At 30 September 2002	**884,000**	**1,114,384**	**189,200**	**(1,229,081)**

Company	**Share premium account £**	**Capital redemption reserve £**	**Profit and loss account £**
At 1 October 2001	884,000	-	55,329
Retained profit for the year	-	-	1,592,410
Purchase of own shares	-	189,200	(1,616,089)
At 30 September 2002	**884,000**	**189,200**	**31,650**

18 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002 £	2001 £
Profit for the financial year	**97,222**	289,173
Dividends	**(83,932)**	(119,842)
	13,290	169,331
Other recognised gains and losses	**1,153,600**	-
Purchase of own shares	**(1,616,089)**	-
Net decrease in shareholders' funds	**(449,199)**	169,331
Shareholders' funds at 1 October 2001	**1,707,702**	1,538,371
Shareholders' funds at 30 September 2002	**1,258,503**	1,707,702
Attributable to:		
Equity shareholders		
Ordinary share interests	**1,258,503**	607,702
Non-equity shareholders:		
Preference share interests	**-**	920,000
"A" ordinary share interests	**-**	180,000
	1,258,503	1,707,702

19 NET CASH INFLOW FROM OPERATING ACTIVITIES

	2002 £	2001 £
Operating profit	**229,630**	524,190
Depreciation	**128,326**	87,791
Amortisation of borrowing costs	**-**	2,520
Loss on sale of tangible fixed assets	**-**	3,196
Increase in stocks	**(100,278)**	(21,190)
Decrease in debtors	**299,756**	(432,409)
Increase in creditors	**33,443**	177,680
Net cash inflow from continuing operating activities	**590,877**	341,778

20 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2002 £	2001 £
Decrease in cash in the year	**(31,905)**	(236,914)
Cash inflow from financing in the year	**(1,890,175)**	196,260
Cash outflow from finance leases in the year	**9,930**	18,575
Refinancing of loans	**-**	(2,520)
Movement in net debt in the year	**(1,912,150)**	(24,599)
Net debt at 1 October 2001	**(1,600,380)**	(1,575,781)
Net debt at 30 September 2002	**(3,512,530)**	(1,600,380)

21 ANALYSIS OF CHANGES IN NET DEBT

	At 1 October 2001 £	Cashflow £	At 30 September 2002 £
Cash in hand and at bank	147,418	(78,962)	68,456
Overdrafts	(359,147)	47,057	(312,090)
	(211,729)	(31,905)	(243,634)
Debt	(1,356,185)	(1,890,175)	(3,246,360)
Finance leases	(32,466)	9,930	(22,536)
	(1,600,380)	(1,912,150)	(3,512,530)

22 CAPITAL COMMITMENTS

The group had no capital commitments at 30 September 2002 or 30 September 2001.

23 CONTINGENT LIABILITIES

The group had no contingent liabilities at 30 September 2002 or 30 September 2001.

24 PENSIONS

The group operates defined contribution pension schemes for the benefit of some employees and directors. The assets of the schemes are administered by trustees in funds independent from those of the group.