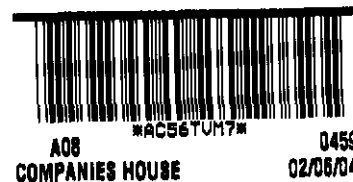


**JOSEPH METCALF LIMITED**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 AUGUST 2003**

**Company Registration Number 221152**

**Blueprint Audit Limited**  
Chartered Accountants Registered Auditor  
Sumner House  
St Thomas's Road  
Chorley  
Lancashire  
PR7 1HP



**JOSEPH METCALF LIMITED**  
**FINANCIAL STATEMENTS**  
**YEAR ENDED 31 AUGUST 2003**

---

<b>CONTENTS</b>	<b>PAGES</b>
Officers and professional advisers	1
The director's report	2 to 3
Independent auditors' report to the shareholders	4 to 5
Profit and loss account	6
Balance sheet	7
Cash flow statement	8
Notes to the financial statements	9 to 19
<b>The following pages do not form part of the financial statements</b>	
Detailed profit and loss account	21
Notes to the detailed profit and loss account	22

---

**JOSEPH METCALF LIMITED**  
**OFFICERS AND PROFESSIONAL ADVISERS**

---

<b>The director</b>	Mr B Metcalf
<b>Company secretary</b>	Mr J D Metcalf
<b>Registered office</b>	Brookside Lane Oswaldtwistle Accrington Lancashire BB5 3NY
<b>Auditors</b>	Blueprint Audit Limited Chartered Accountants Registered Auditor Sumner House St Thomas's Road Chorley Lancashire PR7 1HP

# JOSEPH METCALF LIMITED

## THE DIRECTOR'S REPORT

YEAR ENDED 31 AUGUST 2003

---

The director has pleasure in presenting his report and the financial statements of the company for the year ended 31 August 2003.

### Principal activities and business review

The group's principal activity during the year continues to be the manufacturing and merchandising of fertilisers, peat, growing media and pesticides.

The director considers the state of the company's affairs to be satisfactory.

On 31 March 2003 the company reclassified the 200,000 issued ordinary shares of £1 each as £102,000 'A' ordinary shares and 90,000 'B' ordinary shares by special resolution.

On the same date the company increased its authorised share capital from £200,000 to £200,030 by the creation of 1,000 new 'C' shares of 1p each, 1,000 new 'D' shares of 1p each and 1000 new 'E' shares of 1p each. All the 'C' and 'D' shares were issued during the year.

### 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 director has not recommended a dividend.

### The director and his interests in shares of the company

The director who served the company during the year together with his beneficial interests in the shares of the company was as follows:

Class of share	At	
	31 August 2003	1 September 2002
Mr B Metcalf		
Ordinary	—	200,000
'A' Ordinary	110,000	—
'B' Ordinary	90,000	—

### Director's responsibilities

Company law requires the director 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 director is required to:

select suitable accounting policies, as described on pages 9 to 10, 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; and

---

# JOSEPH METCALF LIMITED

## THE DIRECTOR'S REPORT *(continued)*

YEAR ENDED 31 AUGUST 2003

---

prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable him to ensure that the financial statements comply with the Companies Act 1985. The director is 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 Blueprint Audit Limited as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

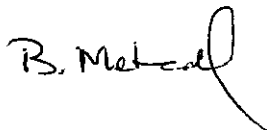
Registered office:  
Brookside Lane  
Oswaldtwistle  
Accrington  
Lancashire  
BB5 3NY

Signed by order of the director



Mr J D Metcalf  
Company Secretary

Approved by the director on *the 22<sup>nd</sup> December 2003*



**JOSEPH METCALF LIMITED**  
**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS**  
**YEAR ENDED 31 AUGUST 2003**

---

We have audited the financial statements on pages 6 to 19 which have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 9 to 10.

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 director and auditors**

As described in the Statement of Director's Responsibilities the company's director is responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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 Director's 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 director's remuneration and transactions with the company is not disclosed.

We read the Director's 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 director 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.

# JOSEPH METCALF LIMITED

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

YEAR ENDED 31 AUGUST 2003

---

### Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 August 2003 and of its profit and cashflow for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

*Blueprint Audit Limited*

Blueprint Audit Limited  
Registered Auditor  
Sumner House  
St. Thomas's Road  
Chorley  
Lancashire  
PR7 1HP

Date: *7 January 2004*

**JOSEPH METCALF LIMITED****PROFIT AND LOSS ACCOUNT****YEAR ENDED 31 AUGUST 2003**

---

	Note	2003 £	2002 £
Turnover	2	11,886,998	12,214,082
Cost of sales		(7,366,766)	(7,481,972)
<b>Gross profit</b>		<u>4,520,232</u>	<u>4,732,110</u>
Distribution costs		(1,550,838)	(1,595,498)
Administrative expenses		(2,686,689)	(2,686,122)
<b>Operating profit</b>	3	<u>282,705</u>	<u>450,490</u>
Interest receivable		4,574	16,142
Interest payable	7	(67,072)	(73,030)
<b>Profit on ordinary activities before taxation</b>		<u>220,207</u>	<u>393,602</u>
Tax on profit on ordinary activities	8	34,474	(181,600)
<b>Retained profit for the financial year</b>		<u>254,681</u>	<u>212,002</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.



# JOSEPH METCALF LIMITED

## BALANCE SHEET

31 AUGUST 2003

	Note	2003 £	2002 £
<b>Fixed assets</b>			
Tangible assets	9	4,737,361	4,120,648
Investments	10	102	102
		<u>4,737,463</u>	<u>4,120,750</u>
<b>Current assets</b>			
Stocks	11	2,232,447	2,079,575
Debtors	12	2,000,074	1,792,819
Cash at bank and in hand		704	595,673
		<u>4,233,225</u>	<u>4,468,067</u>
<b>Creditors: Amounts falling due within one year</b>	13	<u>2,176,207</u>	<u>2,037,930</u>
<b>Net current assets</b>		<u>2,057,018</u>	<u>2,430,137</u>
<b>Total assets less current liabilities</b>		<u>6,794,481</u>	<u>6,550,887</u>
<b>Creditors: Amounts falling due after more than one year</b>	14	<u>236,428</u>	<u>207,798</u>
		<u>6,558,053</u>	<u>6,343,089</u>
<b>Provisions for liabilities and charges</b>			
Deferred taxation	16	211,086	250,823
		<u>6,346,967</u>	<u>6,092,266</u>
<b>Capital and reserves</b>			
Called-up equity share capital	19	200,020	200,000
Profit and loss account		6,146,947	5,892,266
<b>Shareholders' funds</b>	20	<u>6,346,967</u>	<u>6,092,266</u>

These financial statements were approved and signed by the director on *the 22<sup>nd</sup> December 2003*

*B. Metcalf*

Mr B Metcalf

The notes on pages 9 to 19 form part of these financial statements.

**JOSEPH METCALF LIMITED****CASH FLOW STATEMENT****YEAR ENDED 31 AUGUST 2003**

---

	Note	2003 £	2002 £
Net cash inflow from operating activities	21	168,588	1,370,441
Returns on investments and servicing of finance	21	(62,498)	(56,888)
Taxation	21	(29,805)	8,329
Capital expenditure and financial investment	21	(799,819)	(637,213)
Cash (outflow)/inflow before financing		(723,534)	684,669
Financing	21	(75,461)	(119,720)
(Decrease)/increase in cash	21	<u>(798,995)</u>	<u>564,949</u>

---

The notes on pages 9 to 19 form part of these financial statements.

**JOSEPH METCALF LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 AUGUST 2003**

---

**1. ACCOUNTING POLICIES**

**Basis of accounting**

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets, and in accordance with applicable accounting standards.

**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:

Freehold Land	- nil
Freehold Property	- 2% - 10% straight line
Plant & Machinery	- 12.5% - 33% straight line
Motor Vehicles	- 25% straight line

An amount equal to the excess of the annual depreciation charge on revalued assets over the notional historical cost depreciation charge on those assets is transferred annually from the revaluation reserve to the profit and loss reserve.

**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.

**JOSEPH METCALF LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 AUGUST 2003**

---

**1. ACCOUNTING POLICIES** *(continued)*

**Operating lease agreements**

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

**Pension costs**

The company operates a defined benefit pension scheme for employees. The assets of the scheme are held separately from those of the company. The contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees. Variations from the regular costs are spread over the average expected remaining working lives of current members in the scheme.

**Deferred taxation**

Deferred tax is recognised in respect of all 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.

**Fixed asset investments**

Investments are included at cost less amounts written off.

**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:

	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
United Kingdom	<u>11,886,998</u>	<u>12,214,082</u>

**3. OPERATING PROFIT**

Operating profit is stated after charging/(crediting):

	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
Depreciation of owned fixed assets	222,312	222,378
Depreciation of assets held under hire purchase agreements	89,398	71,994
Profit on disposal of fixed assets	(28)	(10,736)
Auditors' remuneration		
- as auditors	6,000	5,690
Hire of equipment	112,371	117,279
Lease of land & buildings	<u>78,999</u>	<u>104,986</u>

**JOSEPH METCALF LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 AUGUST 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 distribution staff	44	42
Number of management staff	88	91
	<u>132</u>	<u>133</u>

The aggregate payroll costs of the above were:

	2003	2002
	£	£
Wages and salaries	2,553,128	2,625,421
Social security costs	243,338	237,726
Other pension costs	64,920	56,819
	<u>2,861,386</u>	<u>2,919,966</u>

**5. DIRECTOR'S EMOLUMENTS**

The director's aggregate emoluments in respect of qualifying services were:

	2003	2002
	£	£
Emoluments receivable	<u>83,021</u>	<u>113,589</u>

**6. PENSION SCHEME**

The company operates defined contribution pension schemes for the benefit of the employees. The assets of the scheme are administered by trustees in a fund independent from those of the company.

The total contributions paid in the year amounted to £64,920 (2002: £56,819).

**7. INTEREST PAYABLE**

	2003	2002
	£	£
Interest payable on bank borrowing	45,177	42,848
Finance charges	21,895	30,182
	<u>67,072</u>	<u>73,030</u>

**JOSEPH METCALF LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 AUGUST 2003**

**8. TAX ON PROFIT ON ORDINARY ACTIVITIES**

**(a) Analysis of charge in the year**

	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
Current tax:		
<i>In respect of the year:</i>		
UK Corporation tax based on the results for the year at 19% (2002 - 20%)	10,551	35,093
Over provision in prior year	(5,288)	(8,329)
Total current tax	<u>5,263</u>	<u>26,764</u>
Deferred tax:		
(Decrease)/increase in deferred tax provision	(39,737)	154,836
Tax on profit on ordinary activities	<u>(34,474)</u>	<u>181,600</u>

**(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 19% (2002 - 20%).

	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
Profit on ordinary activities before taxation	<u>220,207</u>	<u>393,602</u>
Profit on ordinary activities by rate of tax	41,839	78,720
Expenses not deductible for tax purposes	7,429	5,626
Capital allowances for the year in excess of depreciation	(38,717)	(24,053)
Utilisation of tax losses	—	(25,200)
Adjustments to the tax charge in respect of prior years	(5,288)	(8,329)
Total current tax (note 8(a))	<u>5,263</u>	<u>26,764</u>

**JOSEPH METCALF LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 AUGUST 2003**

**9. TANGIBLE FIXED ASSETS**

	Freehold Property £	Plant & Machinery £	Motor Vehicles £	Total £
<b>Cost or valuation</b>				
At 1 September 2002	2,788,995	4,399,842	67,991	7,256,828
Additions	83,811	845,333	—	929,144
Disposals	—	(36,632)	—	(36,632)
<b>At 31 August 2003</b>	<u>2,872,806</u>	<u>5,208,543</u>	<u>67,991</u>	<u>8,149,340</u>
<b>Depreciation</b>				
At 1 September 2002	211,198	2,909,206	15,776	3,136,180
Charge for the year	27,289	268,801	15,620	311,710
On disposals	—	(35,911)	—	(35,911)
<b>At 31 August 2003</b>	<u>238,487</u>	<u>3,142,096</u>	<u>31,396</u>	<u>3,411,979</u>
<b>Net book value</b>				
<b>At 31 August 2003</b>	<u>2,634,319</u>	<u>2,066,447</u>	<u>36,595</u>	<u>4,737,361</u>
<i>At 31 August 2002</i>	<u>2,577,797</u>	<u>1,490,636</u>	<u>52,215</u>	<u>4,120,648</u>

In respect of certain fixed assets stated at valuations, the comparable historical cost and depreciation values are as follows:

	2003 £	2002 £
<b>Historical cost</b>	<u>2,783,088</u>	<u>2,783,088</u>
<b>Depreciation:</b>		
At 1 September 2002	<u>231,139</u>	<u>207,369</u>
At 31 August 2003	<u>231,139</u>	<u>207,369</u>
<b>Net historical cost value:</b>		
At 31 August 2003	<u>2,551,949</u>	<u>2,575,719</u>
At 1 September 2002	<u>2,551,949</u>	<u>2,575,719</u>

**Hire purchase agreements**

Included within the net book value of £4,737,361 is £778,331 (2002 - £595,868) 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 £89,398 (2002 - £71,994).

**JOSEPH METCALF LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 AUGUST 2003**

**10. INVESTMENTS**

	Shares in group undertakings £
<b>Cost</b>	
At 1 September 2002 and 31 August 2003	338,444
<b>Amounts written off</b>	
At 1 September 2002 and 31 August 2003	338,342
<b>Net book value</b>	
At 31 August 2003	102
At 31 August 2002	102

**Shares in subsidiary undertakings**

Name of company	Details of investments	Proportion held by company	Nature of business
E.F.G. (Horticultural Products) Limited	Ordinary £1	100%	Dormant

The capital and reserves and profit or loss for the subsidiary as at its financial year ending with, or last before, the financial year of the holding company were as follows:

	2003 £	2002 £
<b>Aggregate capital and reserves</b>		
E.F.G. (Horticultural Products) Limited	(50)	(50)
<b>Profit and (loss) for the year</b>		
E.F.G. (Horticultural Products) Limited	—	—

**11. STOCKS**

	2003 £	2002 £
Raw materials	1,244,179	1,077,907
Finished goods	988,268	1,001,668
	<u>2,232,447</u>	<u>2,079,575</u>



**JOSEPH METCALF LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 AUGUST 2003**

**12. DEBTORS**

	2003 £	2002 £
Trade debtors	1,586,463	1,415,908
Amounts owed by group undertakings	50	50
Other debtors	15,215	60,664
Prepayments and accrued income	398,346	316,197
	<u>2,000,074</u>	<u>1,792,819</u>

**13. CREDITORS: Amounts falling due within one year**

	2003 £	2002 £
Bank overdraft	214,512	10,486
Trade creditors	687,855	961,141
Corporation tax	10,551	35,093
Other taxation and social security	77,026	57,172
Hire purchase agreements	93,898	69,433
Other creditors	21,624	23,923
Accruals and deferred income	1,070,741	880,682
	<u>2,176,207</u>	<u>2,037,930</u>

The bank overdraft is secured by a fixed and floating charge over all of the company's assets.

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

	2003 £	2002 £
Hire purchase agreements	<u>236,428</u>	<u>207,798</u>

**15. COMMITMENTS UNDER HIRE PURCHASE AGREEMENTS**

Future commitments under hire purchase agreements are as follows:

	2003 £	2002 £
Amounts payable within 1 year	93,898	69,433
Amounts payable between 2 to 5 years	236,428	207,798
	<u>330,326</u>	<u>277,231</u>

Obligations under hire purchase contracts and finance leases are secured on the assets concerned.

**JOSEPH METCALF LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 AUGUST 2003**

**16. DEFERRED TAXATION**

	2003 £	2002 £
The movement in the deferred taxation provision during the year was:		
Provision brought forward	250,823	95,987
Profit and loss account movement arising during the year	(39,737)	154,836
Provision carried forward	<u>211,086</u>	<u>250,823</u>
The provision for deferred taxation consists of the tax effect of timing differences in respect of:		
	2003 £	2002 £
Excess of taxation allowances over depreciation on fixed assets	211,086	250,823
	<u>211,086</u>	<u>250,823</u>

**17. COMMITMENTS UNDER OPERATING LEASES**

At 31 August 2003 the company had annual commitments under non-cancellable operating leases as set out below.

	2003		2002	
	Land & Buildings £	Other Items £	Land & Buildings £	Other Items £
Operating leases which expire:				
Within 1 year	–	3,806	–	39,324
Within 2 to 5 years	–	101,153	–	73,047
After more than 5 years	78,999	–	78,999	–
	<u>78,999</u>	<u>104,959</u>	<u>78,999</u>	<u>112,371</u>

**18. RELATED PARTY TRANSACTIONS**

At 31 August 2003, amounts owed by E.F.G. (Horticultural Products) Limited amounted to £50 (2002: £50).

**JOSEPH METCALF LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 AUGUST 2003**

**19. SHARE CAPITAL**

**Authorised share capital:**

	2003 £	2002 £
200,000 Ordinary shares of £1 each	—	200,000
110,000 'A' Ordinary shares of £1 each	110,000	—
90,000 'B' Ordinary shares of £1 each	90,000	—
1,000 'C' Ordinary shares of £0.01 each	10	—
1,000 'D' Ordinary shares of £0.01 each	10	—
1,000 'E' Ordinary shares of £0.01 each	10	—
	<u>200,030</u>	<u>200,000</u>

**Allotted, called up and fully paid:**

	2003		2002	
	No	£	No	£
Ordinary shares of £1 each	—	—	200,000	200,000
'A' Ordinary shares of £1 each	110,000	110,000	—	—
'B' Ordinary shares of £1 each	90,000	90,000	—	—
'C' Ordinary shares of £0.01 each	1,000	10	—	—
'D' Ordinary shares of £0.01 each	1,000	10	—	—
	<u>202,000</u>	<u>200,020</u>	<u>200,000</u>	<u>200,000</u>

'A' and 'B' shares rank pari passu on a return of assets on liquidation or otherwise, and on a sale of the company. The holders of 'A' and 'B' shares are also entitled to receive notice and attend any General Meeting of the Company and shall have one vote for every share held. The directors may declare and authorise a dividend on one or both of the 'A' and 'B' shares subject to approval by Ordinary Resolution of the Company.

'C' Shares, 'D' Shares and 'E' Shares do not entitle the holders to any right in the share of the profits, capital or proceeds of the sales of the Company save for any dividend which is declared and authorised by the Directors and subject to approval by Ordinary Resolution of the Company.

**20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	2003 £	2002 £
Profit for the financial year	254,681	212,002
New equity share capital subscribed	20	—
	<u>254,701</u>	<u>212,002</u>
Transfer from revaluation reserve	—	6,927
Transfer to profit and loss account	—	(6,927)
Net addition to funds	254,701	212,002
Opening shareholders' equity funds	6,092,266	5,880,264
Closing shareholders' equity funds	<u>6,346,967</u>	<u>6,092,266</u>

# JOSEPH METCALF LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 AUGUST 2003

### 21. NOTES TO THE STATEMENT OF CASH FLOWS

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

	2003 £	2002 £
Operating profit	282,705	450,490
Depreciation	311,710	294,372
Profit on disposal of fixed assets	(28)	(10,736)
Increase in stocks	(152,872)	(198,672)
(Increase)/decrease in debtors	(207,255)	103,163
(Decrease)/increase in creditors	(65,672)	731,824
Net cash inflow from operating activities	<u>168,588</u>	<u>1,370,441</u>

#### RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2003 £	2002 £
Interest received	4,574	16,142
Interest paid	(45,177)	(42,848)
Interest element of hire purchase	(21,895)	(30,182)
Net cash outflow from returns on investments and servicing of finance	<u>(62,498)</u>	<u>(56,888)</u>

#### TAXATION

	2003 £	2002 £
Taxation	<u>(29,805)</u>	<u>8,329</u>

#### CAPITAL EXPENDITURE

	2003 £	2002 £
Payments to acquire tangible fixed assets	(800,568)	(728,422)
Receipts from sale of fixed assets	749	91,209
Net cash outflow from capital expenditure	<u>(799,819)</u>	<u>(637,213)</u>

#### FINANCING

	2003 £	2002 £
Issue of equity share capital	20	—
Capital element of hire purchase	(75,481)	(119,720)
Net cash outflow from financing	<u>(75,461)</u>	<u>(119,720)</u>

**JOSEPH METCALF LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 AUGUST 2003**

**21. NOTES TO THE STATEMENT OF CASH FLOWS** *(continued)*

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT**

	2003		2002	
	£	£	£	£
(Decrease)/increase in cash in the period	(798,995)		564,949	
Cash outflow in respect of hire purchase	<u>75,481</u>		<u>119,720</u>	
<b>Change in net debt resulting from cash flows</b>		(723,514)		684,669
New finance leases		(128,576)		—
Movement in net debt in the year		<u>(852,090)</u>		<u>684,669</u>
Net funds at 1 September 2002		307,956		(376,713)
Net debt at 31 August 2003		<u>(544,134)</u>		<u>307,956</u>

**ANALYSIS OF CHANGES IN NET DEBT**

	At 1 Sept 2002	Cash flows	Other changes	At 31 August 2003
	£	£	£	£
Net cash:				
Cash in hand and at bank	595,673	(594,969)	—	704
Overdraft	(10,486)	(204,026)	—	(214,512)
	<u>585,187</u>	<u>(798,995)</u>	<u>—</u>	<u>(213,808)</u>
Debt:				
Hire purchase agreements	(277,231)	75,481	(128,576)	(330,326)
Net debt	<u>307,956</u>	<u>(723,514)</u>	<u>(128,576)</u>	<u>(544,134)</u>

**22. CONTROL**

The company was under the control of its director as he controlled the whole of the company's issued ordinary share capital throughout the whole of the year and the previous year.