

Contents

Abbreviated accounts for
the year ended 31 December 2002

**Denison Mayes Group
Limited**

Directors' report	1
Auditors' report	3
Profit and loss account	4
Statement of total recognised gains and losses	5
Balance sheet	6
Cash flow statement	7
Notes to the abbreviated accounts	8



Denison Mayes Group Limited

Directors' report For the year ended 31 December 2002

The directors present their report and financial statements for the year ended 31 December 2002.

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 profit or loss of the company 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;
- 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. They 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.

Directors

The following directors have held office since 1 January 2002:

R P Rothera
I B McGargle
R Evison

Directors' interests

The directors' interests in the shares of the company were as stated below:

	Ordinary shares of £ 1 each	
	31 December 2002	1 January 2002
R P Rothera	165,384	165,384
I B McGargle	96,154	96,154
R Evison	96,154	96,154

Principal activities and review of the business

The principal activity of the company continued to be that of the manufacture, repair, servicing and distribution of materials testing equipment.

In line with the review undertaken by the directors in the previous year, the company has continued to reduce its costs as part of its ongoing strategic programme. The directors announced further costs savings in October 2003 and January 2004 and anticipate returning to profit shortly after these cost reductions take place.

In line with its corporate strategy, the company has restructured its debt and facility with the bank to allow for the roll out of the strategic review. The directors are encouraged by the understanding and support given by the company bankers to date and are confident that the actions taken are for the long term benefit of the underlying business.

Denison Mayes Group Limited

Directors' report (continued) For the year ended 31 December 2002

Results and dividends

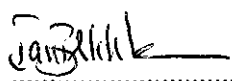
The results for the year are set out on page 4.

The directors do not recommend payment of an ordinary dividend.

Auditors

Mazars were appointed auditors to the company and in accordance with section 385 of the Companies Act 1985, a resolution proposing that they be re-appointed will be put to the Annual General Meeting.

Approved by the board on 28 January 2004
and signed on its behalf by



I B McGargle
Director

Denison Mayes Group Limited

Independent auditors' report to Denison Mayes Group Limited Under section 247B of the Companies Act 1985

We have examined the abbreviated accounts for the year ended 31 December 2002 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses, and related notes, together with the financial statements of the company 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 those matters we are required to state to it in a special 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 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 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 sections 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 to 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 sections 246A(3) of the Companies Act 1985, and the abbreviated accounts which comprise state the primary financial statements such as the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Statement of Total Recognised Gains and Losses, and related notes, are properly prepared in accordance with those provisions.

Other information

On we reported, as auditors of Denison Mayes Group Limited, to the members on the financial statements prepared under section 226 of the Companies Act 1985 for the year ended 31 December 2002, and our audit report included the following paragraph:

"In forming our opinion, we have considered the adequacy of the disclosures made in note 1 of the financial statements concerning the uncertainty as to the continuation and renewal of the company's bank overdraft and loan facilities. In view of the significance of this uncertainty we consider that it should be drawn to your attention but our opinion is not qualified in this respect. "

Mazars

Mazars

Chartered accountants

and Registered Auditors

Mazars House, Gelderd Road, Gildersome

LEEDS

West Yorkshire

LS27 7JN

29 JANUARY 2004

Denison Mayes Group Limited

Abbreviated profit and loss account For the year ended 31 December 2002

	Notes	2002 £	2001 £
Gross profit		1,606,566	1,255,705
Distribution costs		(257,052)	(372,915)
Administrative expenses		(1,421,749)	(1,469,734)
Operating loss	2	(72,235)	(586,944)
Other income		-	100,000
Redundancy costs		(51,653)	-
Loss on ordinary activities before interest		(123,888)	(486,944)
Amounts written off investments	3	(5,445)	-
Interest payable and similar charges	4	(133,190)	(145,780)
Loss on ordinary activities before taxation		(262,523)	(632,724)
Tax on loss on ordinary activities	7	-	3,437
Loss on ordinary activities after taxation	16	(262,523)	(629,287)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

Denison Mayes Group Limited

Statement of total recognised gains and losses For the year ended 31 December 2002

	2002 £	2001 £
Loss for the financial year	(262,523)	(629,287)
Unrealised surplus on revaluation of properties	<u>234,905</u>	<u>294,852</u>
Total recognised gains and losses relating to the year	<u>(27,618)</u>	<u>(334,435)</u>

Note of historical cost profits and losses

	2002 £	2001 £
Reported loss on ordinary activities before taxation	(262,523)	(632,724)
Difference between an historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	<u>5,838</u>	<u>2,952</u>
Historical cost loss on ordinary activities before taxation	<u>(256,685)</u>	<u>(629,772)</u>
Historical cost loss for the year retained after taxation, extraordinary items and dividends	<u>(256,685)</u>	<u>(626,335)</u>


Denison Mayes Group Limited

Abbreviated balance sheet As at 31 December 2002

	Notes	2002		2001	
		£	£	£	£
Fixed assets					
Intangible assets	8		504,928		544,928
Tangible assets	9		1,560,074		1,380,939
Investments	10		-		2,465,000
			<u>2,065,002</u>		<u>4,390,867</u>
Current assets					
Stocks	11	560,790		438,245	
Debtors	12	830,534		1,001,156	
Cash at bank and in hand		539		3,098	
		<u>1,391,863</u>		<u>1,442,499</u>	
Creditors: amounts falling due within one year	13	<u>(2,179,193)</u>		<u>(2,573,427)</u>	
Net current liabilities			<u>(787,330)</u>		<u>(1,130,928)</u>
Total assets less current liabilities			<u>1,277,672</u>		<u>3,259,939</u>
Creditors: amounts falling due after more than one year	14		<u>(1,220,351)</u>		<u>(3,175,000)</u>
			<u>57,321</u>		<u>84,939</u>
Capital and reserves					
Called up share capital	15		550,000		550,000
Revaluation reserve	16		520,967		291,900
Profit and loss account	16		<u>(1,013,646)</u>		<u>(756,961)</u>
Shareholders' funds - equity interests	17		<u>57,321</u>		<u>84,939</u>

These abbreviated accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to medium-sized companies.

The financial statements were approved by the Board on 28 January 2004



I B McGargle
Director

Denison Mayes Group Limited

Cash flow statement For the year ended 31 December 2002

	Notes	2002 £	2001 £
Net cash inflow from operating activities	18	40,353	187,470
Returns on investments and servicing of finance			
Interest paid	(133,190)	(145,781)	
Net cash outflow for returns on investments and servicing of finance		(133,190)	(145,781)
Capital expenditure			
Payments to acquire tangible assets	(17,816)	(27,750)	
Receipts from sales of tangible assets	-	5,973	
Net cash outflow for capital expenditure		(17,816)	(21,777)
Payments for exceptional items		(51,653)	-
Net cash (outflow)/inflow before management of liquid resources and financing		(174,620)	19,912
Financing			
Increase in long term bank loan	300,000	-	
Repayment of long term bank loan	(81,289)	(242,500)	
Capital element of finance lease contracts	(33,783)	(24,833)	
Net cash inflow/(outflow) from financing		184,928	(267,333)
Increase/(decrease) in cash in the year	19	22,622	(247,421)

Denison Mayes Group Limited

Notes to the abbreviated accounts For the year ended 31 December 2002

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention modified to include the revaluation of freehold land and buildings.

The company meets its day to day working capital requirements through a bank overdraft facility which is repayable on demand. The company also has two long term bank loan facilities.

The nature of the company's business is such that there can be considerable unpredictable variation in the timing of cash inflows. The directors have prepared projected cash flow information for the period ending 31 December 2004. On the basis of this cash flow information and discussions with the company's bankers, the directors consider that the company will continue to operate within the facilities currently agreed and within that which they expect will be agreed on 31 August 2004, when the company's bankers are due to consider renewing the facilities for a further year. However, the margin of facilities over requirements is not large and, inherently there can be no certainty in relation to these matters. On this basis, the directors consider it appropriate to prepare the financial statements on the going concern basis. The financial statements do not include any adjustments that would result from a withdrawal of the overdraft and bank loan facilities by the company's bankers.

1.2 Compliance with accounting standards

The accounts have been prepared in accordance with applicable accounting standards.

1.3 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

1.4 Goodwill

Acquired goodwill is written off in equal annual instalments over its estimated useful economic life.

1.5 Other intangibles

Other intangibles are valued at cost less accumulated amortisation. Amortisation is calculated to write off the cost in equal annual instalments over their estimated useful lives.

1.6 Tangible fixed assets and depreciation

Tangible fixed assets other than freehold land are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation less estimated residual value of each asset over its expected useful life, as follows:

Freehold buildings	50 years
Plant and machinery	up to 7 years as appropriate for individual items
Fixtures, fittings & equipment	up to 6 years as appropriate to individual items
Motor vehicles	up to 4 years as appropriate for individual items

Denison Mayes Group Limited

Notes to the abbreviated accounts (continued) For the year ended 31 December 2002

1 Accounting policies

(continued)

1.7 Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets. Assets obtained under finance leases are depreciated over the shorter of the lease term and their useful lives, whereas assets obtained under hire purchase contracts are depreciated over their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.8 Investments

Fixed asset investments are stated at cost less provision for permanent diminution in value.

1.9 Stock and work in progress

Stocks are valued at the lower of cost and net realisable value. For work in progress and finished goods manufactured by the Company, cost is taken as production cost.

1.10 Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the year in accordance with SSAP 24.

1.11 Deferred taxation

The accounting policy in respect of deferred tax has been changed to reflect the requirements of FRS19 - Deferred tax. Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

The above amounts to a change in accounting policy. The previous policy was to provide deferred tax only to the extent that it was probable that liabilities would crystallise in the foreseeable future.

The adoption of the standard has not required a prior period adjustment. If the new policy had been in place in the previous period no asset would have been recognised as the conditions for recognition would not have been satisfied.

1.12 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

1.13 Group accounts

The financial statements present information about the company as an individual undertaking and not about its group. The company and its subsidiary undertakings comprise a medium-sized group. The company has therefore taken advantage of the exemptions provided by section 248 of the Companies Act 1985 not to prepare group accounts.

Denison Mayes Group Limited

Notes to the abbreviated accounts (continued) For the year ended 31 December 2002

2	Operating loss	2002	2001
		£	£
	Operating loss is stated after charging:		
	Amortisation of intangible assets	40,000	40,000
	Depreciation of tangible assets	76,592	91,720
	Loss/(profit) on sale of fixed assets	7,355	(5,409)
	Operating lease rentals	61,399	80,749
	Auditors' remuneration	6,500	18,000

3	Amounts written off investments	2002	2001
		£	£
	Amounts written off fixed asset investments:		
	- permanent diminution in value	5,445	-

The company had investments in wholly owed subsidiaries, Samuel Denison Limited and WH Mayes & Son (UK) Limited of £2,300,000 and £165,000 respectively. The company also owed Samuel Denison Limited £2,300,000 and WH Mayes and Son (UK) Limited £159,555 in respect of loans made to the company by the subsidiaries. Both the loans and the investments in the subsidiaries were written off by the company during the year.

4	Interest payable	2002	2001
		£	£
	On bank loans and overdrafts repayable after 5 years	32,850	26,190
	On bank loans and overdrafts wholly repayable within 5 years	97,434	102,110
	Finance lease charges and hire purchase interest	2,906	17,480
		133,190	145,780

Denison Mayes Group Limited

Notes to the abbreviated accounts (continued) For the year ended 31 December 2002

5 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

	2002 Number	2001 Number
Management	3	3
Administration	24	21
Direct operatives	29	33
	<u>56</u>	<u>57</u>

Employment costs

	£	£
Wages and salaries	1,330,858	1,420,472
Social security costs	119,930	131,304
Other pension costs	43,476	57,442
	<u>1,494,264</u>	<u>1,609,218</u>

6 Directors' emoluments

	2002 £	2001 £
Emoluments for qualifying services	163,715	164,824
Company pension contributions to money purchase schemes	18,361	15,698
	<u>182,076</u>	<u>180,522</u>

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 3 (2001 - 3).

Denison Mayes Group Limited

Notes to the abbreviated accounts (continued) For the year ended 31 December 2002

7 Taxation	2002 £	2001 £
Domestic current year tax		
Adjustment for prior years	-	(3,437)
	<u>-</u>	<u>(3,437)</u>
Current tax charge	<u>-</u>	<u>(3,437)</u>
 Factors affecting the tax charge for the year		
Loss on ordinary activities before taxation	(262,523)	(632,724)
	<u>(262,523)</u>	<u>(632,724)</u>
 Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 0.00% (2001 : 0.00%)	-	-
Effects of:		
Adjustments to previous periods	-	(3,437)
	<u>-</u>	<u>(3,437)</u>
Current tax charge	<u>-</u>	<u>(3,437)</u>

The company has estimated losses of £650,000 (2001 - £600,000) available for carry forward against future trading profits. Due to the magnitude of these losses and the uncertainty over the availability of future taxable profits, a deferred tax asset of approximately £20,000 has not been recognised in these accounts.

Denison Mayes Group Limited

Notes to the abbreviated accounts (continued) For the year ended 31 December 2002

8 Intangible fixed assets

	Other intangibles £	Goodwill £	Total £
Cost			
At 1 January 2002 & at 31 December 2002	163,920	513,255	677,175
Amortisation			
At 1 January 2002	52,945	79,302	132,247
Charge for the year	15,000	25,000	40,000
At 31 December 2002	67,945	104,302	172,247
Net book value			
At 31 December 2002	95,975	408,953	504,928
At 31 December 2001	110,975	433,953	544,928

Goodwill arose on the purchase of the business assets and liabilities of Samuel Denison Limited on the 30 September 1998, and is being amortised over 20 years. In the opinion of the directors this represents a prudent estimate of the period over which the company will derive future economic benefit from the products acquired as part of that business.

Other intangibles relate to the costs incurred when establishing and carrying out the management buy out of Samuel Denison Limited and are being amortised over the term of the bank loans received on acquisition.

Denison Mayes Group Limited

Notes to the abbreviated accounts (continued) For the year ended 31 December 2002

9 Tangible fixed assets

	Freehold land and buildings £	Plant and machinery £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
Cost or valuation					
At 1 January 2002	1,200,000	386,719	657,714	139,098	2,383,531
Additions	-	5,267	22,910	-	28,177
Revaluation	200,000	-	-	-	200,000
Disposals	-	(63,289)	(6,349)	(139,098)	(208,736)
At 31 December 2002	1,400,000	328,697	674,275	-	2,402,972
Depreciation					
At 1 January 2002	11,905	333,207	518,382	139,098	1,002,592
Revaluation	(34,905)	-	-	-	(34,905)
On disposals	-	(58,684)	(3,599)	(139,098)	(201,381)
Charge for the year	23,000	7,373	46,219	-	76,592
At 31 December 2002	-	281,896	561,002	-	842,898
Net book value					
At 31 December 2002	1,400,000	46,801	113,273	-	1,560,074
At 31 December 2001	1,188,095	53,512	139,332	-	1,380,939

The directors' consider the open market value of the freehold land and buildings to be £1,400,000 at the year end. This has been based on an interim valuation performed by Messrs Eddison Commercial, Chartered Surveyors in January 2004 which gave an open market valuation of £1,500,000. The last full valuation was performed in July 2001. Freehold land with a cost of £44,998 (2001: £44,998) is not depreciated.

Denison Mayes Group Limited

Notes to the abbreviated accounts (continued) For the year ended 31 December 2002

9 Tangible fixed assets

(continued)

Comparable historical cost for the land and buildings included at valuation:

	£
Cost	
At 1 January 2002 & at 31 December 2002	984,766
Depreciation based on cost	
At 1 January 2002	88,571
Charge for the year	17,162
At 31 December 2002	105,733
Net book value	
At 31 December 2002	879,033
At 31 December 2001	896,195

Included above are assets held under finance leases or hire purchase contracts as follows:

	Fixtures, fittings & equipment £
Net book values	
At 31 December 2002	9,065
At 31 December 2001	6,945
Depreciation charge for the year	
31 December 2002	1,296
31 December 2001	6,632

Denison Mayes Group Limited

Notes to the abbreviated accounts (continued) For the year ended 31 December 2002

10 Fixed asset investments

	Shares in group undertakings
	£
Cost or valuation	
At 1 January 2002 & at 31 December 2002	2,465,000
Provisions for diminution in value	
At 1 January 2002	-
Charge for the year	2,465,000
At 31 December 2002	2,465,000
Net book value	
At 31 December 2002	-
At 31 December 2001	2,465,000

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Shares held Class	%
Subsidiary undertakings			
Samuel Denison Limited	England & Wales	Ordinary	100
WH Mayes & Son (UK) Limited	England & Wales	Ordinary	100

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

	Capital and reserves	Loss for the year
Samuel Denison Limited	-	(2,300,000)
WH Mayes & Son (UK) Limited	-	(159,555)

In the opinion of the directors the investments have no value and hence were written off during the year. Note 4 to these financial statements explains the write off in more detail.

Denison Mayes Group Limited

Notes to the abbreviated accounts (continued) For the year ended 31 December 2002

11 Stocks and work in progress	2002	2001
	£	£
Raw materials and consumables	299,406	209,122
Work in progress	180,389	161,319
Finished goods and goods for resale	80,995	67,804
	<u>560,790</u>	<u>438,245</u>
 12 Debtors	 2002	 2001
	£	£
Trade debtors	714,898	836,049
Other debtors	2,430	9,868
Prepayments and accrued income	113,206	155,239
	<u>830,534</u>	<u>1,001,156</u>
 13 Creditors: amounts falling due within one year	 2002	 2001
	£	£
Bank loans and overdrafts	955,669	1,102,350
Payments received on account	172,547	392,553
Net obligations under finance lease and hire purchase contracts	2,987	31,549
Trade creditors	328,364	279,707
Amounts owed to subsidiary undertakings	-	159,555
Taxes and social security costs	167,223	71,197
Directors' current accounts	48,900	-
Other creditors	7,153	16,127
Accruals and deferred income	496,350	520,389
	<u>2,179,193</u>	<u>2,573,427</u>
 Debt due in one year or less	 <u>148,500</u>	 <u>270,000</u>

The bank overdraft is secured by a specific equitable charge against the freehold property, a specific charge over all book and other debts and a floating charge over the undertaking and all other property and assets. The directors have also given personal guarantees in respect of obligations and liabilities due by the company to the bank.

Denison Mayes Group Limited

Notes to the abbreviated accounts (continued) For the year ended 31 December 2002

14 Creditors: amounts falling due after more than one year	2002	2001
	£	£
Bank loans	1,215,211	875,000
Other loans	-	2,300,000
Net obligations under finance leases and hire purchase agreements	5,140	-
	<u>1,220,351</u>	<u>3,175,000</u>
Analysis of loans		
Not wholly repayable within five years by instalments:	926,000	450,000
Wholly repayable within five years	437,711	2,725,000
	<u>1,363,711</u>	<u>3,175,000</u>
Included in current liabilities	(148,500)	-
	<u>1,215,211</u>	<u>3,175,000</u>
Instalments not due within five years	<u>620,979</u>	<u>280,000</u>
Loan maturity analysis		
In more than one year but not more than two years	148,500	119,000
In more than two years but not more than five years	445,732	476,000
In more than five years	<u>620,979</u>	<u>280,000</u>
Bank loans are secured by fixed and floating charges over assets of the company and bear interest at a rate of between 2% and 3.5% over the banks' base rate.		
Net obligations under finance leases and hire purchase contracts		
Repayable within one year	4,321	31,549
Repayable between one and five years	5,760	-
	<u>10,081</u>	<u>31,549</u>
Finance charges and interest allocated to future accounting periods	(1,954)	-
	<u>8,127</u>	<u>31,549</u>
Included in liabilities falling due within one year	(2,987)	(31,549)
	<u>5,140</u>	<u>-</u>

Denison Mayes Group Limited

Notes to the abbreviated accounts (continued) For the year ended 31 December 2002

15 Share capital	2002	2001
	£	£
Authorised		
594,595 Ordinary shares of £ 1 each	<u>594,595</u>	<u>550,000</u>
Allotted, called up and fully paid		
550,000 Ordinary shares of £ 1 each	<u>550,000</u>	<u>550,000</u>

During the year the authorised share capital was increased by 44,595 £1 ordinary shares.

In any general meeting the votes exercisable in respect of the 165,384 shares held by Mr R P Rothera shall be such number of votes as equates to 75% of the share capital of the company issued at the time of such meeting.

16 Statement of movements on reserves

	Revaluation reserve £	Profit and loss account £
Balance at 1 January 2002	291,900	(756,961)
Retained loss for the year	-	(262,523)
Revaluation during the year	234,905	-
Depreciation written back	<u>(5,838)</u>	<u>5,838</u>
Balance at 31 December 2002	<u>520,967</u>	<u>(1,013,646)</u>

17 Reconciliation of movements in shareholders' funds

	2002	2001
	£	£
Loss for the financial year	(262,523)	(629,287)
Other recognised gains and losses	<u>234,905</u>	<u>294,852</u>
Net depletion in shareholders' funds	(27,618)	(334,435)
Opening shareholders' funds	<u>84,939</u>	<u>419,374</u>
Closing shareholders' funds	<u>57,321</u>	<u>84,939</u>

Denison Mayes Group Limited

Notes to the abbreviated accounts (continued) For the year ended 31 December 2002

18 Reconciliation of operating loss to net cash inflow from operating activities	2002	2001
	£	£
Operating loss	(72,235)	(586,944)
Depreciation of tangible assets	76,592	91,710
Amortisation of intangible assets	40,000	40,000
Loss/(profit) on disposal of tangible assets	7,355	(5,409)
(Increase)/decrease in stocks	(122,545)	557,117
Decrease in debtors	170,622	12,909
(Decrease)/increase in creditors within one year	(59,436)	78,087
Net cash inflow from operating activities	<u>40,353</u>	<u>187,470</u>

19 Analysis of net debt	1 January 2002	Cash flow	Other non- 31 December cash changes	2002
	£	£	£	£
Net cash:				
Cash at bank and in hand	3,098	(2,559)	-	539
Bank overdrafts	(832,350)	25,181	-	(807,169)
	<u>(829,252)</u>	<u>22,622</u>	<u>-</u>	<u>(806,630)</u>
Finance leases	(31,549)	33,783	(10,361)	(8,127)
Debts falling due within one year	(270,000)	121,500	-	(148,500)
Debts falling due after one year	(875,000)	(340,211)	-	(1,215,211)
	<u>(1,176,549)</u>	<u>(184,928)</u>	<u>(10,361)</u>	<u>(1,371,838)</u>
Net funds/(debt)	<u>(2,005,801)</u>	<u>(162,306)</u>	<u>(10,361)</u>	<u>(2,178,468)</u>

Denison Mayes Group Limited

Notes to the abbreviated accounts (continued) For the year ended 31 December 2002

20 Reconciliation of net cash flow to movement in net debt	2002	2001
	£	£
Increase/(decrease) in cash in the year	22,622	(247,421)
Cash outflow/(inflow) from decrease/(increase) in debt and lease financing	(184,928)	267,333
Change in net debt resulting from cash flows	(162,306)	19,912
New finance lease	(10,361)	-
Amounts written off short-term investments	-	100,000
Movement in net debt in the year	(172,667)	119,912
Opening net debt	(2,005,801)	(2,125,713)
Closing net debt	(2,178,468)	(2,005,801)

21 Pension costs

The 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 pension cost charge represents contributions payable by the company to the fund and amounted to £31,925 (2001 - £45,442). The company contributes to personal pension schemes of certain employees. The pension cost charge represents contributions payable by the company and amounted to £11,551 (2001 - £12,000). Contributions totalling £5,222 (2001 - £4,108) were payable to the funds at the year end and are included in creditors.

22 Financial commitments

At 31 December 2002 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2002	2001	2002	2001
	£	£	£	£
Expiry date:				
Between two and five years	1,600	90,749	62,998	-

23 Post balance sheet events

As part of a strategy to streamline operations a number of redundancies were made in the post balance sheet period, at a cost of approximately £50,000.

Denison Mayes Group Limited

Notes to the abbreviated accounts (continued) **For the year ended 31 December 2002**

24 Related party transactions

The company had an investment in its wholly owed subsidiary, Samuel Denison Limited, for £2,300,000 (2001 - £2,300,000) with a corresponding loan owed to Samuel Denison Limited for the same amount. Both the loan and the investment in Samuel Denison Limited were written off during the year.

The company also had an investment in another wholly owed subsidiary, WH Mayes and Son (UK) Limited for £165,000 (2001 - £165,000) with a corresponding loan owed to WH Mayes and Son (UK) Limited for £159,555 (£159,555). Both the loan and the investment in WH Mayes and Son (UK) Limited were written off during the year.

25 Control

The ultimate controlling party is Mr R P Rothera, a director and shareholder of the company.