

**Arthur McKay & Company (Electrical  
Contractors) Limited**

**Directors' report and financial  
statements**

**Registered number SC 33489**

**31 October 2000**



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COMPANIES HOUSE 28/08/01

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## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 October 2000.

### Statement of directors' responsibilities

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 for that year. 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;
- prepare the financial statements on a 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

### Principal activities

The principal activity of the company is in the field of electrical contracting and electronics.

### Business review

The results of the company are set out on page 4.

### Proposed dividend and transfer to reserves

The directors declared and paid dividends during the year amounting to £20,000 on preferred ordinary shares and £96,000 on ordinary shares. A final dividend on preferred ordinary shares of £35,043 is proposed. After deducting the total dividends of £151,043 the profit for the year retained in the company is £176,679.

### Directors and directors' interests

The directors who held office during the year were as follows:

A McKay (Chairman)  
C Herd  
PA McKay  
A Davidson  
WS Moodie  
D Cruickshank (appointed 1 November 2000)

It is noted with regret, the death of A McKay on 14 January 2001.

## Directors' report *(continued)*

### Directors and directors' interests *(continued)*

The directors who held office at the end of the financial year had the following interests in the ordinary shares of the company:

|          | <b>Class of share</b>     | <b>Interest at<br/>end of year</b> | <b>Interest at<br/>beginning<br/>of year</b> |
|----------|---------------------------|------------------------------------|----------------------------------------------|
| C Herd   | Ordinary shares           | 2,000                              | 2,000                                        |
| PA McKay | Ordinary shares           | 2,000                              | 2,000                                        |
| A McKay  | Preferred ordinary shares | 1,000                              | 1,000                                        |

### Political and charitable contributions

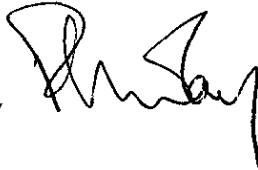
The company made no political contributions during the year. Donations to UK charities amounted to £3,629 (1999: £2,430).

### Auditors

A resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

PA McKay  
Secretary



7 August 2001



Saltire Court  
20 Castle Terrace  
Edinburgh  
EH1 2EG  
United Kingdom

## **Report of the auditors to the members of Arthur McKay & Company (Electrical Contractors) Limited**

We have audited the financial statements on pages 4 to 12.

### **Respective responsibilities of directors and auditors**

The directors are responsible for preparing the directors' report and, as described on page 1, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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. 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.

### **Basis of opinion**

We conducted our audit in accordance with 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.

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 October 2000 and the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**KPMG**  
*Chartered Accountants*  
*Registered Auditors*

7 August 2001

**Profit and loss account**  
*for the year ended 31 October 2000*

|                                                         | Note | 2000<br>£        | 1999<br>£        |
|---------------------------------------------------------|------|------------------|------------------|
| <b>Turnover</b>                                         | 2    | 9,064,431        | 6,937,172        |
| Increase in work in progress                            |      | 316,363          | 497,891          |
| Raw materials and consumables                           |      | (4,524,645)      | (3,307,362)      |
| Staff and subcontractor costs                           |      | (3,702,531)      | (3,095,133)      |
| Depreciation and other amounts written off fixed assets |      | (139,730)        | (123,887)        |
| Other operating charges                                 |      | (556,206)        | (399,653)        |
| Other operating income                                  |      | 10,823           | 5,539            |
| <b>Operating profit</b>                                 |      | <b>468,505</b>   | <b>514,567</b>   |
| Income from other fixed asset investments               |      | 225              | 144              |
| Interest receivable and similar income                  | 6    | 49,326           | 53,432           |
| Interest payable and similar charges                    | 7    | (41,764)         | (28)             |
| <b>Profit on ordinary activities before taxation</b>    | 3-5  | <b>476,292</b>   | <b>568,115</b>   |
| Tax on profit on ordinary activities                    | 8    | (148,570)        | (176,856)        |
| <b>Profit for the financial year</b>                    |      | <b>327,722</b>   | <b>391,259</b>   |
| Dividends                                               | 9    | (151,043)        | (154,829)        |
| <b>Retained profit for the financial year</b>           |      | <b>176,679</b>   | <b>236,430</b>   |
| Retained profit brought forward                         |      | 1,105,381        | 868,951          |
| <b>Retained profit carried forward</b>                  |      | <b>1,282,060</b> | <b>1,105,381</b> |

Other than the profit for the year, there have been no other recognised gains or losses.

**Balance sheet**  
*at 31 October 2000*

|                                                       | <i>Note</i> | £           | 2000<br>£        | £                | 1999<br>£        |
|-------------------------------------------------------|-------------|-------------|------------------|------------------|------------------|
| <b>Fixed assets</b>                                   |             |             |                  |                  |                  |
| Tangible assets                                       | 10          |             | 1,537,821        |                  | 721,933          |
| Investments                                           | 11          |             | 18,318           |                  | 23,900           |
|                                                       |             |             | <u>1,556,139</u> |                  | <u>745,833</u>   |
| <b>Current assets</b>                                 |             |             |                  |                  |                  |
| Stocks                                                | 12          | 901,132     |                  | 1,083,654        |                  |
| Debtors                                               | 13          | 1,626,911   |                  | 915,507          |                  |
| Cash at bank and in hand                              |             | 558,929     |                  | 761,137          |                  |
|                                                       |             |             | <u>3,086,972</u> | <u>2,760,298</u> |                  |
| <b>Creditors: amounts falling due within one year</b> | 14          | (2,606,139) |                  | (2,392,838)      |                  |
|                                                       |             |             | <u>480,833</u>   |                  | <u>367,460</u>   |
| <b>Net current assets</b>                             |             |             |                  |                  |                  |
| <b>Creditors: amounts falling due after one year</b>  | 15          | (702,829)   |                  |                  | -                |
| <b>Provisions for liabilities and charges</b>         | 16          | (47,083)    |                  |                  | (2,912)          |
|                                                       |             |             | <u>1,287,060</u> |                  | <u>1,110,381</u> |
| <b>Net assets</b>                                     |             |             |                  |                  |                  |
|                                                       |             |             | <u>1,287,060</u> |                  | <u>1,110,381</u> |
| <b>Capital and reserves</b>                           |             |             |                  |                  |                  |
| Called up share capital                               | 17          | 5,000       |                  |                  | 5,000            |
| Profit and loss account                               | 18          | 1,282,060   |                  |                  | 1,105,381        |
|                                                       |             |             | <u>1,287,060</u> |                  | <u>1,110,381</u> |
| <b>Shareholders' funds</b>                            |             |             |                  |                  |                  |
|                                                       |             |             | <u>1,287,060</u> |                  | <u>1,110,381</u> |

These financial statements were approved by the board of directors on 7 August 2001 and were signed on its behalf by:

C Herd  
 Director

PA McKay  
 Director

**Cash flow statement**  
*for the year ended 31 October 2000*

|                                                                                 | <i>Note</i> | <b>2000</b>      | <b>1999</b>      |
|---------------------------------------------------------------------------------|-------------|------------------|------------------|
|                                                                                 |             | <b>£</b>         | <b>£</b>         |
| <b>Net cash inflow from operating activities</b>                                | <b>21</b>   | <b>322,457</b>   | <b>852,517</b>   |
| <b>Returns on investments and servicing of finance</b>                          |             |                  |                  |
| Interest received                                                               | 51,569      |                  | 59,960           |
| Dividend income received                                                        | 225         |                  | 144              |
| Interest paid                                                                   | (41,764)    |                  | (28)             |
| <b>Net cash inflow from returns on investments and servicing of finance</b>     |             | <b>10,030</b>    | <b>60,076</b>    |
| <b>Taxation</b>                                                                 |             |                  |                  |
| Corporation tax paid                                                            |             | (193,292)        | (83,353)         |
| <b>Capital expenditure and financial investment</b>                             |             |                  |                  |
| Payments to acquire tangible assets                                             | (963,606)   |                  | (562,185)        |
| Payments to acquire investments                                                 | (1,808)     |                  | (1,911)          |
| Receipts from sale of tangible assets                                           | 6,445       |                  | 1,489            |
| <b>Net cash outflow from investing activities</b>                               |             | <b>(958,969)</b> | <b>(562,607)</b> |
| <b>Equity dividends paid</b>                                                    |             | <b>(164,828)</b> | <b>(142,181)</b> |
| <b>Cash (outflow)/inflow before management of liquid resource and financing</b> |             | <b>(984,602)</b> | <b>124,452</b>   |
| <b>Financing</b>                                                                |             |                  |                  |
| Receipt of secured loan                                                         | 790,000     |                  |                  |
| Repayment of secured loan                                                       | (7,606)     |                  |                  |
| <b>Net cash inflow from financing</b>                                           |             | <b>782,394</b>   | <b>-</b>         |
| <b>(Decrease)/increase in cash</b>                                              |             | <b>(202,208)</b> | <b>124,452</b>   |

## Notes

(forming part of the financial statements)

### 1 Accounting policies

#### *Basis of preparation*

The financial statements have been prepared under the historical cost accounting rules and in accordance with applicable accounting standards.

The company is exempt by virtue of s248 of the Companies Act 1985 from the requirement to prepare group accounts. The financial statements present information about the company as an individual undertaking and not about its group.

#### *Fixed assets and depreciation*

Depreciation is provided by the company to write off the cost of tangible assets by equal instalments over their estimated useful economic lives as follows:

|                     |   |                      |
|---------------------|---|----------------------|
| Motor vehicles      | - | 25% reducing balance |
| Computer equipment  | - | 20% reducing balance |
| Plant and machinery | - | 15% reducing balance |
| Buildings           | - | 2% straight line     |

#### *Investments*

Investments are stated at cost. Provision is made for any diminution in value which the directors consider to be permanent.

#### *Pension costs*

The company operates a defined contribution pension scheme covering the majority of salaried employees. Payments made to the scheme are charged against profits when incurred.

#### *Stocks*

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the average purchase price is used. For work in progress cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

#### *Taxation*

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

#### *Turnover*

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers during the year.

### 2 Turnover and profit before taxation

All turnover and profit before taxation is derived from the company's principal activity, and arises entirely in the UK.

## Notes (continued)

### 3 Profit on ordinary activities before taxation

|                                                                                | 2000<br>£ | 1999<br>£ |
|--------------------------------------------------------------------------------|-----------|-----------|
| <i>Profit on ordinary activities before taxation is stated after charging:</i> |           |           |
| Auditors' remuneration - Audit                                                 | 9,750     | 9,500     |
| - Other services                                                               | 2,000     | 1,500     |
| Depreciation                                                                   | 141,758   | 123,887   |
| Adjustment for diminution in value of listed investments                       | 7,390     | -         |
| Loss on sale of tangible fixed assets                                          | 1,543     | 46        |
|                                                                                | <hr/>     | <hr/>     |
| <i>after crediting:</i>                                                        |           |           |
| Training grants received                                                       | 10,821    | 5,539     |
|                                                                                | <hr/>     | <hr/>     |

### 4 Remuneration of directors

|                                                         | 2000<br>£ | 1999<br>£ |
|---------------------------------------------------------|-----------|-----------|
| Directors' emoluments (including pension contributions) | 724,784   | 695,134   |
|                                                         | <hr/>     | <hr/>     |

The emoluments, excluding pension contributions of the highest paid director were £257,520 (1999: £262,156).

Retirement benefits are accruing to five directors under money purchase schemes.

### 5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

|                         | Number of employees |       |
|-------------------------|---------------------|-------|
|                         | 2000                | 1999  |
| Office and management   | 30                  | 29    |
| Installation and repair | 118                 | 104   |
|                         | <hr/>               | <hr/> |
|                         | 148                 | 133   |
|                         | <hr/>               | <hr/> |

The aggregate payroll costs of these persons were as follows:

|                               | 2000<br>£ | 1999<br>£ |
|-------------------------------|-----------|-----------|
| Wages and salaries            | 3,371,156 | 3,053,303 |
| Social security costs         | 333,190   | 288,685   |
| Other pension costs (note 19) | 55,757    | 49,893    |
|                               | <hr/>     | <hr/>     |
|                               | 3,760,103 | 3,391,881 |
|                               | <hr/>     | <hr/>     |

### 6 Interest receivable and similar income

|                           | 2000<br>£ | 1999<br>£ |
|---------------------------|-----------|-----------|
| Income from bank deposits | 49,326    | 53,432    |
|                           | <hr/>     | <hr/>     |

**Notes (continued)**

**7 Interest payable and similar charges**

|                              | 2000<br>£ | 1999<br>£ |
|------------------------------|-----------|-----------|
| On bank loans and overdrafts | 41,764    | 28        |

**8 Tax on profit on ordinary activities**

|                                                                                             | 2000<br>£ | 1999<br>£ |
|---------------------------------------------------------------------------------------------|-----------|-----------|
| UK corporation tax at 30.3% (1999: 30.4%) on the profit for the year on ordinary activities | 110,260   | 179,920   |
| Deferred taxation                                                                           | 44,171    | (2,602)   |
| Adjustment relating to earlier years                                                        | (5,861)   | (462)     |
|                                                                                             | 148,570   | 176,856   |

**9 Dividends**

|                             | 2000<br>£ | 1999<br>£ |
|-----------------------------|-----------|-----------|
| Interim dividends paid on:  |           |           |
| Preferred ordinary shares   | 20,000    | 10,000    |
| Ordinary shares             | 96,000    | 96,000    |
| Final dividend proposed on: |           |           |
| Preferred ordinary shares   | 35,043    | 48,829    |
|                             | 151,043   | 154,829   |

| 10 | Tangible assets       | Land and<br>buildings<br>£ | Assets under<br>construction<br>£ | Motor<br>vehicles<br>£ | Plant and<br>machinery<br>£ | Computer<br>equipment<br>£ | Total<br>£ |
|----|-----------------------|----------------------------|-----------------------------------|------------------------|-----------------------------|----------------------------|------------|
|    | <b>Cost</b>           |                            |                                   |                        |                             |                            |            |
|    | At beginning of year  | -                          | 463,556                           | 419,274                | 35,464                      | 100,399                    | 1,018,693  |
|    | Additions             | 659,398                    | -                                 | 139,173                | 144,487                     | 23,059                     | 966,117    |
|    | Disposals             | -                          | -                                 | (43,244)               | -                           | -                          | (43,244)   |
|    | Transfers             | 463,556                    | (463,556)                         | -                      | -                           | -                          | -          |
|    | At end of year        | 1,122,954                  | -                                 | 515,203                | 179,951                     | 123,458                    | 1,941,566  |
|    | <b>Depreciation</b>   |                            |                                   |                        |                             |                            |            |
|    | At beginning of year  | -                          | -                                 | 211,937                | 22,957                      | 61,866                     | 296,760    |
|    | Charge for year       | 19,341                     | -                                 | 84,523                 | 23,549                      | 12,317                     | 139,730    |
|    | Disposals             | -                          | -                                 | (32,745)               | -                           | -                          | (32,745)   |
|    | At end of year        | 19,341                     | -                                 | 263,715                | 46,506                      | 74,183                     | 403,745    |
|    | <b>Net book value</b> |                            |                                   |                        |                             |                            |            |
|    | At 31 October 2000    | 1,103,613                  | -                                 | 251,488                | 133,445                     | 49,275                     | 1,537,821  |
|    | At 31 October 1999    | -                          | 463,556                           | 207,337                | 12,507                      | 38,533                     | 721,933    |

Included in the land and buildings is land with a cost of £155,890 (1999: £155,890).

## Notes (continued)

| 11 | Investments                                             | Listed<br>£   | Other<br>£ | 2000<br>£     | 1999<br>£     |
|----|---------------------------------------------------------|---------------|------------|---------------|---------------|
|    | <i>Cost</i>                                             |               |            |               |               |
|    | Listed investments                                      | 33,430        | -          | 33,430        | 32,422        |
|    | Investment in subsidiary undertaking                    | -             | 800        | 800           | -             |
|    | Provision for diminution in value of listed investments | (15,912)      | -          | (15,912)      | (8,522)       |
|    |                                                         | <u>17,518</u> | <u>800</u> | <u>18,318</u> | <u>23,900</u> |

The market value of listed investments at 31 October 1999 amounted to £17,518 (1999: £24,805).

The company owns 100% of the issued share capital of Arthur McKay (Support Services) Limited. This company was incorporated on 16 March 1999 and provides transport support services. It commenced trading on 1 November 1999.

| 12 | Stocks                        | 2000<br>£      | 1999<br>£        |
|----|-------------------------------|----------------|------------------|
|    | Work in progress - cost       | 3,844,918      | 2,783,472        |
|    | Less: Payments on account     | (2,968,197)    | (1,725,463)      |
|    |                               | <u>876,721</u> | <u>1,058,009</u> |
|    | Raw materials and consumables | 24,411         | 25,645           |
|    |                               | <u>901,132</u> | <u>1,083,654</u> |

Payments received on individual contracts in excess of the cost of the work done are included in creditors.

| 13 | Debtors                                 | 2000<br>£        | 1999<br>£      |
|----|-----------------------------------------|------------------|----------------|
|    | Trade debtors                           | 1,484,638        | 909,165        |
|    | Other debtors                           | 1,133            | 2,455          |
|    | Amounts due from subsidiary undertaking | 139,656          |                |
|    | Prepayments and accrued income          | 1,484            | 3,887          |
|    |                                         | <u>1,626,911</u> | <u>915,507</u> |

The amount due from the subsidiary undertaking is due outwith one year.

| 14 | Creditors: amounts falling due within one year | 2000<br>£        | 1999<br>£        |
|----|------------------------------------------------|------------------|------------------|
|    | Bank loan                                      | 79,565           | -                |
|    | Payments received on account                   | 269,545          | 259,513          |
|    | Trade creditors                                | 249,209          | 268,275          |
|    | Current tax                                    | 82,422           | 218,682          |
|    | Other taxes and social security                | 376,037          | 156,164          |
|    | Accruals and deferred income                   | 1,514,318        | 1,440,375        |
|    | Dividend proposed                              | 35,043           | 49,829           |
|    |                                                | <u>2,606,139</u> | <u>2,392,838</u> |

The bank loan is secured by a bond and floating charge over the assets together with a standard security over the company's property. The loan is due for repayment in August 2010.

**Notes** (continued)

|           |                                                                                                                                                                                                                                                                      |             |             |
|-----------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|-------------|
| <b>15</b> | <b>Creditors: amounts falling due after one year</b>                                                                                                                                                                                                                 | <b>2000</b> | <b>1999</b> |
|           |                                                                                                                                                                                                                                                                      | <b>£</b>    | <b>£</b>    |
|           | Bank loan                                                                                                                                                                                                                                                            | 702,829     | -           |
| <b>16</b> | <b>Provision for liabilities and charges</b>                                                                                                                                                                                                                         |             |             |
|           |                                                                                                                                                                                                                                                                      | <b>2000</b> | <b>1999</b> |
|           |                                                                                                                                                                                                                                                                      | <b>£</b>    | <b>£</b>    |
|           | <i>Deferred taxation:</i>                                                                                                                                                                                                                                            |             |             |
|           | At beginning of year                                                                                                                                                                                                                                                 | 2,912       | 5,514       |
|           | Charge for the year                                                                                                                                                                                                                                                  | 44,171      | -           |
|           | Released during year                                                                                                                                                                                                                                                 | -           | (2,602)     |
|           | At end of year                                                                                                                                                                                                                                                       | 47,083      | 2,912       |
| <b>17</b> | <b>Called up share capital</b>                                                                                                                                                                                                                                       |             |             |
|           |                                                                                                                                                                                                                                                                      | <b>2000</b> | <b>1999</b> |
|           |                                                                                                                                                                                                                                                                      | <b>£</b>    | <b>£</b>    |
|           | <i>Authorised</i>                                                                                                                                                                                                                                                    |             |             |
|           | Preferred ordinary shares of £1 each                                                                                                                                                                                                                                 | 1,000       | 1,000       |
|           | Ordinary shares of £1 each                                                                                                                                                                                                                                           | 4,000       | 4,000       |
|           |                                                                                                                                                                                                                                                                      | 5,000       | 5,000       |
|           | <i>Allotted, called up and fully paid</i>                                                                                                                                                                                                                            |             |             |
|           | Preferred ordinary shares of £1 each                                                                                                                                                                                                                                 | 1,000       | 1,000       |
|           | Ordinary shares of £1 each                                                                                                                                                                                                                                           | 4,000       | 4,000       |
|           |                                                                                                                                                                                                                                                                      | 5,000       | 5,000       |
| <b>18</b> | <b>Reconciliation of movements in shareholders' funds</b>                                                                                                                                                                                                            |             |             |
|           |                                                                                                                                                                                                                                                                      | <b>2000</b> | <b>1999</b> |
|           |                                                                                                                                                                                                                                                                      | <b>£</b>    | <b>£</b>    |
|           | Profit for the financial year                                                                                                                                                                                                                                        | 327,722     | 391,259     |
|           | Dividends                                                                                                                                                                                                                                                            | (151,043)   | (154,829)   |
|           | Net addition to shareholders' funds                                                                                                                                                                                                                                  | 176,679     | 236,430     |
|           | Opening shareholders' funds                                                                                                                                                                                                                                          | 1,110,381   | 873,951     |
|           | Closing shareholders' funds                                                                                                                                                                                                                                          | 1,287,060   | 1,110,381   |
| <b>19</b> | <b>Pension scheme</b>                                                                                                                                                                                                                                                |             |             |
|           | The company operates a defined contribution pension scheme. The assets of the scheme are held separately from the assets of the company in an independently administered fund. The pension cost charge represents contributions payable to the fund during the year. |             |             |
| <b>20</b> | <b>Commitments</b>                                                                                                                                                                                                                                                   |             |             |
|           | The company had no capital commitments at the end of the financial year (1999: £846,000).                                                                                                                                                                            |             |             |

**Notes (continued)**

**21 Reconciliation of operating profit to net cash inflow from operating activities**

|                                                  | 2000<br>£      | 1999<br>£      |
|--------------------------------------------------|----------------|----------------|
| Operating profit                                 | 468,505        | 514,567        |
| Depreciation charges                             | 139,730        | 123,887        |
| Loss on sale of tangible assets                  | 1,543          | 46             |
| Increase in investment provision                 | 7,390          | -              |
| Decrease/(increase) in stocks                    | 182,522        | (408,308)      |
| Increase in debtors                              | (713,046)      | (132,699)      |
| Increase in creditors                            | 235,813        | 755,024        |
| <b>Net cash inflow from operating activities</b> | <b>322,457</b> | <b>852,517</b> |

**22 Reconciliation of net cash flow to movement in net funds/(debt)**

|                                                       | £         | 2000<br>£        | £       | 1999<br>£      |
|-------------------------------------------------------|-----------|------------------|---------|----------------|
| (Decrease)/increase in cash in the year               | (202,208) |                  | 124,452 |                |
| Cash inflow from financing                            | (790,000) |                  | -       |                |
| Cash outflow from reduction in loans                  | 7,606     |                  | -       |                |
| <b>Changes in net funds resulting from cash flows</b> |           | <b>(984,602)</b> |         | <b>124,452</b> |
| <b>Movement in net funds in the year</b>              |           | <b>(984,602)</b> |         | <b>124,452</b> |
| Net funds at start of year                            |           | 761,137          |         | 636,685        |
| <b>Net funds at end of year</b>                       |           | <b>(223,465)</b> |         | <b>761,137</b> |

**23 Analysis of changes in net funds/(debt)**

|                           | At beginning<br>of year<br>£ | Cash flow<br>£ | Other non<br>cash<br>changes<br>£ | At end<br>of year<br>£ |
|---------------------------|------------------------------|----------------|-----------------------------------|------------------------|
| Cash at bank              | 761,137                      | (202,208)      | -                                 | 558,929                |
| Debts due within one year | -                            | (79,565)       | -                                 | (79,565)               |
| Debts due after one year  | -                            | (702,829)      | -                                 | (702,829)              |
|                           | 761,137                      | (984,602)      | -                                 | (223,465)              |

**24 Related party transactions**

During the year the company paid rent totalling £10,000 to Mr A. McKay, a shareholder and director of the company.

The company entered into the following transactions with its subsidiary, Arthur McKay (Support Services) Limited:

|                                       | £              |
|---------------------------------------|----------------|
| Group relief received from subsidiary | (28,438)       |
| Recharge of staff costs               | (45,128)       |
| Working capital loan                  | 212,621        |
| <b>Outstanding at 31 October 2000</b> | <b>139,055</b> |