

JOHN GORDON & SON LIMITED
ABBREVIATED ACCOUNTS
FOR
30 JUNE 2004



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

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COMPANIES HOUSE 26/01/05

JOHN GORDON & SON LIMITED

ABBREVIATED ACCOUNTS

YEAR ENDED 30 JUNE 2004

CONTENTS	PAGES
Officers and professional advisers	1
Report of the directors	2 to 3
Report of the auditors to the company	4
Abbreviated profit and loss account	5
Abbreviated balance sheet	6
Cash flow statement	7 to 8
Notes to the abbreviated accounts	9 to 18

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 2004

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 30 June 2004.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

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

CHAIRMAN'S STATEMENT

I am pleased to report on the company's progress which can be seen from this excellent set of results. However signs are evident that profit trends will be difficult to maintain at current levels and to offset this directors continue to look at a wide range of means of reducing costs. The U.K. market for softwood remains fiercely competitive due to the ongoing strength of the pound and other significant external factors.

On a more local level the company strives to persuade its employees and directors of the paramount importance of Health and Safety at the company's sawmills. Much has been achieved in this area and the company is to be congratulated not only on the priority it gives to this in terms of management time but also in the substantial amounts of cash expended.

The company continues to actively support Investors In People.

EXPORTS

Exports during the year amounted to £391,652 (2003 - £388,598).

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:

	2004	2003
	£	£
Dividends paid on ordinary shares	<u>76,782</u>	<u>46,182</u>

THE DIRECTORS AND THEIR INTERESTS IN THE 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 2004	At 1 July 2003
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	—	—

JOHN GORDON & SON LIMITED**THE DIRECTORS' REPORT** *(continued)***YEAR ENDED 30 JUNE 2004****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. The company 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 9 to 10, and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable. The directors must also prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

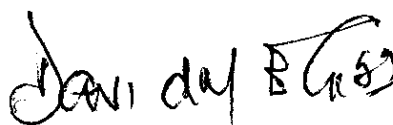
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. The directors are also responsible for safeguarding 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 18 August 2004

JOHN GORDON & SON LIMITED**INDEPENDENT AUDITORS' REPORT TO THE COMPANY****PURSUANT TO SECTION 247B OF THE COMPANIES ACT 1985**

We have examined the abbreviated accounts on pages 5 to 18, together with the financial statements of the company for the year ended 30 June 2004 prepared under Section 226 of the Companies Act 1985.

This report is made solely to the company, in accordance with Section 247B 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 are responsible for preparing the abbreviated accounts in accordance with Section 246A of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts prepared in accordance with Section 246A(3) of the Act to the Registrar of Companies and whether the accounts to be delivered are properly prepared in accordance with those provisions and report our opinion to you.

BASIS OF OPINION

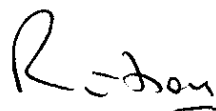
We have carried out the procedures we consider necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts to be delivered are properly prepared. The scope of our work for the purpose of this report did not include examining or dealing with events after the date of our report on the financial statements.

OPINION

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with Section 246A(3) of the Act, and the abbreviated accounts on pages 5 to 18 are properly prepared in accordance with those provisions.

103 High Street
ELGIN
Moray
IV30 1EB

18 August 2004



RITSONS
Chartered Accountants
& Registered Auditors

JOHN GORDON & SON LIMITED
ABBREVIATED PROFIT AND LOSS ACCOUNT
YEAR ENDED 30 JUNE 2004

	Note	2004 £	2003 £
GROSS PROFIT		2,507,932	2,357,380
Distribution Costs		995,690	1,063,620
Administrative expenses		523,069	508,268
OPERATING PROFIT	2	989,173	785,492
Interest receivable	5	4,443	239
Interest payable	6	(92,230)	(130,785)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		901,386	654,946
Tax on profit on ordinary activities	7	255,290	182,503
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		646,096	472,443
Dividends	8	76,782	46,182
RETAINED PROFIT FOR THE FINANCIAL YEAR		569,314	426,261

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.

The notes on pages 9 to 18 form part of these abbreviated accounts.

JOHN GORDON & SON LIMITED**ABBREVIATED BALANCE SHEET****30 JUNE 2004**

	Note	2004 £	2003 £
FIXED ASSETS			
Tangible assets	9	3,997,362	3,733,702
Investments	10	1,500	1,500
		<u>3,998,862</u>	<u>3,735,202</u>
CURRENT ASSETS			
Stocks	11	588,555	475,430
Debtors	12	2,389,714	2,407,177
Cash at bank and in hand		477	23,979
		<u>2,978,746</u>	<u>2,906,586</u>
CREDITORS: Amounts falling due within one year	13	3,031,168	2,984,344
NET CURRENT LIABILITIES		<u>(52,422)</u>	<u>(77,758)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,946,440</u>	<u>3,657,444</u>
CREDITORS: Amounts falling due after more than one year	14	580,883	935,494
		<u>3,365,557</u>	<u>2,721,950</u>
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	17	364,295	351,451
Government grants	18	151,664	90,215
		<u>2,849,598</u>	<u>2,280,284</u>
CAPITAL AND RESERVES			
Called-up equity share capital	19	616,662	616,662
Other reserves	20	2,645	2,645
Profit and loss account	21	2,230,291	1,660,977
SHAREHOLDERS' FUNDS	22	<u>2,849,598</u>	<u>2,280,284</u>

These abbreviated financial statements have been prepared in accordance with the special provisions for medium-sized companies under Part VII of the Companies Act 1985.

These abbreviated accounts were approved by the directors on the 18 August 2004 and are signed on their behalf by:



R M GORDON (JOINT MANAGING DIRECTOR)

The notes on pages 9 to 18 form part of these abbreviated accounts.

JOHN GORDON & SON LIMITED**CASH FLOW STATEMENT****YEAR ENDED 30 JUNE 2004**

	Note	2004 £	2003 £
NET CASH INFLOW FROM OPERATING ACTIVITIES		1,063,653	1,403,000
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	23	(87,787)	(130,546)
TAXATION		(189,149)	(46,405)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	23	(498,352)	(249,840)
EQUITY DIVIDENDS PAID		(46,182)	(46,182)
CASH INFLOW BEFORE FINANCING		242,183	930,027
FINANCING	23	(459,200)	(486,512)
(DECREASE)/INCREASE IN CASH		(217,017)	443,515

**RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM
OPERATING ACTIVITIES**

	2004 £	2003 £
Operating profit	989,173	785,492
Depreciation	439,508	429,088
(Profit)/Loss on disposal of fixed assets	(4,816)	5,919
Amortisation of government grants	(15,631)	(10,389)
(Increase)/decrease in stocks	(113,125)	52,326
Decrease in debtors	17,463	108,910
(Decrease)/increase in creditors	(248,919)	31,654
Net cash inflow from operating activities	1,063,653	1,403,000

The notes on pages 9 to 18 form part of these abbreviated accounts.

JOHN GORDON & SON LIMITED**CASH FLOW STATEMENT** *(continued)***YEAR ENDED 30 JUNE 2004****RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT**

		2004		2003
		£	£	£
(Decrease)/increase in cash in the period		(217,017)		443,515
Net cash outflow from bank loans		83,334		83,333
Cash outflow in respect of hire purchase		450,446		392,250
Net cash outflow from directors' long-term loans		<u>2,500</u>		<u>75,000</u>
Change in net debt resulting from cash flows	23	319,263		994,098
New finance leases		<u>(200,000)</u>		<u>(150,117)</u>
Movement in net debt in the period		<u>119,263</u>		<u>843,981</u>
Net debt at 1 July 2003	23	<u>(2,183,463)</u>		<u>(3,027,444)</u>
Net debt at 30 June 2004	23	<u>(2,064,200)</u>		<u>(2,183,463)</u>

The notes on pages 9 to 18 form part of these abbreviated accounts.

JOHN GORDON & SON LIMITED
NOTES TO THE ABBREVIATED ACCOUNTS
YEAR ENDED 30 JUNE 2004

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 ABBREVIATED ACCOUNTS****YEAR ENDED 30 JUNE 2004****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. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	2004 £	2003 £
Amortisation of government grants	(15,631)	(10,389)
Depreciation of owned fixed assets	227,650	193,731
Depreciation of assets held under hire purchase agreements	211,858	235,357
Loss on disposal of fixed assets	—	5,919
Profit on disposal of fixed assets	(4,816)	—
Auditors' remuneration		
- as auditors	<u>4,000</u>	<u>4,000</u>

JOHN GORDON & SON LIMITED
NOTES TO THE ABBREVIATED ACCOUNTS
YEAR ENDED 30 JUNE 2004

3. PARTICULARS OF EMPLOYEES

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

	2004	2003
	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:

	2004	2003
	£	£
Wages and salaries	2,620,663	2,734,807
Social security costs	176,077	149,384
Other pension costs	35,697	48,890
	<u>2,832,437</u>	<u>2,933,081</u>

4. DIRECTORS' EMOLUMENTS

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

	2004	2003
	£	£
Emoluments receivable	183,550	161,221
Value of company pension contributions to money purchase schemes	6,069	6,927
	<u>189,619</u>	<u>168,148</u>

5. INTEREST RECEIVABLE

	2004	2003
	£	£
Bank interest receivable	<u>4,443</u>	<u>239</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2004	2003
	£	£
Interest payable on bank borrowing	33,409	50,553
Finance charges	58,821	80,232
	<u>92,230</u>	<u>130,785</u>

JOHN GORDON & SON LIMITED
NOTES TO THE ABBREVIATED ACCOUNTS
YEAR ENDED 30 JUNE 2004

7. TAXATION ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

	2004	2003
	£	£
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year at 32.75% (2003 - 32.75%)	242,446	189,149
Total current tax	242,446	189,149
Deferred tax:		
Origination and reversal of timing differences (note 17)		
Capital allowances	12,844	(6,646)
Tax on profit on ordinary activities	255,290	182,503

(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% (2003 - 32.75%).

	2004	2003
	£	£
Profit on ordinary activities before taxation	901,386	654,946
Profit/(loss) on ordinary activities by rate of tax	295,204	214,495
Depreciation	143,939	140,526
Disallowable expenses	10,872	4,765
Capital Allowances	(159,622)	(127,923)
Marginal rate tax relief	(41,250)	(41,250)
Sundry tax adjusting items	(6,697)	(1,464)
Total current tax (note 7(a))	242,446	189,149

8. DIVIDENDS

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

	2004	2003
	£	£
Dividend paid on ordinary shares	76,782	46,182

Interim dividends were paid amounting to 12.5 pence per share (2003 - 7.5 pence per share).

JOHN GORDON & SON LIMITED**NOTES TO THE ABBREVIATED ACCOUNTS****YEAR ENDED 30 JUNE 2004****9. TANGIBLE FIXED ASSETS**

	Freehold Property £	Plant & Equipment £	Motor Vehicles £	Total £
COST				
At 1 July 2003	1,119,966	6,570,327	214,059	7,904,352
Additions	—	669,530	40,610	710,140
Disposals	—	—	(27,555)	(27,555)
At 30 June 2004	<u>1,119,966</u>	<u>7,239,857</u>	<u>227,114</u>	<u>8,586,937</u>
DEPRECIATION				
At 1 July 2003	—	4,051,950	118,700	4,170,650
Charge for the year	—	411,867	27,641	439,508
On disposals	—	—	(20,583)	(20,583)
At 30 June 2004	<u>—</u>	<u>4,463,817</u>	<u>125,758</u>	<u>4,589,575</u>
NET BOOK VALUE				
At 30 June 2004	<u>1,119,966</u>	<u>2,776,040</u>	<u>101,356</u>	<u>3,997,362</u>
At 30 June 2003	<u>1,119,966</u>	<u>2,518,377</u>	<u>95,359</u>	<u>3,733,702</u>

Hire purchase agreements

Included within the net book value of £3,997,362 is £1,200,519 (2003 - £1,418,611) relating to assets held under hire purchase agreements. The depreciation charged to the abbreviated accounts in the year in respect of such assets amounted to £211,858 (2003 - £235,357).

10. INVESTMENTS

	Unquoted Investment £
COST	
At 1 July 2003 and 30 June 2004	<u>1,500</u>
NET BOOK VALUE	
At 30 June 2004	<u>1,500</u>
At 30 June 2003	<u>1,500</u>

11. STOCKS

	2004 £	2003 £
Raw materials	157,864	165,744
Finished goods	430,691	309,686
	<u>588,555</u>	<u>475,430</u>

JOHN GORDON & SON LIMITED
NOTES TO THE ABBREVIATED ACCOUNTS
YEAR ENDED 30 JUNE 2004

12. DEBTORS

	2004 £	2003 £
Trade debtors	2,383,288	2,405,131
Prepayments and accrued income	6,426	2,046
	<u>2,389,714</u>	<u>2,407,177</u>

13. CREDITORS: Amounts falling due within one year

	2004 £	2003 £
Bank loans and overdrafts	1,019,525	826,010
Trade creditors	822,599	944,087
Other creditors including taxation and social security:		
Corporation tax	242,446	189,149
PAYE and social security	47,637	46,574
VAT	168,135	211,851
Hire purchase agreements	464,269	445,938
Dividends payable	30,600	—
Other creditors	16,043	38,380
Directors current accounts	—	75,000
	<u>969,130</u>	<u>1,006,892</u>
Accruals and deferred income	219,914	207,355
	<u>3,031,168</u>	<u>2,984,344</u>

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

	2004 £	2003 £
Bank loans and overdrafts	<u>1,019,525</u>	<u>826,011</u>

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

	2004 £	2003 £
Bank loans and overdrafts	250,000	333,334
Other creditors:		
Hire purchase agreements	258,383	527,160
Directors' loan accounts	<u>72,500</u>	<u>75,000</u>
	<u>330,883</u>	<u>602,160</u>
	<u>580,883</u>	<u>935,494</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.

JOHN GORDON & SON LIMITED**NOTES TO THE ABBREVIATED ACCOUNTS****YEAR ENDED 30 JUNE 2004****14. CREDITORS: Amounts falling due after more than one year** *(continued)*

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

	2004 £	2003 £
Bank loans and overdrafts	<u>250,000</u>	<u>333,333</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.

15. CREDITORS - LOAN ANALYSIS

Creditors include loans which are due for repayment as follows:

	2004 £	2003 £
Amounts repayable:		
In one year or less or on demand	83,333	158,333
In more than two years but not more than five years	250,000	333,333
In more than five years	72,500	75,000
	<u>405,833</u>	<u>566,666</u>

16. COMMITMENTS UNDER HIRE PURCHASE AGREEMENTS

Future commitments under hire purchase agreements are as follows:

	2004 £	2003 £
Amounts payable within 1 year	464,269	445,938
Amounts payable between 2 to 5 years	258,383	527,160
	<u>722,652</u>	<u>973,098</u>

17. DEFERRED TAXATION

	2004 £	2003 £
The movement in the deferred taxation provision during the year was:		
Provision brought forward	351,451	358,097
Profit and loss account movement arising during the year	12,844	(6,646)
Provision carried forward	<u>364,295</u>	<u>351,451</u>

JOHN GORDON & SON LIMITED
NOTES TO THE ABBREVIATED ACCOUNTS
YEAR ENDED 30 JUNE 2004

17. DEFERRED TAXATION *(continued)*

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	2004 £	2003 £
Excess of taxation allowances over depreciation on fixed assets	364,295	351,451
	<u>364,295</u>	<u>351,451</u>

18. GOVERNMENT GRANTS

	2004 £	2003 £
Received and receivable:		
At 1 July 2003	150,064	85,993
Receivable during year	77,080	64,071
At 30 June 2004	<u>227,144</u>	<u>150,064</u>
Amortisation:		
At 1 July 2003	59,849	49,460
Credit to profit and loss account	15,631	10,389
At 30 June 2004	<u>75,480</u>	<u>59,849</u>
Net balance at 30 June 2004	<u>151,664</u>	<u>90,215</u>

19. SHARE CAPITAL

Authorised share capital:	2004 £	2003 £
1,000,000 Ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>
Allotted, called up and fully paid:		
	2004 No £	2003 No £
Ordinary shares of £1 each	<u>616,662</u> <u>616,662</u>	<u>616,662</u> <u>616,662</u>

20. OTHER RESERVES

	2004 £	2003 £
Capital reserve	<u>2,645</u>	<u>2,645</u>

JOHN GORDON & SON LIMITED
NOTES TO THE ABBREVIATED ACCOUNTS
YEAR ENDED 30 JUNE 2004

21. PROFIT AND LOSS ACCOUNT

	2004 £	2003 £
Balance brought forward	1,660,977	1,234,716
Retained profit for the financial year	569,314	426,261
Balance carried forward	<u>2,230,291</u>	<u>1,660,977</u>

22. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2004 £	2003 £
Profit for the financial year	646,096	472,443
Dividends	(76,782)	(46,182)
	<u>569,314</u>	<u>426,261</u>
Opening shareholders' equity funds	2,280,284	1,854,023
Closing shareholders' equity funds	<u>2,849,598</u>	<u>2,280,284</u>

23. NOTES TO THE STATEMENT OF CASH FLOWS

RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2004 £	2003 £
Interest received	4,443	239
Interest paid	(33,409)	(50,553)
Interest element of hire purchase	(58,821)	(80,232)
Net cash outflow from returns on investments and servicing of finance	<u>(87,787)</u>	<u>(130,546)</u>

CAPITAL EXPENDITURE

	2004 £	2003 £
Payments to acquire tangible fixed assets	(510,140)	(280,491)
Receipts from sale of fixed assets	11,788	30,651
Net cash outflow from capital expenditure	<u>(498,352)</u>	<u>(249,840)</u>

JOHN GORDON & SON LIMITED**NOTES TO THE ABBREVIATED ACCOUNTS****YEAR ENDED 30 JUNE 2004****23. NOTES TO THE STATEMENT OF CASH FLOWS** *(continued)***FINANCING**

	2004	2003
	£	£
Repayment of bank loans	(83,334)	(83,333)
Capital element of hire purchase	(450,446)	(392,250)
Repayment of directors' long-term loans	(2,500)	(75,000)
New grants received	77,080	64,071
Net cash outflow from financing	(459,200)	(486,512)

ANALYSIS OF CHANGES IN NET DEBT

	At 1 Jul 2003	Cash flows	Other changes	At 30 Jun 2004
	£	£	£	£
Net cash:				
Cash in hand and at bank	23,979	(23,502)	—	477
Overdrafts	(742,677)	(193,515)	—	(936,192)
	<u>(718,698)</u>	<u>(217,017)</u>	<u>—</u>	<u>(935,715)</u>
Debt:				
Debt due within 1 year	(83,333)	—	—	(83,333)
Debt due after 1 year	(408,334)	85,834	—	(322,500)
Hire purchase agreements	(973,098)	450,446	(200,000)	(722,652)
	<u>(1,464,765)</u>	<u>536,280</u>	<u>(200,000)</u>	<u>(1,128,485)</u>
Net debt	(2,183,463)	319,263	(200,000)	(2,064,200)