

JOHN GORDON & SON LIMITED
FINANCIAL STATEMENTS
FOR
30 JUNE 2003



RITSONS
Chartered Accountants & Registered Auditors
103 High Street
ELGIN
Moray
IV30 1EB

JOHN GORDON & SON LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2003

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JOHN GORDON & SON LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

R D Gordon (Chairman)
E A G Gordon
R M Gordon (Joint Managing Director)
P S Gordon (Joint Managing Director)
A M Blanchfield
E J Brodie
J M Crowther
A McAra
P A G Mackenzie

Company secretary

D M E Gibb

Registered office

Balblair Road
NAIRN
IV12 5LT

Auditors

Ritsons
Chartered Accountants
& Registered Auditors
103 High Street
ELGIN
Moray
IV30 1EB

Bankers

Bank of Scotland
73 High Street
Nairn
IV12 4BS

JOHN GORDON & SON LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 30 JUNE 2003

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 30 June 2003.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The company's principal activity during the year continued to be the felling, milling and marketing of British timber.

CHAIRMAN'S STATEMENT

I am delighted to report on the growth in our profitability over recent years and which year on year has grown by 76%, to give this impressive result.

This could not have been gained without great support from our staff, management and directors who performed well, sometimes under difficult circumstances. My thanks to them all.

The U.K. market continues to be fiercely competitive with the ongoing strength of the pound, a major factor. However despite this and other external factors I am confident the company will continue to consolidate its position within the industry.

EXPORTS

Exports during the year amounted to £388,598 (2002 - £380,110).

RESULTS AND DIVIDENDS

The trading results for the year, and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have recommended the following dividends:

	2003	2002
	£	£
Dividends paid on ordinary shares	<u>46,182</u>	<u>36,100</u>

THE DIRECTORS AND THEIR INTERESTS IN SHARES OF THE COMPANY

The directors who served the company during the year together with their beneficial interests in the shares of the company were as follows:

	Ordinary Shares of £1 each	
	At 30 June 2003	At 1 July 2002
R D Gordon (Chairman)	154,782	154,782
E A G Gordon	—	—
R M Gordon (Joint Managing Director)	179,757	179,757
P S Gordon (Joint Managing Director)	179,757	179,757
A M Blanchfield	102,366	102,366
E J Brodie	—	—
J M Crowther	—	—
A McAra	—	—
P A G Mackenzie	—	—

JOHN GORDON & SON LIMITED**THE DIRECTORS' REPORT** *(continued)***YEAR ENDED 30 JUNE 2003****FIXED ASSETS**

Information relating to changes in fixed assets is given in note 10 to the financial statements. The market value of interests in buildings held as fixed assets at the date of the financial statements was not less than their current carrying value and therefore, in accordance with Financial Reporting Standard 15, no depreciation has been charged as it is not material.

ENVIRONMENTAL POLICY

The roundwood used in the company's sawmilling operation is derived from sustainable forests. It is a Forest Stewardship Council (FSC) certified company and is committed to minimising the impact of its operations on the environment.

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 at the end of the year and of the profit or loss for the year then ended. In preparing those financial statements, the directors are required to:

select suitable accounting policies, as described on pages 10 to 11, 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.

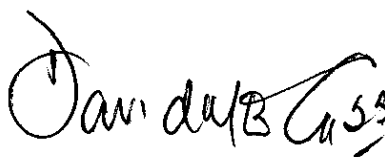
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

A resolution to re-appoint Ritsons as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Registered office:
Balblair Road
NAIRN
IV12 5LT

Signed by order of the directors



D M E GIBB
Company Secretary

Approved by the directors on 15 August 2003

JOHN GORDON & SON LIMITED**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS****YEAR ENDED 30 JUNE 2003**

We have audited the financial statements on pages 6 to 20 which have been prepared under the historical cost convention and the accounting policies set out on pages 10 to 11.

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND THE AUDITORS

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards are set out in the Statement of Directors' Responsibilities on page 3.

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. Our responsibilities do not extend to any other information.

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.

JOHN GORDON & SON LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS *(continued)*

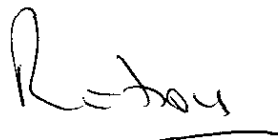
YEAR ENDED 30 JUNE 2003

OPINION

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 June 2003 and of its profit for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

103 High Street
ELGIN
Moray
IV30 1EB

15 August 2003



RITSONS
Chartered Accountants
& Registered Auditors

JOHN GORDON & SON LIMITED**PROFIT AND LOSS ACCOUNT****YEAR ENDED 30 JUNE 2003**

	Note	2003 £	2002 £
TURNOVER	2	10,626,303	9,894,375
Cost of sales		<u>8,255,540</u>	<u>7,788,261</u>
GROSS PROFIT		2,370,763	2,106,114
Distribution Costs		1,063,620	1,004,145
Administrative expenses		<u>521,651</u>	<u>494,778</u>
OPERATING PROFIT	3	785,492	607,191
Interest receivable	6	239	79
Interest payable	7	(130,785)	(163,074)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>654,946</u>	<u>444,196</u>
Tax on profit on ordinary activities	8	182,503	67,456
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>472,443</u>	<u>376,740</u>
Dividends	9	46,182	36,100
RETAINED PROFIT FOR THE FINANCIAL YEAR		<u><u>426,261</u></u>	<u><u>340,640</u></u>

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the year as set out above.

JOHN GORDON & SON LIMITED**BALANCE SHEET****30 JUNE 2003**

	Note	2003 £	2002 £
FIXED ASSETS			
Tangible assets	10	3,733,702	3,768,752
Investments	11	1,500	1,500
		<u>3,735,202</u>	<u>3,770,252</u>
CURRENT ASSETS			
Stocks	12	475,430	527,756
Debtors	13	2,407,177	2,516,087
Cash at bank and in hand		23,979	462
		<u>2,906,586</u>	<u>3,044,305</u>
CREDITORS: Amounts falling due within one year	14	<u>2,984,344</u>	<u>3,161,116</u>
NET CURRENT LIABILITIES		<u>(77,758)</u>	<u>(116,811)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,657,444</u>	<u>3,653,441</u>
CREDITORS: Amounts falling due after more than one year	15	<u>935,494</u>	<u>1,404,788</u>
		<u>2,721,950</u>	<u>2,248,653</u>
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	18	351,451	358,097
Government grants	19	90,215	36,533
		<u>2,280,284</u>	<u>1,854,023</u>
CAPITAL AND RESERVES			
Called-up equity share capital	21	616,662	616,662
Other reserves	22	2,645	2,645
Profit and loss account	23	1,660,977	1,234,716
SHAREHOLDERS' FUNDS	24	<u>2,280,284</u>	<u>1,854,023</u>

These financial statements were approved by the directors on the 15 August 2003 and are signed on their behalf by:



R M GORDON (JOINT MANAGING DIRECTOR)

JOHN GORDON & SON LIMITED**CASH FLOW STATEMENT****YEAR ENDED 30 JUNE 2003**

	Note	2003 £	2002 £
NET CASH INFLOW FROM OPERATING ACTIVITIES		1,350,281	990,976
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	25	(130,546)	(162,995)
TAXATION		(46,405)	(495)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	25	(249,840)	(299,778)
EQUITY DIVIDENDS PAID		(46,182)	(36,100)
CASH INFLOW BEFORE FINANCING		877,308	491,608
FINANCING	25	(433,793)	(445,957)
INCREASE IN CASH		443,515	45,651

RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2003 £	2002 £
Operating profit	785,492	607,191
Depreciation	429,088	420,454
Loss/(gain) on disposal of fixed assets	5,919	(151)
Amortisation of government grants	(10,389)	(3,141)
Decrease in stocks	52,326	127,312
Decrease/(increase) in debtors	108,910	(430,523)
(Decrease)/increase in creditors	(21,065)	269,834
Net cash inflow from operating activities	1,350,281	990,976

The notes on pages 10 to 20 form part of these financial statements.

JOHN GORDON & SON LIMITED**CASH FLOW STATEMENT** *(continued)***YEAR ENDED 30 JUNE 2003****RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT**

		2003		2002	
		£	£	£	£
Increase in cash in the period		443,515		45,651	
Net cash outflow from loans		105,614		151,274	
Cash outflow in respect of hire purchase		<u>392,250</u>		<u>314,733</u>	
Change in net debt resulting from cash flows	25	941,379		511,658	
New finance leases		<u>(150,117)</u>		<u>(258,500)</u>	
Movement in net debt in the period		<u>791,262</u>		<u>253,158</u>	
Net debt at 1 July 2002	25	<u>(3,049,725)</u>		<u>(3,302,883)</u>	
Net debt at 30 June 2003	25	<u>(2,258,463)</u>		<u>(3,049,725)</u>	

The notes on pages 10 to 20 form part of these financial statements.

JOHN GORDON & SON LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2003

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention.

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Plant & Machinery	- 15% reducing balance
Motor Vehicles	- 25% reducing balance
Computer Equipment	- 20% on cost

The directors are of the opinion that the current value of the buildings is at least equal to the current carrying value and therefore, in accordance with Financial Reporting Standard 15, no depreciation has been charged as it is not material.

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account on a straight line basis.

Finance lease agreements

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated in accordance with the above depreciation policies. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account on a straight line basis, and the capital element which reduces the outstanding obligation for future instalments.

JOHN GORDON & SON LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2003

1. ACCOUNTING POLICIES *(continued)*

Pension costs

The company operates a defined contribution pension scheme for employees. The annual contributions payable are charged to the profit and loss account as they become payable under the schemes' rules.

Deferred taxation

Deferred tax is recognised in respect of 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.

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.

Deferred government grants

Deferred government grants in respect of capital expenditure are treated as deferred income and are credited to the profit and loss account over the estimated useful life of the assets to which they relate.

2. TURNOVER

The turnover and profit before tax are attributable to the one principal activity of the company.

An analysis of turnover is given below:

	2003 £	2002 £
United Kingdom	10,237,705	9,514,265
Overseas	388,598	380,110
	<u>10,626,303</u>	<u>9,894,375</u>

3. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	2003 £	2002 £
Amortisation of government grants	(10,389)	(3,141)
Loss/(gain) on disposal of fixed assets	5,919	(151)
Depreciation of owned fixed assets	193,731	186,320
Depreciation of assets held under hire purchase agreements	235,357	234,134
Auditors' remuneration		
- as auditors	<u>4,000</u>	<u>4,000</u>

JOHN GORDON & SON LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2003

4. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year amounted to:

	2003	2002
	No	No
Number of production staff	86	86
Number of management and administration staff	18	18
	<u>104</u>	<u>104</u>

The aggregate payroll costs of the above were:

	2003	2002
	£	£
Wages and salaries	1,876,912	1,762,210
Social security costs	149,384	146,987
Other pension costs	22,589	45,506
	<u>2,048,885</u>	<u>1,954,703</u>

5. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were:

	2003	2002
	£	£
Emoluments receivable	161,221	129,501
Value of company pension contributions to money purchase schemes	6,927	17,089
	<u>168,148</u>	<u>146,590</u>

6. INTEREST RECEIVABLE

	2003	2002
	£	£
Bank interest receivable	<u>239</u>	<u>79</u>

7. INTEREST PAYABLE

	2003	2002
	£	£
Interest payable on bank borrowing	50,553	69,419
Finance charges	80,232	93,655
	<u>130,785</u>	<u>163,074</u>

JOHN GORDON & SON LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2003

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

	2003	2002
	£	£
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year at 32.75% (2002 - 20%)	189,149	46,405
Total current tax	189,149	46,405
Deferred tax:		
(Decrease)/Increase in deferred tax provision (note 18)		
Movement in respect of timing differences	(6,646)	39,898
Effect of decreased tax rate	—	(18,847)
Total deferred tax (note 18)	(6,646)	21,051
Tax on profit on ordinary activities	182,503	67,456

(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 32.75% (2002 - 20%).

	2003	2002
	£	£
Profit on ordinary activities before taxation	654,946	444,196
Profit/(loss) on ordinary activities by rate of tax	214,495	88,839
Depreciation	140,526	84,091
Disallowable expenses	4,765	891
Capital Allowances	(127,923)	(91,419)
Losses utilised	—	(34,752)
Marginal rate tax relief	(41,250)	—
Sundry tax adjusting items	(1,464)	(1,245)
Total current tax (note 8(a))	189,149	46,405

9. DIVIDENDS

The following dividends have been paid in respect of the year:

	2003	2002
	£	£
Dividend paid on ordinary shares	46,182	36,100

Interim dividends were paid amounting to 7.5 pence per share (2002 - 7.9 pence per share).

JOHN GORDON & SON LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2003

10. TANGIBLE FIXED ASSETS

	Heritable Property	Plant & Equipment	Motor Vehicle	Total
	£	£	£	£
COST				
At 1 July 2002	1,119,966	6,256,345	217,343	7,593,654
Additions	—	394,982	35,626	430,608
Disposals	—	(81,000)	(38,910)	(119,910)
At 30 June 2003	1,119,966	6,570,327	214,059	7,904,352
DEPRECIATION				
At 1 July 2002	—	3,699,976	124,926	3,824,902
Charge for the year	—	405,244	23,844	429,088
On disposals	—	(53,270)	(30,070)	(83,340)
At 30 June 2003	—	4,051,950	118,700	4,170,650
NET BOOK VALUE				
At 30 June 2003	1,119,966	2,518,377	95,359	3,733,702
At 30 June 2002	1,119,966	2,556,369	92,417	3,768,752

Hire purchase agreements

Included within the net book value of £3,733,702 is £1,418,611 (2002 - £1,509,958) relating to assets held under hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £235,357 (2002 - £234,134).

11. INVESTMENTS

	Unquoted Investment £
COST	
At 1 July 2002 and 30 June 2003	1,500
NET BOOK VALUE	
At 30 June 2003	1,500
At 30 June 2002	1,500

JOHN GORDON & SON LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2003

12. STOCKS

	2003	2002
	£	£
Raw materials	165,744	167,384
Finished goods	309,686	360,372
	<u>475,430</u>	<u>527,756</u>

13. DEBTORS

	2003	2002
	£	£
Trade debtors	2,405,131	2,466,859
Prepayments and accrued income	2,046	49,228
	<u>2,407,177</u>	<u>2,516,087</u>

14. CREDITORS: Amounts falling due within one year

	2003	2002
	£	£
Bank loans and overdrafts	826,010	1,246,008
Trade creditors	944,087	939,812
Other creditors including taxation and social security:		
Corporation tax	189,149	46,405
PAYE and social security	46,574	42,692
VAT	211,851	200,828
Hire purchase agreements	445,938	377,110
Other creditors	38,380	40,699
Directors current accounts	75,000	22,281
	<u>1,006,892</u>	<u>730,015</u>
Accruals and deferred income	207,355	245,281
	<u>2,984,344</u>	<u>3,161,116</u>

The following liabilities disclosed under creditors falling due within one year are secured by the company: (as per note 15)

	2003	2002
	£	£
Bank loans and overdrafts	<u>826,011</u>	<u>1,246,008</u>

JOHN GORDON & SON LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2003

15. CREDITORS: Amounts falling due after more than one year

	2003 £	2002 £
Bank loans and overdrafts	333,334	416,667
Other creditors:		
Hire purchase agreements	527,160	838,121
Directors' loan accounts	75,000	150,000
	<u>602,160</u>	<u>988,121</u>
	<u>935,494</u>	<u>1,404,788</u>

The bank term loan bears interest at 8.775% per annum and is repayable by quarterly instalments of £20,833.

The directors' loans are granted interest free and have no fixed terms of repayment.

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

	2003 £	2002 £
Bank loans and overdrafts	<u>333,333</u>	<u>416,667</u>

Securities granted

Bank overdraft and bank term loans:

- (a) Bond and floating charge over all the assets of the company.
- (b) Standard security over certain heritable property.

16. CREDITORS - LOAN ANALYSIS

Creditors include loans which are due for repayment as follows:

	2003 £	2002 £
Amounts repayable:		
In one year or less or on demand	158,333	105,614
In more than two years but not more than five years	333,333	333,328
In more than five years	75,000	233,349
	<u>566,666</u>	<u>672,291</u>

17. COMMITMENTS UNDER HIRE PURCHASE AGREEMENTS

Future commitments under hire purchase agreements are as follows:

	2003 £	2002 £
Amounts payable within 1 year	445,938	377,110
Amounts payable between 2 to 5 years	527,160	838,121
	<u>973,098</u>	<u>1,215,231</u>

JOHN GORDON & SON LIMITED**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 30 JUNE 2003****18. DEFERRED TAXATION**

	2003 £	2002 £
The movement in the deferred taxation provision during the year was:		
Provision brought forward	358,097	337,046
Profit and loss account movement arising during the year	(6,646)	21,051
Provision carried forward	<u>351,451</u>	<u>358,097</u>

The provision for deferred taxation consists of the tax effect at 19% (2002 - 19%) of timing differences in respect of:

	2003 £	2002 £
Excess of taxation allowances over depreciation on fixed assets	351,451	358,097
	<u>351,451</u>	<u>358,097</u>

19. GOVERNMENT GRANTS

	2003 £	2002 £
Received and receivable:		
At 1 July 2002	85,993	65,943
Receivable during year	64,071	20,050
At 30 June 2003	<u>150,064</u>	<u>85,993</u>
Amortisation:		
At 1 July 2002	49,460	46,319
Credit to profit and loss account	10,389	3,141
At 30 June 2003	<u>59,849</u>	<u>49,460</u>
Net balance at 30 June 2003	<u>90,215</u>	<u>36,533</u>

JOHN GORDON & SON LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2003

20. RELATED PARTY TRANSACTIONS

In accordance with Financial Reporting Standard No.8 information regarding related parties are set out below.

The related parties are:

R D Gordon - as per directors report.

R M Gordon - as per directors report.

P S Gordon - as per directors report.

A M Blanchfield - as per directors report.

Trade creditors include the following amounts as at 30 June 2003 (per note 14):

	2003 £	2002 £
R D Gordon	96,242	137,737
P S Gordon	-	223
A M Blanchfield	17,190	17,302

Also included in creditors are the following directors' loans:

	2003 £	2002 £
R D Gordon	-	22,281
R M Gordon	75,000	75,000
P S Gordon	75,000	75,000

Life assurance policies in the names of R M Gordon and P S Gordon amounting to £250,000 each, have been assigned to the bank in support of borrowing facilities.

21. SHARE CAPITAL

Authorised share capital:

	2003 £	2002 £
1,000,000 Ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>

Allotted, called up and fully paid:

	2003		2002	
	No	£	No	£
Ordinary shares of £1 each	<u>616,662</u>	<u>616,662</u>	<u>616,662</u>	<u>616,662</u>

JOHN GORDON & SON LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2003

22. OTHER RESERVES

	2003	2002
	£	£
Capital reserve	<u>2,645</u>	<u>2,645</u>

23. PROFIT AND LOSS ACCOUNT

	2003	2002
	£	£
Balance brought forward	1,234,716	894,076
Retained profit for the financial year	<u>426,261</u>	<u>340,640</u>
Balance carried forward	<u>1,660,977</u>	<u>1,234,716</u>

24. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2003	2002
	£	£
Profit for the financial year	472,443	376,740
Dividends	<u>(46,182)</u>	<u>(36,100)</u>
	426,261	340,640
Opening shareholders' equity funds	1,854,023	1,513,383
Closing shareholders' equity funds	<u>2,280,284</u>	<u>1,854,023</u>

25. NOTES TO THE STATEMENT OF CASH FLOWS

RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2003	2002
	£	£
Interest received	239	79
Interest paid	(50,553)	(69,419)
Interest element of hire purchase	<u>(80,232)</u>	<u>(93,655)</u>
Net cash outflow from returns on investments and servicing of finance	<u>(130,546)</u>	<u>(162,995)</u>

CAPITAL EXPENDITURE

	2003	2002
	£	£
Payments to acquire tangible fixed assets	(280,491)	(305,628)
Receipts from sale of fixed assets	<u>30,651</u>	<u>5,850</u>
Net cash outflow from capital expenditure	<u>(249,840)</u>	<u>(299,778)</u>

JOHN GORDON & SON LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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25. NOTES TO THE STATEMENT OF CASH FLOWS *(continued)*

FINANCING

	2003 £	2002 £
Repayment of loans	(83,333)	(83,333)
Capital element of hire purchase	(392,250)	(314,733)
Repayment of directors' loans	(22,281)	(67,941)
New grants received	64,071	20,050
Net cash outflow from financing	(433,793)	(445,957)

ANALYSIS OF CHANGES IN NET DEBT

	At 1 Jul 2002 £	Cash flows £	Other changes £	At 30 Jun 2003 £
Net cash:				
Cash in hand and at bank	462	23,517	—	23,979
Overdrafts	(1,162,675)	419,998	—	(742,677)
	<u>(1,162,213)</u>	<u>443,515</u>	<u>—</u>	<u>(718,698)</u>
Debt:				
Debt due within 1 year	(105,614)	105,614	(83,333)	(83,333)
Debt due after 1 year	(566,667)	—	83,333	(483,334)
Hire purchase agreements	(1,215,231)	392,250	(150,117)	(973,098)
	<u>(1,887,512)</u>	<u>497,864</u>	<u>(150,117)</u>	<u>(1,539,765)</u>
Net debt	(3,049,725)	941,379	(150,117)	(2,258,463)