

Aquatic Engineering & Construction Limited

**Directors' report and consolidated
financial statements**

Registered number 123734

31 July 2003



Contents

Directors' report	1
Statement of directors' responsibilities	2
Independent auditors' report to the members of Aquatic Engineering & Construction Limited	3
Consolidated profit and loss account	4
Consolidated balance sheet	5
Balance sheet	6
Consolidated cash flow statement	7
Notes	8

Directors' report

The directors present their annual report and audited financial statements for the year ended 31 July 2003.

Principal activity

The principal activity of the company and the group is the provision of equipment and consultancy services to the offshore oil and gas industry.

Business review

Despite a mixed year for the group it was pleasing to note that we had achieved globally a record level of personnel secondment. The manpower supply should continue to grow particularly in the Middle East region, which has re-stabilised following the Iraq invasion.

Our Pipe Lay and Sub-sea installation equipment however did not meet anticipated utilisation despite considerable team effort and momentum did not occur until 4th quarter 2003 with good indications for 2004.

Our new workshop, fabrication and storage facility on a custom developed site at Peterhead is near completion for expected entry mid March 2004. This will give us an enhanced capability to service our own and operator company requirements in line with our new steel Pipe Lay system and the planned expansion of our equipment range.

Much energy has also been expended in the formation of a Strategic Alliance between Aquatic, Canyon Offshore and Well-Ops (marketing name "Step Out Solutions") which will provide a catalyst for cost effective solutions in the growing demand for marginal developments. The Alliance will provide operators with a complete service that includes pipe lay, burial, tie in and commissioning.

All in all the directors remain optimistic on all fronts for the remainder of 2004.

Proposed dividend

The directors recommend payment of a final dividend of £88,395 (2002: £122,369) on the ordinary shares and £37,350 (£51,705) on the A ordinary shares. Interim dividends of nil (2002: £40,000) on the ordinary shares and nil (2002: £10,000) on the A ordinary shares were paid during the year.

Directors and directors' interests

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

Derek Ian Edgley
Michael John Arnell
Frederick Edgley
Douglas Craigie
Suzanne Morrison

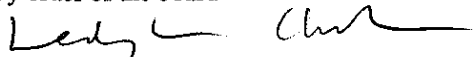
The directors who held office at the end of the financial year had the following interests in the ordinary share capital of the company at the beginning and end of the year as recorded in the register of directors' share interests:

	No.
Derek Ian Edgley	30,300
Michael John Arnell	20,200
Frederick Edgley	30,300
Douglas Craigie	25,250
Suzanne Morrison	-

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming annual general meeting.

By order of the board


Ledingham Chalmers
Secretary

Palmerston Centre
29/31 Palmerston Road
Aberdeen
13 January 2004

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 group and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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 the going concern basis unless it is inappropriate to presume that the company and the group 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 group and to prevent and detect fraud and other irregularities.



37 Albyn Place
Aberdeen
AB10 1JB
United Kingdom

Independent auditors' report to the members of Aquatic Engineering & Construction Limited

We have audited the financial statements on pages 4 to 19.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 2, 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 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 group is not disclosed.

Basis of audit 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 group'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 affairs of the company and the group as at 31 July 2003 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

13 January 2004

Consolidated profit and loss account
for the year ended 31 July 2003

	<i>Note</i>	2003 £	2002 £
Turnover	2	14,549,935	14,380,554
Cost of sales		(12,724,680)	(12,206,241)
Gross profit		1,825,255	2,174,313
Administrative expenses		(1,497,685)	(1,604,463)
Operating profit		327,570	569,850
Interest receivable		128,090	3,072
Interest payable and similar charges	6	(82,031)	(55,890)
Profit on ordinary activities before taxation	3-5	373,629	517,032
Tax on profit on ordinary activities	7	(28,818)	(133,622)
Profit for the financial year		344,811	383,410
Dividends on equity shares	8	(125,745)	(224,074)
Retained profit for the financial year	16	219,066	159,336

A statement of movements on reserves is given in note 16.

Turnover and operating profit arise wholly from continuing operations.

There are no recognised gains or losses other than the profit for the financial year.

Consolidated balance sheet
at 31 July 2003

	<i>Note</i>	2003	2002
		£	£
Fixed assets			
Tangible assets	9	937,218	904,290
Current assets			
Debtors	11	4,388,362	3,761,940
Cash at bank and in hand		157,111	86,754
		<u>4,545,473</u>	<u>3,848,694</u>
Creditors: amounts falling due within one year	12	<u>(3,418,345)</u>	<u>(2,793,992)</u>
Net current assets		<u>1,127,128</u>	<u>1,054,702</u>
Total assets less current liabilities		<u>2,064,346</u>	<u>1,958,992</u>
Creditors: amounts falling due after more than one year	13	(69,315)	(153,900)
Provisions for liabilities and charges	14	(91,351)	(120,478)
Net assets		<u>1,903,680</u>	<u>1,684,614</u>
Capital and reserves			
Called up share capital	15	151,500	151,500
Share premium	16	3,000	3,000
Capital redemption reserve	16	210,000	210,000
Capital reserve	16	25,083	33,522
Profit and loss account	16	1,514,097	1,286,592
Equity shareholders' funds	17	<u>1,903,680</u>	<u>1,684,614</u>

Balance sheet

at 31 July 2003

	Note	£	2003 £	£	2002 £
Fixed assets					
Tangible assets	9		934,923		901,980
Investments	10		12,016		12,016
			<u>946,939</u>		<u>913,996</u>
Current assets					
Debtors	11	2,305,628		2,257,929	
Cash at bank and in hand		124,066		8,384	
		<u>2,429,694</u>		<u>2,266,313</u>	
Creditors: amounts falling due within one year	12	(2,383,275)		(1,968,241)	
Net current assets			<u>46,419</u>		<u>298,072</u>
Total assets less current liabilities			<u>993,358</u>		<u>1,212,068</u>
Creditors: amounts falling due after more than one year	13		(69,315)		(153,900)
Provisions for liabilities and charges	14		(91,351)		(120,478)
Net assets			<u>832,692</u>		<u>937,690</u>
Capital and reserves					
Called up share capital	15		151,500		151,500
Share premium	16		3,000		3,000
Capital redemption reserve	16		210,000		210,000
Capital reserve	16		7,949		16,388
Profit and loss account	16		460,243		556,802
Equity shareholders' funds	17		<u>832,692</u>		<u>937,690</u>

These financial statements were approved by the board of directors on 13 January 2004 were signed on its behalf by:



S Morrison
Director

Consolidated cash flow statement
for the year ended 31 July 2003

	Note	£	2003 £	£	2002 £
Net cash inflow from operating activities	21		24,597		644,398
Returns on investments and servicing of finance					
Interest paid		(82,031)		(55,890)	
Interest received		128,090		3,072	
Net cash inflow (outflow) from returns on investments and servicing of finance			46,059		(52,818)
Taxation					
UK corporation tax received (paid)		32,111		(139,929)	
Overseas tax paid		(100,888)		(92,577)	
Net tax paid			(68,777)		(232,506)
Capital expenditure					
Purchase of tangible fixed assets		(358,129)		(265,294)	
Sale of tangible fixed assets		342,039		133,902	
Net cash outflow for capital expenditure			(16,090)		(131,392)
Equity dividends paid			(174,074)		(328,104)
Net cash outflow before financing			(188,285)		(100,422)
Financing					
Repayment of bank loan		-		(48,887)	
Capital element of finance lease and hire purchase rental payments		(119,325)		(53,539)	
Net cash outflow from financing			(119,325)		(102,426)
Decrease in cash	22		(307,610)		(202,848)

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

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

Basis of consolidation

The consolidated financial statements include the financial statements of the company and its subsidiary undertaking made up to 31 July 2003. The acquisition method of accounting has been adopted.

Under section 230(4) of the Companies Act 1985 the company is exempt from the requirement to present its own profit and loss account.

Capital reserves arising on acquisition (less goodwill arising on acquisition) before 1 January 1998, when FRS 10 *Goodwill and intangible assets* was adopted, were credited directly to reserves and transferred to the profit and loss account over a period of 15 years.

Fixed assets and depreciation

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

Plant and equipment	-	3-10 years
Motor vehicles	-	4 years

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities, other than investments denominated in foreign currencies, are translated at the rate of exchange ruling at the balance sheet date. Investments, not supported by foreign loans, are translated at the rate of exchange ruling at the time when the investment was made. All exchange differences are taken to the profit and loss account.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Pension costs

The parent company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

Notes (continued)

1 Accounting policies (continued)

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. Deferred tax is recognised without discounting in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Turnover

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

2 Turnover

Turnover is derived from the provision of equipment and consultancy services to the offshore oil and gas industry in the following geographical locations:

	2003 £	2002 £
United Kingdom	5,700,875	6,218,331
Rest of Europe	1,028,355	1,285,116
Africa	526,398	491,143
Rest of World	7,294,307	6,385,964
	14,549,935	14,380,554

3 Profit on ordinary activities before taxation

	2003 £	2002 £
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Hire of plant and machinery	295,325	184,717
Hire of other assets – operating leases	48,960	85,357
Depreciation and amortisation:		
Owned	140,672	109,521
Leased	38,120	80,011
Auditors' remuneration:		
Group - audit	29,700	22,000
- other services	39,600	18,000
Company - audit	14,000	13,000
Exchange loss	-	59,165
<i>after crediting:</i>		
Gain on disposal of fixed assets	195,630	73,531
Exchange gain	4,273	-

Notes (continued)

4 Remuneration of directors

	2003 £	2002 £
Directors' emoluments	640,934	664,435
Company contributions to money purchase pension schemes	88,663	78,927

The emoluments of the highest paid director were £181,245 (2002: £185,827) and company pension contributions of £22,160 (2002: £18,938) were made to a money purchase pension scheme on his behalf.

Retirement benefits are accruing to five (2002: five) directors under money purchase pension schemes.

5 Staff numbers and costs

	2003 £	2002 £
Wages and salaries	8,803,771	8,397,563
Social security costs	311,367	300,637
Other pension costs (see note 19)	132,603	114,751
	9,247,741	8,812,951

	Number of employees 2003	2002
The average number of persons, including directors, employed by the group during the year was:	232	218

6 Interest payable and similar charges

	2003 £	2002 £
On bank loans and overdrafts	63,815	41,601
On all over loans	8,550	4,339
Finance charges payable in respect of finance leases and hire purchase contracts	9,666	9,950
	82,031	55,890

Notes (continued)

7 Taxation

Analysis of charge in year

	2003	2002
	£	£
<i>UK corporation tax</i>		
Current tax on income for the year	6,048	24,867
Adjustment in respect of prior year	(30,925)	(76)
	<u>(24,877)</u>	<u>24,791</u>
Double taxation relief	(6,048)	(6,697)
	<u>(30,925)</u>	<u>18,094</u>
<i>Foreign tax</i>		
Current tax on income for the year	46,548	61,535
Adjustment in respect of prior year	42,322	13,659
	<u>88,870</u>	<u>75,194</u>
Total current tax	57,945	93,288
<i>Deferred tax (see note 14)</i>		
Origination of timing differences	15,049	40,334
Effect of decreased tax rate	(44,176)	-
	<u>(29,127)</u>	<u>40,334</u>
	<u>28,818</u>	<u>133,622</u>

Factors affecting the tax charge for the current period

The current tax charge for the period is lower (2002: lower) than the standard rate of corporation tax in the UK (30%, 2002: 30%). The differences are explained below:

	2003	2002
	£	£
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	373,629	517,032
Current tax at 30% (2001: 30%)	112,089	155,110
<i>Effects of:</i>		
Expenses not deductible for tax purposes	35,234	16,253
Difference between capital allowances and depreciation for the year	(23,762)	(40,334)
Capital gains indexation	(4,314)	(3,990)
Corporation tax at lower rates	(3,502)	(10,230)
Lower tax rates on overseas earnings	(69,197)	(37,104)
Adjustments in respect of previous periods	11,397	13,583
Total current tax charge (see above)	<u>57,945</u>	<u>93,288</u>

Notes (continued)

8 Dividends

	2003 £	2002 £
Equity		
Ordinary shares:		
Interim dividend paid	-	40,000
Final proposed	88,395	122,369
 A ordinary shares:		
Interim dividend paid	-	10,000
Final	37,350	51,705
	<u>125,745</u>	<u>224,074</u>

9 Tangible fixed assets

Group	Land and buildings £	Plant and equipment £	Motor vehicles £	Total £
Cost				
At beginning of year	-	2,435,066	62,971	2,498,037
Additions	17,661	340,468	-	358,129
Disposals	-	(217,864)	-	(217,864)
	<u>17,661</u>	<u>2,557,670</u>	<u>62,971</u>	<u>2,638,302</u>
Depreciation				
At beginning of year	-	1,547,827	45,920	1,593,747
Charge for year	-	171,746	7,046	178,792
On disposals	-	(71,455)	-	(71,455)
	<u>-</u>	<u>1,648,118</u>	<u>52,966</u>	<u>1,701,084</u>
Net book value				
At 31 July 2003	<u>17,661</u>	<u>909,552</u>	<u>10,005</u>	<u>937,218</u>
At 31 July 2002	<u>-</u>	<u>887,239</u>	<u>17,051</u>	<u>904,290</u>

Notes (continued)

9 Tangible fixed assets (continued)

	Land and buildings £	Plant and equipment £	Motor vehicles £	Total £
Company				
<i>Cost</i>				
At beginning of year	-	2,395,515	62,971	2,458,486
Additions	17,661	339,428	-	357,089
Disposals	-	(217,864)	-	(217,864)
At end of year	17,661	2,517,079	62,971	2,597,711
<i>Depreciation</i>				
At beginning of year	-	1,510,586	45,920	1,556,506
Charge for year	-	170,691	7,046	177,737
Disposals	-	(71,455)	-	(71,455)
At end of year	-	1,609,822	52,966	1,662,788
<i>Net book value</i>				
At 31 July 2003	17,661	907,257	10,005	934,923
At 31 July 2002	-	884,929	17,051	901,980

Included in the total net book value of plant and equipment and motor vehicles in the group and in the company, is £196,265 (2002: £437,823) in respect of assets held under finance leases and hire purchase contracts. Depreciation for the year on these assets was £38,120 (2002: £80,011).

Included in the cost of tangible fixed assets in the group and in the company is expenditure amounting to £182,417 on assets in the course of construction. Depreciation will be provided on those assets from the date of which they are brought into use.

10 Fixed asset investments

	£
Shares in subsidiary undertaking (unlisted)	
<i>Cost</i>	
At beginning and end of year	<u>12,016</u>

The company's subsidiary undertaking is as follows:

	Country of registration	Percentage of ordinary shares held	Principal activity
Aquatic Engineering and Construction BV	Netherlands	100%	Offshore oilfield services

Notes (continued)

11 Debtors

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Trade debtors	4,153,306	3,559,359	2,011,731	1,799,620
Other debtors	235,056	202,581	77,743	80,580
Amounts owed by subsidiary undertaking	-	-	216,154	377,729
	<u>4,388,362</u>	<u>3,761,940</u>	<u>2,305,628</u>	<u>2,257,929</u>

12 Creditors: amounts falling due within one year

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Bank overdrafts	1,214,843	836,876	1,062,465	680,267
Trade creditors	942,782	628,818	639,359	467,433
Obligations under hire purchase contracts	33,623	68,363	33,623	68,363
UK Corporation tax	23,273	34,443	23,273	34,443
Other taxation and social security	621,696	546,496	167,857	195,295
Other creditors	456,383	504,922	330,953	348,366
Dividends	125,745	174,074	125,745	174,074
	<u>3,418,345</u>	<u>2,793,992</u>	<u>2,383,275</u>	<u>1,968,241</u>

Notes (continued)

13 Creditors: amounts falling due after more than one year

	Group and company	
	2003	2002
	£	£
Obligations under hire purchase contracts:		
Amounts due in the second to fifth years	69,315	153,900

Analysis of debt:	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Debt can be analysed as falling due:				
In one year or less, or on demand	1,248,466	905,239	1,096,088	748,630
Between one and two years	29,214	48,579	29,214	48,579
Between two and five years	40,101	105,321	40,101	105,321
	1,317,781	1,059,139	1,165,403	902,530

The bank overdrafts are secured by a bond and floating charge over the assets of the parent company together with cross guarantees between the group companies.

14 Provisions for liabilities and charges

Group and company	Deferred taxation
	£
At beginning of year	120,478
Credit to the profit and loss account for the year	(29,127)
At end of year	91,351

The amounts provided for deferred taxation are set out below:

Group and company	2003	2002
	£	£
Difference between accumulated depreciation and capital allowances	91,351	120,478

Notes *(continued)*

15 Called up share capital

	2003 £	2002 £
<i>Authorised</i>		
Ordinary shares of £1 each	106,500	106,500
'A' Ordinary shares of £1 each	45,000	45,000
Cumulative redeemable preference shares of £1 each	255,000	255,000
	406,500	406,500
<i>Allotted, called up and fully paid</i>		
<i>Equity</i>		
Ordinary shares of £1 each	106,500	106,500
'A' Ordinary shares of £1 each	45,000	45,000
	151,500	151,500

Rights attaching to the various classes of shares are as follows:

(i) *A ordinary shares*

The 'A' ordinary shares are entitled to a participating dividend based on adjusted profit on ordinary activities before taxation and amounts payable to ordinary shareholders.

The 'A' ordinary shares may be converted to a like number of ordinary shares at any time.

The holders of these shares are entitled to attend and vote at general meetings and are entitled to the same voting rights as the ordinary shareholders.

The 'A' ordinary shareholders would rank before the ordinary shareholders on a winding up of the company. In such circumstances they are entitled to the subscription price paid for the shares plus all dividend arrears. Any capital surplus remaining after distribution to ordinary shareholders is payable to both 'A' ordinary and ordinary classes of shares as if all shares were of the same class.

Notes (continued)

16 Reserves

	Share premium	Capital redemption reserve	Capital reserve	Profit and loss account
	£	£	£	£
Group				
At beginning of year	3,000	210,000	33,522	1,286,592
Retained profit for year	-	-	-	219,066
Transfer	-	-	(8,439)	8,439
At end of year	3,000	210,000	25,083	1,514,097
Company				
At beginning of year	3,000	210,000	16,388	556,802
Retained profit for year	-	-	-	(104,998)
Amortise capital reserve	-	-	(10,671)	10,671
Amortise goodwill	-	-	2,232	(2,232)
At end of year	3,000	210,000	7,949	460,243

The parent company's profit for the financial year was £20,747 (2002: £144,978).

17 Reconciliation of movements in shareholders' funds

	Group		Company	
	2003 £	2002 £	2003 £	2002 £
Profit for the financial year	344,811	383,410	20,747	144,978
Dividends on equity shares	(125,745)	(224,074)	(125,745)	(224,074)
Net increase (decrease) in shareholders' funds	219,066	159,336	(104,998)	(79,096)
At beginning of year	1,684,614	1,525,278	937,690	1,016,786
At end of year	1,903,680	1,684,614	832,692	937,690

Notes (continued)

18 Commitments

At the end of the financial year the company and group had annual commitments under non-cancellable operating leases as follows:

	Group		Company	
	2003 Land and Buildings £	2002 Land and buildings £	2003 Land and buildings £	2002 Land and buildings £
<i>Operating leases which expire:</i>				
Within 2-5 years	-	38,588	-	38,588
Over 5 years	17,000	17,000	39,334	-
	<u>17,000</u>	<u>55,588</u>	<u>39,334</u>	<u>38,588</u>

19 Pension scheme

The parent company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the scheme and amounted to £132,603 (2002: £114,751).

20 Contingent liabilities

The company has guaranteed the overdraft of its subsidiary; the amount outstanding at the year end was £152,378 (2002: £156,609).

Guarantees at the year end in respect of performance bonds entered into the normal course of business amounted to £nil (2002: £nil) in the group and company.

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

	2003 £	2002 £
Operating profit	327,570	569,850
Depreciation and amortisation	178,792	189,532
Gain on sale of tangible fixed assets	(195,630)	(73,531)
Increase in debtors	(613,825)	(103,918)
Increase (decrease) in creditors	327,690	(19,491)
Decrease in stocks	-	81,956
Net cash inflow from operating activities	<u>24,597</u>	<u>644,398</u>

Notes (continued)

22 Analysis of net debt

	At 31 July 2002 £	Cash flow £	At 31 July 2003 £
Cash at bank and in hand	86,754	70,357	157,111
Bank overdrafts	(836,876)	(377,967)	(1,214,843)
	<u>(750,122)</u>	<u>(307,610)</u>	<u>(1,057,732)</u>
Hire purchase liabilities	(222,263)	119,325	(102,938)
	<u></u>	<u></u>	<u></u>
Total	<u>(972,385)</u>	<u>188,285</u>	<u>(1,160,670)</u>

23 Reconciliation of net cash flow to movement in net debt

	2003 £	2002 £
Decrease in cash in year	(307,610)	(202,848)
Cash outflow from decrease in net debt	119,325	102,426
	<u></u>	<u></u>
Change in net debt resulting from cash flows	(188,285)	(100,422)
New hire purchase contracts	-	(215,118)
	<u></u>	<u></u>
Movement in net debt in year	(188,285)	(315,540)
Net debt at beginning of year	(972,385)	(656,845)
	<u></u>	<u></u>
Net debt at end of year	<u>(1,160,670)</u>	<u>(972,385)</u>

24 Related party disclosure

The company is controlled by directors as disclosed in the directors' report.