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DEANESTOR LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2004

Company Registration Number 02946819



Tenon Limited
Accountants and Business Advisers
Charnwood House
Gregory Boulevard
Nottingham
NG7 6NX

DEANESTOR LIMITED
FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2004

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DEANESTOR LIMITED
OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

Mr L McG Taylor
Mr P Stevenson
Mr A Booth
Mr R B Tonkinson

Company secretary

Mr A Booth

Registered office

Warren Way
Crown Farm Business Park
Mansfield
Notts
NG19 0FL

Auditors

Blueprint Audit Limited
Chartered Accountants
Registered Auditor
Charnwood House
Gregory Boulevard
Nottingham
NG7 6NX

Accountants and business advisers

Tenon Limited
Charnwood House
Gregory Boulevard
Nottingham
NG7 6NX

Bankers

National Westminster
12 High Street
Doncaster
South Yorkshire
DE1 1EJ

DEANESTOR 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 business review

The principal activity of the company during the year was the manufacture and distribution of specialist furniture.

The directors are satisfied with the results for the year under review and are confident of future prospects.

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 £
Proposed dividends on preference shares	<u>6,300</u>	<u>6,300</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:

	Class of share	2004	2003
Mr L McG Taylor	Ordinary	32,000	32,000
Mr P Stevenson	Ordinary	—	—
Mr A Booth	Ordinary	—	—
Mr R B Tonkinson	Ordinary	288,000	288,000
Mr R B Tonkinson	Preference	<u>70,000</u>	<u>70,000</u>

Mr R B Tonkinson's shareholdings are held by Ryton Holdings Limited which is the controlling interest.

DEANESTOR LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 30 JUNE 2004

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.

Donations

During the year the company made the following contributions:

	2004 £	2003 £
Charitable	448	1,688
	<hr/>	<hr/>

On behalf of the board



A Booth
Director

Approved by the directors on 27 January 2005

DEANESTOR LIMITED**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS****YEAR ENDED 30 JUNE 2004**

We have audited the financial statements of Deanestor Limited for the year ended 30 June 2004 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

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' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the

Statement of Directors' Responsibilities.

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 other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. 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 consider 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.

DEANESTOR LIMITED**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS** *(continued)***YEAR ENDED 30 JUNE 2004**

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 2004, of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**Blueprint Audit Limited***Chartered Accountants and Registered Auditor*

Nottingham

27 January 2005

DEANESTOR LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 30 JUNE 2004

	Note	2004 £	2003 £
Turnover	2	4,690,343	4,196,292
Cost of sales		(2,601,161)	(2,400,879)
Gross profit		2,089,182	1,795,413
Distribution costs		(346,714)	(328,711)
Administrative expenses		(1,335,648)	(1,046,248)
Operating profit	3	406,820	420,454
Amounts written off investments	10	(54,011)	-
Interest payable and similar charges	6	(39,313)	(54,568)
Profit on ordinary activities before taxation		313,496	365,886
Tax on profit on ordinary activities	7	-	-
Profit on ordinary activities after taxation		313,496	365,886
Dividends (including non-equity)	8	(6,300)	(6,300)
Retained profit for the financial year		<u>307,196</u>	<u>359,586</u>

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

DEANESTOR LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

YEAR ENDED 30 JUNE 2004

	2004 £	2003 £
Profit for the financial year attributable to the shareholders	313,496	365,886
Unrealised profit on revaluation of certain fixed assets	-	-
Total gains and losses recognised since the last annual report	<u>313,496</u>	<u>365,886</u>

Note of historical cost profits and losses

	2004 £	2003 £
Reported profit on ordinary activities before taxation	313,496	365,886
Difference between a historical cost depreciation charge and the actual charge calculated on the revalued amount	<u>4,391</u>	<u>4,392</u>
Historical cost profit on ordinary activities before taxation	<u>317,887</u>	<u>370,278</u>
Historical cost profit for the year retained after taxation and dividends	<u>311,587</u>	<u>363,978</u>

The notes on pages 10 to 24 form part of these financial statements.

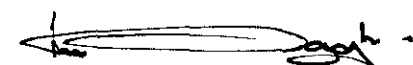
DEANESTOR LIMITED

BALANCE SHEET

30 JUNE 2004

	Note	2004 £	£	2003 £	£
Fixed assets					
Tangible assets	9		1,381,411		1,252,007
Investments	10		1		54,012
			<u>1,381,412</u>		<u>1,306,019</u>
Current assets					
Stocks	11	254,848		152,652	
Debtors	12	1,789,180		1,408,659	
Cash in hand		-		1,011	
		<u>2,044,028</u>		<u>1,562,322</u>	
Creditors: Amounts falling due within one year	13	(1,582,292)		(1,141,561)	
Net current assets			<u>461,736</u>		<u>420,761</u>
Total assets less current liabilities			<u>1,843,148</u>		<u>1,726,780</u>
Creditors: Amounts falling due after more than one year	14		(244,021)		(446,807)
			<u>1,599,127</u>		<u>1,279,973</u>
Provisions for liabilities and charges	17		(93,750)		(88,092)
			<u>1,505,377</u>		<u>1,191,881</u>
Capital and reserves					
Called-up share capital	23		390,000		390,000
Revaluation reserve	24		249,598		253,989
Other reserves	24		71,355		71,355
Profit and loss account	24		794,424		476,537
Shareholders' funds (including non-equity interests)	25		<u>1,505,377</u>		<u>1,191,881</u>

These financial statements were approved by the directors on the 27 January 2005 and are signed on their behalf by:



Mr L McG Taylor
Director

DEANESTOR LIMITED
CASH FLOW STATEMENT
YEAR ENDED 30 JUNE 2004

	Note	2004 £	£	2003 £	£
Net cash inflow from operating activities	26		260,089		309,305
Returns on investments and servicing of finance	26		(39,313)		(54,568)
Capital expenditure and financial investment	26		(169,425)		(118,364)
Net cash outflow from acquisitions and disposals			-		(54,011)
Cash inflow before financing			51,351		82,362
Financing	26		(135,771)		(94,377)
Decrease in cash	26		<u>(84,420)</u>		<u>(12,015)</u>

The notes on pages 10 to 24 form part of these financial statements.

DEANESTOR LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2004

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.

Under the provision of section 248 of the Companies Act 1985 the company is exempt from preparing consolidated accounts and has not done so, therefore the accounts show information about the company as an individual entity.

Turnover

The turnover shown in the profit and loss account represents the amount of work undertaken in 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 buildings	2.5% - 10% straight line
Plant, machinery and tools	10% - 25% straight line
Fixtures & office equipment	20% - 25% 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.

Investments

Investments held as fixed assets are stated at cost or valuation less any provision for impairment in value.

Stocks

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

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts, are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet.

DEANESTOR LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2004

1. ACCOUNTING POLICIES *(continued)*

Leasing and hire purchase commitments

The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

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, with the following exceptions:

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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.

Grants receivable

Revenue based grants are credited to the profit and loss account against related expenditure whilst grants of a capital nature are treated as deferred income and are transferred to the profit and loss account over the expected useful lives of the relevant assets.

Warranty provision

The company warrants certain of its products and a provision is maintained to cover the estimated potential liability.

DEANESTOR LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2004

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:

	2004 £	2003 £
United Kingdom	4,626,307	4,149,098
Overseas	64,036	47,194
	<u>4,690,343</u>	<u>4,196,292</u>

3. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	2004 £	2003 £
Depreciation of owned fixed assets	89,592	86,087
Depreciation of assets held under hire purchase agreements	21,305	28,403
Loss/(profit) on disposal of fixed assets	1,504	(1,841)
Auditors' remuneration		
- as auditors	5,000	5,000
Write down of investments	-	33
Operating lease costs - land and buildings	28,000	24,720
- plant and equipment	18,873	4,833
Release of grant income	<u>(22,500)</u>	<u>(22,500)</u>

4. PARTICULARS OF EMPLOYEES

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

	2004 No	2003 No
Number of production staff	46	37
Number of administrative staff	33	24
	<u>79</u>	<u>61</u>

The aggregate payroll costs of the above were:

	2004 £	2003 £
Wages and salaries	1,413,388	1,238,485
Social security costs	134,278	109,177
	<u>1,547,666</u>	<u>1,347,662</u>

DEANESTOR LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2004

5. DIRECTORS' EMOLUMENTS

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

	2004	2003
	£	£
Emoluments receivable	<u>97,250</u>	<u>91,969</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2004	2003
	£	£
Interest payable on bank loans and overdraft	19,114	29,199
Finance charges	5,602	9,533
Other similar charges payable	<u>14,597</u>	<u>15,836</u>
	<u>39,313</u>	<u>54,568</u>

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of charge in the year

	2004	2003
	£	£
Current tax:		
UK Corporation tax based on the results for the year at 19% (2003 - 20%)	-	-
Total current tax	-	-
Deferred tax:		
Increase in deferred tax provision	-	-
Tax on profit on ordinary activities	<u>-</u>	<u>-</u>

DEANESTOR LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2004

7. TAX ON PROFIT ON ORDINARY ACTIVITIES *(continued)*

(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%.

	2004 £	2003 £
Profit on ordinary activities before taxation	313,496	365,886
Profit on ordinary activities at 19%	59,564	69,518
Utilisation of tax on release of general provision	(17,813)	-
Utilisation of tax brought forward	(3,915)	(43,068)
Utilisation of tax losses transferred from subsidiary	(28,806)	(25,100)
Expenses not deductible for tax purposes	3,997	14,406
Depreciation in year in excess of capital allowances	4,302	7,005
Allowable deductions	(27,877)	(22,411)
Loss/(profit) on disposal of fixed assets	286	(350)
Provision for impairment in value	10,262	-
Total current tax (note 7(a))	-	-

(c) Factors that may affect future tax charges

Based on current capital investment plans, the company expects to continue to claim capital allowances which are similar to the depreciation charge in future years.

8. DIVIDENDS

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

	2004 £	2003 £
Proposed dividend on preference shares	6,300	6,300

DEANESTOR LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2004

9. TANGIBLE FIXED ASSETS

	Freehold buildings £	Plant, machinery and tools £	Fixtures and office equipment £	Motor vehicles £	Total £
Cost or valuation					
At 1 July 2003	898,281	558,534	164,865	54,521	1,676,201
Additions	130,151	68,867	34,000	9,288	242,306
Disposals	-	(7,181)	-	(1,125)	(8,306)
At 30 June 2004	<u>1,028,432</u>	<u>620,220</u>	<u>198,865</u>	<u>62,684</u>	<u>1,910,201</u>
Depreciation					
At 1 July 2003	29,858	260,319	116,796	17,221	424,194
Charge for the year	24,597	49,491	22,757	14,052	110,897
On disposals	-	(6,301)	-	-	(6,301)
At 30 June 2004	<u>54,455</u>	<u>303,509</u>	<u>139,553</u>	<u>31,273</u>	<u>528,790</u>
Net book value					
At 30 June 2004	<u>973,977</u>	<u>316,711</u>	<u>59,312</u>	<u>31,411</u>	<u>1,381,411</u>
<i>At 30 June 2003</i>	<u>868,423</u>	<u>298,215</u>	<u>48,069</u>	<u>37,300</u>	<u>1,252,007</u>

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

	2004 £	2003 £
Historical cost	<u>837,799</u>	<u>707,648</u>
Depreciation:		
At 1 July 2003	92,700	74,344
Charge for year	20,206	18,356
At 30 June 2004	<u>112,906</u>	<u>92,700</u>
Net historical cost value:		
At 30 June 2004	<u>724,893</u>	<u>614,948</u>
At 30 June 2003	<u>614,948</u>	<u>562,611</u>

Hire purchase agreements

Included within the net book value of £1,381,411 is £ 181,754 (2003 - £173,463) 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 £21,305 (2003 - £28,403).

DEANESTOR LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2004

10. INVESTMENTS

	Shares in group undertaking
Cost	
At 1 July 2003	54,012
Provision for impairment in value	(54,011)
	<hr/>
At 30 June 2004	1
	<hr/>
Net book value	
At 30 June 2004	1
	<hr/>
At 30 June 2003	54,012
	<hr/>

The company's subsidiary undertakings, both of which are incorporated in England and Wales, during the year and their profit after tax for the year ended 30 June 2004 and their share capital and reserves were:-

		Proportion of issued share Activity capital held
		£ £
Cygnnet Laboratories Limited	Dormant	100%
Castle Neroche Limited	Trading	100%

Further information about Castle Neroche Limited is included in note 21.

11. STOCKS

	2004 £	2003 £
Raw materials	254,848	152,652
	<hr/>	<hr/>

12. DEBTORS

	2004 £	2003 £
Trade debtors	1,315,378	1,238,730
Amounts owed by subsidiary undertakings	407,147	140,158
Prepayments and accrued income	66,655	29,771
	<hr/>	<hr/>
	1,789,180	1,408,659
	<hr/>	<hr/>

Included in trade debtors is an amount of £4,120 which is due after more than one year (2003 - £32,161).

DEANESTOR LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2004

13. CREDITORS: Amounts falling due within one year

	2004	2003
	£	£
Invoice discounting	308,179	199,018
Bank loans and overdrafts	172,568	69,902
Trade creditors	815,338	399,705
Other taxation and social security	119,979	182,646
Hire purchase agreements	39,715	51,238
Deferred grant	22,500	22,500
Other creditors	5,246	49,457
Accruals and deferred income	98,767	167,095
	<u>1,582,292</u>	<u>1,141,561</u>

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

	2004	2003
	£	£
Bank loans and overdrafts	172,568	69,902
Invoice discounting	308,179	199,018
Hire purchase agreement	39,715	51,238
	<u>520,462</u>	<u>320,158</u>

The bank loans and the recourse element of the invoice discounting hold a fixed and floating charge over the freehold buildings of the company.

The HP and finance lease creditor is secured on the assets which the liability relates to.

DEANESTOR LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2004

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

	2004	2003
	£	£
Bank loans	170,707	374,779
Hire purchase agreements	50,814	27,028
Other creditors – deferred grant	22,500	45,000
	<u>244,021</u>	<u>446,807</u>

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

	2004	2003
	£	£
Bank loans	170,707	374,779
Hire purchase agreements	50,814	27,028
	<u>221,521</u>	<u>401,807</u>

The bank loans hold a fixed and floating charge over the freehold buildings of the company

The hire purchase finance lease creditor is secured on the assets which the liability relates to

The following aggregate liabilities disclosed under creditors falling due after more than one year are due for repayment after more than five years from the balance sheet date:

	2004	2003
	£	£
Bank loans	<u>78,487</u>	<u>206,060</u>

The above bank loan is repayable on demand. The interest rate applicable is 2.25% above the bank's base rate.

15. CREDITORS - CAPITAL INSTRUMENTS

Creditors include finance capital which is due for repayment as follows:

	2004	2003
	£	£
Amounts repayable:		
In one year or less or on demand	520,462	320,158
In more than one year but not more than two years	43,055	53,063
In more than two years but not more than five years	99,979	142,684
In more than five years	<u>78,487</u>	<u>206,060</u>
	<u>741,983</u>	<u>721,965</u>

DEANESTOR LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2004

16. COMMITMENTS UNDER HIRE PURCHASE AGREEMENTS

Future commitments under hire purchase agreements are as follows:

	2004 £	2003 £
Amounts payable within 1 year	39,715	51,238
Amounts payable between 1 and 2 years	22,131	27,028
Amounts payable between 3 and 5 years	28,683	—
	<u>90,529</u>	<u>78,266</u>

17. PROVISIONS FOR LIABILITIES AND CHARGES

	2004 £
Warranty provision:	
At 1 July 2003	88,092
Increase in provision	5,658
	<u>93,750</u>
At 30 June 2004	<u>93,750</u>

18. COMMITMENTS UNDER OPERATING LEASES

At 30 June 2004 the company had annual commitments under non-cancellable operating leases as set out below.

	2004 Land & Buildings £	Other Items £	2003 Land & Buildings £	Other Items £
Operating leases which expire:				
Within 2 to 5 years	—	10,251	—	4,833
After more than 5 years	28,000	—	28,000	—
	<u>28,000</u>	<u>10,251</u>	<u>28,000</u>	<u>4,833</u>

19. CONTINGENCIES

Deanestor Limited has given an unlimited guarantee in respect of Castle Neroche Limited bank borrowings. The bank borrowings contingent liability at the year end was £228,271 (2003: £25,725)

20. CAPITAL COMMITMENTS

At 30 June 2004 the company has committed to further expenditure on fixed asset of land and buildings of £91,040 (2003: £Nil).

DEANESTOR LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2004

21. RELATED PARTY TRANSACTIONS

During the year and in the normal course of business the company entered into transactions with Castle Neroche Limited, a wholly owned subsidiary of Deanestor Limited. The transactions are as follows:

Total sales £443,141 (2003: £180,062)

Total purchases £190,251 (2003: £118,560)

Total amount owed to the company by Castle Neroche Limited at 30 June 2004 £407,147 (2003: £140,158).

During the year ended 30 June 2004 Castle Neroche Limited sustained a loss after taxation of £567,007 and had net liabilities of £692,622 at that date.

Also during the year, consultancy fees were charged to the company by the directors Mr A Booth and Mr RB Tonkinson on an arms length basis, the details are as follows:

Mr A Booth, total charged £24,452, amount outstanding at 30 June 2004 £6,380. Mr RB Tonkinson, total charged £30,000, amount outstanding at 30 June 2004 £5,000 owed by the company.

22. PARENT COMPANY AND CONTROLLING PARTIES

The immediate parent company is Ryton Holdings Limited, which has remained dormant throughout the year and is registered in Guernsey.

The ultimate parent controlling party is Mr R B Tonkinson.

23. SHARE CAPITAL

Authorised share capital:

	2004	2003
	£	£
365,000 Ordinary shares of £1 each	365,000	365,000
70,000 Preference shares of £1 each	70,000	70,000
	<u>435,000</u>	<u>435,000</u>

Allotted, called up and fully paid:

	2004		2003	
	No	£	No	£
Ordinary shares of £1 each	320,000	320,000	320,000	320,000
Preference shares of £1 each	70,000	70,000	70,000	70,000
	<u>390,000</u>	<u>390,000</u>	<u>390,000</u>	<u>390,000</u>

The 9% preference shares carry no voting rights and, in the event of the company being wound up, the assets remaining after payment of the debts and liabilities of the company and the costs of liquidation shall be applied first in repaying the amounts paid up on the preference shares and any arrears on preference dividends.

DEANESTOR LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2004

24. RESERVES

	Revaluation reserve £	Capital reserve £	Profit and loss account £
At 1 July 2003	253,989	71,355	476,537
Profit for the year	-	-	307,196
Transfer of excess depreciation on revalued assets	(4,391)	-	4,391
Unpaid preference dividends	-	-	6,300
	<u>249,598</u>	<u>71,355</u>	<u>794,424</u>

25. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

EQUITY SHAREHOLDERS' FUNDS

	2004 £	2003 £
Profit for the financial year	313,496	365,886
Dividends	(6,300)	(6,300)
	<u>307,196</u>	<u>359,586</u>
Other net recognised gains and losses	-	-
Net addition to funds	307,196	359,586
Opening shareholders' equity funds	1,094,679	735,093
Closing shareholders' equity funds	<u>1,401,875</u>	<u>1,094,679</u>

NON-EQUITY SHAREHOLDERS' FUNDS

Opening shareholders' non equity funds	97,202	90,902
Unpaid preference dividend	6,300	6,300
Closing shareholders' non-equity funds	<u>103,502</u>	<u>97,202</u>
TOTAL SHAREHOLDERS' FUNDS	<u>1,505,377</u>	<u>1,191,881</u>

DEANESTOR LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2004

26. NOTES TO THE STATEMENT OF CASH FLOWS

RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2004 £	2003 £
Operating profit	406,820	420,454
Depreciation	110,897	114,490
Loss/(profit) on disposal of fixed assets	1,504	(1,841)
Write down of investments	-	33
Movement in warranty provision	5,658	4,482
Amortisation of deferred grant	(22,500)	(22,500)
Increase in stocks	(102,196)	(12,763)
Increase in debtors	(380,521)	(266,960)
Increase in creditors	240,427	73,910
Net cash inflow from operating activities	<u>260,089</u>	<u>309,305</u>

RETURNS ON INVESTMENTS AND SERVICING OF FINANCE

	2004 £	2003 £
Interest paid	(33,711)	(45,035)
Interest element of hire purchase	<u>(5,602)</u>	<u>(9,533)</u>
Net cash outflow from returns on investments and servicing of finance	<u>(39,313)</u>	<u>(54,568)</u>

CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

	2004 £	2003 £
Payments to acquire tangible fixed assets	(169,926)	(133,989)
Receipts from sale of fixed assets	<u>501</u>	<u>15,625</u>
Net cash outflow for capital expenditure and financial investment	<u>(169,425)</u>	<u>(118,364)</u>

DEANESTOR LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2004

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

FINANCING

	2004 £	2003 £
Repayment of bank borrowings	(75,654)	(20,181)
Capital element of hire purchase	(60,117)	(74,196)
Net cash outflow from financing	<u>(135,771)</u>	<u>(94,377)</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2004 £	2003 £
Decrease in cash in the period	(84,420)	(12,015)
Net cash (inflow) from/outflow from invoice discounting	(109,161)	(18,904)
Net cash outflow from/(inflow) from bank loans	184,815	39,085
Cash outflow in respect of hire purchase	<u>60,117</u>	<u>74,196</u>
Change in net debt resulting from cash flows	51,351	82,362
New finance leases	(72,380)	(7,900)
Movement in net debt in the period	<u>(21,029)</u>	<u>74,462</u>
Net debt at 1 July 2003	(720,954)	(795,416)
Net debt at 30 June 2004	<u>(741,983)</u>	<u>(720,954)</u>

DEANESTOR LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2004

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

ANALYSIS OF CHANGES IN NET DEBT

	At 1 July 2003 £	Cash flows £	Other changes £	At 30 June 2004 £
Net cash:				
Cash in hand and at bank	1,011	(1,011)	-	-
Overdrafts	(33,867)	(83,409)	-	(117,276)
	<u>(32,856)</u>	<u>(84,420)</u>	<u>-</u>	<u>(117,276)</u>
Debt:				
Debt due within 1 year	(235,053)	(128,418)	-	(363,471)
Debt due after 1 year	(374,779)	204,072	-	(170,707)
Hire purchase agreements	(78,266)	60,117	(72,380)	(90,529)
	<u>(688,098)</u>	<u>135,771</u>	<u>(72,380)</u>	<u>(624,707)</u>
Net debt	<u>(720,954)</u>	<u>51,351</u>	<u>(72,380)</u>	<u>(741,983)</u>

DEANESTOR LIMITED
MANAGEMENT INFORMATION
YEAR ENDED 30 JUNE 2004

**The following pages do not form part of the statutory financial statements
which are the subject of the independent auditors' report on pages 4 to 5.**

DEANESTOR LIMITED
DETAILED PROFIT AND LOSS ACCOUNT
YEAR ENDED 30 JUNE 2004

	2004		2003	
	£	£	£	£
Turnover		4,690,343		4,196,292
Cost of sales				
Opening stocks	152,652		139,889	
Purchases	1,587,773		1,359,337	
Production and installation wages	679,029		643,186	
National insurance	61,369		55,259	
Direct subcontractor labour	241,993		236,241	
General factory costs	64,225		51,955	
Electricity	13,818		13,077	
Warranty provision	5,658		4,482	
Depreciation	49,492		50,105	
	<u>2,856,009</u>		<u>2,553,531</u>	
Closing stocks	(254,848)		(152,652)	
		<u>2,601,161</u>		<u>2,400,879</u>
Gross profit		2,089,182		1,795,413
Overheads				
Distribution costs	346,714		328,711	
Administrative expenses	<u>1,389,659</u>		<u>1,046,248</u>	
		<u>1,736,373</u>		<u>1,374,959</u>
Operating profit		352,809		420,454
Interest payable and similar charges		(39,313)		(54,568)
Profit on ordinary activities		<u>313,496</u>		<u>365,886</u>

DEANESTOR LIMITED

NOTES TO THE DETAILED PROFIT AND LOSS ACCOUNT

YEAR ENDED 30 JUNE 2004

	2004		2003
	£	£	£
Distribution costs			
Direct delivery wages	51,725		34,345
National insurance	4,502		2,964
Vehicles costs	148,348		165,830
Travel and subsistence	84,959		69,752
Plant, repair, maintenance and hire	49,413		41,113
Depreciation	7,767		14,707
	<u>346,714</u>		<u>328,711</u>
Administrative expenses			
Personnel costs			
Directors salaries	97,250		91,969
Staff salaries	585,384		465,112
Temporary labour	-		3,873
National insurance	68,407		50,954
	<u>751,041</u>		611,908
Establishment expenses			
Property rent and maintenance	30,233		29,487
Electricity	9,215		8,718
Insurances	58,311		46,262
Depreciation	24,596		22,748
	<u>122,355</u>		107,215
General expenses			
Vehicle costs	69,141		43,948
Travel and subsistence	45,494		23,578
Telephone	31,514		20,548
Postage and stationery	19,559		18,939
Sales commission and consultancy	99,713		80,810
Computer and office consumables	31,591		25,246
Release of grant income	(22,500)		(22,500)
Advertising and marketing	30,053		32,354
Sundry expenses	10,110		5,100
Bad debts	14,576		-
Professional fees	72,616		49,612
Audit	5,000		5,000
Depreciation	29,042		26,930
Loss/(profit) on disposal of fixed assets	1,504		(1,841)
	<u>437,413</u>		307,724
 Carried forward	 <u>1,310,809</u>		 <u>1,026,847</u>

DEANESTOR LIMITED

NOTES TO THE DETAILED PROFIT AND LOSS ACCOUNT

YEAR ENDED 30 JUNE 2004

	2004		2003	
	£	£	£	£
Administrative expenses (continued)				
Brought forward		1,310,809		1,026,847
Financial costs				
Invoice discounting costs	18,146		14,851	
Bank charges	<u>6,693</u>		<u>4,550</u>	
		24,839		19,401
Exceptional costs				
Permanent diminution in value of investment	54,011			-
		<u>1,389,659</u>		<u>1,046,248</u>
Interest payable				
Invoice discounting interest		14,597		15,791
Bank interest		3,829		1,948
Interest payable on HP and finance leases		5,602		9,533
Bank loan interest		15,285		27,251
Other interest		-		45
		<u>39,313</u>		<u>54,568</u>