



ARTHUR ANDERSEN

RDM Factors Limited

**Annual report and accounts
for the year ended 31 December 2000**

Registered number: 2414417

Binder Hamlyn

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CR9 2PL

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Directors and officers

Directors

DA Marsden (Chairman)
JM Bush (Managing Director)
MJ Austin
JP Curtis
MC Alexander
JA Ackroyd
AM Walker
CB Hillier
JD Newton-Tyers

Secretary

JA Ackroyd

Registered office

Fairfax House
461-465 North End Road
London
SW6 1NZ

Auditors

Binder Hamlyn
17 Lansdowne Road
Croydon
CR9 2PL

Bankers

Lloyds TSB Bank plc
P O Box 2566
Reading
Berkshire
RG1 2RS

Solicitors

Paul Davidson Taylor
Chancery Court
Queen Street
Horsham
West Sussex
RH13 5AD

Directors' report

For the year ended 31 December 2000

The directors present their annual report on the affairs of the group, together with the accounts and auditor's report for the year ended 31 December 2000.

Directors' responsibilities

Company law requires the directors to prepare accounts 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 accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts 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 enable them to ensure the accounts 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.

Principal activities

The principal activities of the group are the provision of debt factoring, asset finance and payroll services.

Review of the business

All areas of the group's business experienced significant growth and the directors view the future with confidence.

Results and dividends

The profit for the year after taxation amounted to £605,530 (1999: £652,186).

Dividends on the cumulative redeemable 'A', convertible 'A' and convertible 'B' preference shares of £234,247 (1999: £29,949) were paid during the year, and dividends on the preference shares of £61,686 (1999: £15,821) were accrued at the year end. The dividend entitlement on the cumulative redeemable 'B' preference shares has been waived. No dividend is recommended on the ordinary shares.

Directors' report (continued)

Directors and directors' interests

CB Hillier was appointed a director on 28 January 2000 and JD Newton-Tyers was appointed a director on 1 June 2000.

The directors at the balance sheet date and their interests in the share capital of the company were as follows:

	1p Ordinary shares		1p Preference shares	
	31 December 2000	1 January 2000	31 December 2000	1 January 2000
DA Marsden	-	-	-	-
JM Bush	24,000	24,000	-	-
JP Curtis	-	-	-	-
MC Alexander	-	-	-	-
MJ Austin	-	-	1,326	1,326
JA Ackroyd	-	-	3,060	3,060
AM Walker	-	-	-	-
CB Hillier	-	-	-	-
JD Newton-Tyers	-	-	-	-

At the balance sheet date, 71,000 of the ordinary shares were held by Rennie Davies and Marsden Holdings Limited. DA Marsden is a director of that company and his interest in its shares is disclosed in its directors' report.

	'B' ordinary 1p shares
The following share options were held by directors:	
JP Curtis	1,460
MC Alexander	1,211
MJ Austin	1,211
CB Hillier	730

Political and charitable donations

During the year, the company made charitable donations in the UK of £2,572 (1999: £1,662). There were no political donations.

Liability insurance

Insurance has been taken out under Section 310(3) of the Companies Act 1985, for officers of the company against liabilities in relation to the company.

Directors' report (continued)

Auditors

The directors will place a resolution before the annual general meeting to appoint Arthur Andersen as auditors for the ensuing year in place of Binder Hamlyn. Both Arthur Andersen and Binder Hamlyn are part of Andersen Worldwide.

This report was approved by the Board on 14 May 2001

A handwritten signature in black ink, appearing to read 'J. A. Arthur', is written over the printed text 'Company Secretary'. The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Binder Hamlyn
17 Lansdowne Road
Croydon
CR9 2PL
Tel 020 8688 4422
Fax 020 8681 8186

Auditor's report

To the shareholders of RDM Factors Limited

We have audited the accounts on pages 6 to 20 which, have been prepared under the historical cost convention, and the accounting policies set out on pages 10 and 11.

Respective responsibilities of directors and auditors

As described on page 2, the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

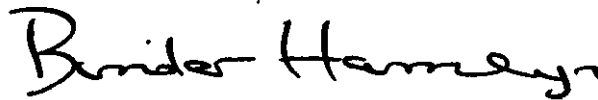
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts and of whether the accounting policies are appropriate to the circumstances of the company and of the group, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group at 31 December 2000 and of the group's profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Chartered Accountants and Registered Auditors

14 May 2001.

Consolidated profit and loss account

For the year ended 31 December 2000

	Notes	2000 £	1999 £
Turnover		8,194,845	6,977,742
Cost of sales		<u>(1,777,988)</u>	<u>(1,407,194)</u>
Gross profit		6,416,857	5,570,548
Administrative expenses		<u>(5,483,992)</u>	<u>(4,569,024)</u>
Operating profit	2	932,865	1,001,524
Interest receivable		835	111
Interest payable	5	<u>(31,670)</u>	<u>(449)</u>
Profit on ordinary activities before taxation		902,030	1,001,186
Taxation on profit on ordinary activities	6	<u>(296,500)</u>	<u>(349,000)</u>
Profit on ordinary activities after taxation		605,530	652,186
Dividends:			
Preference dividend on non-equity shares	7	<u>(280,112)</u>	<u>(41,777)</u>
		325,418	610,409
Transfer to Capital Redemption Reserve	15	<u>-</u>	<u>(299,490)</u>
Retained profit for the year	16	<u>325,418</u>	<u>310,919</u>

The results for the current and preceding year arise entirely from continuing operations.

Statement of total recognised gains and losses

For the year ended 31 December 2000

There are no recognised gains and losses in the current or preceding year, other than the reported results stated above.

The accompanying notes are an integral part of this consolidated profit and loss account.

Consolidated balance sheet

31 December 2000

	Notes	2000 £	1999 £
Fixed assets			
Tangible assets	8	783,528	665,511
Investments	9	178,025	178,025
		<u>961,553</u>	<u>843,536</u>
Current assets			
Debtors:			
- due within one year	10	24,188,701	17,719,159
- due after one year	10	1,387,053	155,735
Cash at bank		149,387	243,627
		<u>25,725,141</u>	<u>18,118,521</u>
Creditors: amounts falling due within one year	11	(19,073,261)	(13,234,999)
Net current assets		<u>6,651,880</u>	<u>4,883,522</u>
Total assets less current liabilities		<u>7,613,433</u>	<u>5,727,058</u>
Creditors: amounts falling due after more than one year	12	(1,505,957)	-
Provision for liabilities and charges	13	(75,000)	(20,000)
Net assets		<u>6,032,476</u>	<u>5,707,058</u>
Capital and reserves			
Called up share capital	14	2,051,460	2,051,460
Capital redemption reserve	15	999,490	999,490
Profit and loss account	16	2,981,526	2,656,108
	17	<u>6,032,476</u>	<u>5,707,058</u>
Shareholders' funds:			
Equity		3,920,280	3,640,727
Non-equity		2,112,196	2,066,331
	17	<u>6,032,476</u>	<u>5,707,058</u>

The accompanying notes form an integral part of this consolidated balance sheet.

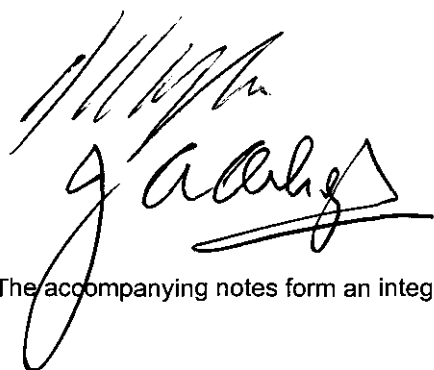
Company balance sheet

31 December 2000

	Notes	2000 £	1999 £
Fixed assets			
Tangible assets	8	707,666	611,889
Investments	9	688,025	188,027
		<u>1,395,691</u>	<u>799,916</u>
Current assets			
Debtors	10	23,452,836	17,891,489
Cash at bank		121,437	214,314
		<u>23,574,273</u>	<u>18,105,803</u>
Creditors: amounts falling due within one year	11	<u>(18,853,961)</u>	<u>(13,223,352)</u>
Net current assets		<u>4,720,312</u>	<u>4,882,451</u>
Total assets less current liabilities		6,116,003	5,682,367
Creditors: amounts falling due after more than one year	12	<u>(105,956)</u>	<u>-</u>
Net assets		<u>6,010,047</u>	<u>5,682,367</u>
Capital and reserves			
Called up share capital	14	2,051,460	2,051,460
Capital redemption reserve	15	999,490	999,490
Profit and loss account	16	<u>2,959,097</u>	<u>2,631,417</u>
	17	<u>6,010,047</u>	<u>5,682,367</u>
Shareholders' funds			
Equity		3,897,851	3,616,036
Non-equity		<u>2,112,196</u>	<u>2,066,331</u>
	17	<u>6,010,047</u>	<u>5,682,367</u>

The accounts on pages 6 to 20 were approved by the Board of Directors on

14 May 2001



)
) Directors
)

The accompanying notes form an integral part of this balance sheet.

Consolidated cash flow statement

For the year ended 31 December 2000

		2000 £	1999 £
Net cash outflow from operating activities	19	(6,428,670)	(709,163)
Returns on investments and servicing of finance	20	(265,082)	(30,287)
Taxation	20	(317,188)	(519,995)
Capital expenditure	20	(74,818)	(321,284)
		<u>(7,085,758)</u>	<u>(1,580,729)</u>
Financing	20	7,012,213	1,708,827
(Decrease)/increase in cash in the year		<u>(73,545)</u>	<u>128,098</u>

Notes to the accounts

For the year ended 31 December 2000

1 Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout both the current and the preceding year.

Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

Basis of consolidation

The group accounts consolidate the accounts of RDM Factors Limited, RDM Asset Finance Limited and RDM Payroll Services Limited drawn up to 31 December each year. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed.

The profit for the year ended 31 December 2000 dealt with in the accounts of the parent company, RDM Factors Limited, was £327,680 (1999 £272,065).

No profit and loss account for RDM Factors Limited has been presented as permitted by Section 230 of the Companies Act 1985.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Leasehold properties	Over the life of the lease
Furniture and fittings	10% - 20%
Computer equipment	20%
Motor vehicles	25% - 33.3%
Office equipment	33.3%

Investments

Fixed asset investments are shown at cost less provision for impairment. Current asset investments are stated at the lower of cost and net realisable value.

Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation is provided using the liability method on all timing differences only to the extent that they are expected to reverse in the future without being replaced, except that the deferred tax effects of timing differences arising from pensions and other post-retirement benefits are always recognised in full.

Notes to the accounts (continued)

1 Accounting policies (continued)

Turnover

Turnover represents amounts receivable for services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes.

Foreign currencies

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

Leases

Assets held under hire purchase contracts, where substantially all the benefits and risks of ownership are assumed, are capitalised in the balance sheet and are depreciated over their expected useful lives. The capital element of future obligations under such leases are included as liabilities in the balance sheet. The interest element of the lease payments is charged to the profit and loss account in proportion to the outstanding capital element of the total lease obligation.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

Finance agreement income

Finance income is allocated to accounting periods so as to give a constant rate of return on the net cash investment in the agreement. The total net investment in finance agreements included in the balance sheet represents total payments receivable net of finance income relating to future payments.

2 Operating profit

Operating profit is stated after charging/(crediting):

	2000 £	1999 £
Auditor's remuneration	20,000	15,500
Depreciation of tangible fixed assets		
- owned	276,757	284,081
- held under hire purchase contracts	66,635	-
Operating lease rentals		
- other	281,233	218,880
Aggregate finance agreement rentals receivable	(207,155)	(47,769)
Discount charges (included in cost of sales)	1,104,778	862,435
(Profit) on disposal of fixed assets	(20,269)	(4,551)

Notes to the accounts (continued)

3 Directors' remuneration

	2000 £	1999 £
Directors' emoluments	722,848	627,211
Contributions to money purchase pension schemes	54,611	31,514
	<u>777,459</u>	<u>658,725</u>
Highest paid director		
Emoluments	197,951	196,475
Pensions	19,320	19,514
	<u>217,271</u>	<u>215,989</u>

The number of directors who were members of a money purchase scheme was 5 (1999: 2).

Fees of £54,380 (1999: £1,200) were paid to CMI Consulting in respect of the services of JA Ackroyd.

4 Staff costs (including directors)

	2000 £	1999 £
Wages and salaries	2,441,868	1,999,490
Social security costs	269,545	204,678
Other pension costs	82,454	45,671
	<u>2,793,867</u>	<u>2,249,839</u>

Average number of employees during the year

	Number	Number
Administration, sales and operations	<u>84</u>	<u>67</u>

5 Interest payable

	2000 £	1999 £
Hire purchase interest	11,490	-
Bank loans and overdrafts	20,180	449
	<u>31,670</u>	<u>449</u>

Notes to the accounts (continued)

6 Tax on profit on ordinary activities

	2000 £	1999 £
Based on the profit for the year:		
UK corporation tax at effective rate of 30% (1999: 30%)	241,500	329,000
Deferred tax	55,000	20,000
	<u>296,500</u>	<u>349,000</u>

7 Dividends

Non-equity dividends on preference shares paid	234,247	29,949
Increase in preference dividend accrual	45,865	11,828
	<u>280,112</u>	<u>41,777</u>

Entitlement to dividends on the 'B' cumulative redeemable preference shares from date of issue to 31 December 2000 has been waived.

8 Tangible fixed assets

Group	Short Leasehold £	Vehicles, plant and machinery £	Total £
Cost			
1 January 2000	109,092	1,334,657	1,443,749
Additions	42,478	485,711	528,189
Disposals	-	(255,467)	(255,467)
31 December 2000	<u>151,570</u>	<u>1,564,901</u>	<u>1,716,471</u>
Depreciation			
1 January 2000	38,602	739,636	778,238
Charge for the year	11,297	332,095	343,392
Disposals	-	(188,687)	(188,687)
31 December 2000	<u>49,899</u>	<u>883,044</u>	<u>932,943</u>
Net book value			
31 December 2000	<u>101,671</u>	<u>681,857</u>	<u>783,528</u>
31 December 1999	<u>70,490</u>	<u>595,021</u>	<u>665,511</u>
Net book value under hire purchase contracts			
31 December 2000	<u>-</u>	<u>309,036</u>	<u>309,036</u>
31 December 1999	<u>-</u>	<u>-</u>	<u>-</u>

Notes to the accounts (continued)

8 Tangible fixed assets (continued)

Company	Short Leasehold £	Vehicles, plant and machinery £	Total £
Cost			
1 January 2000	109,092	1,244,766	1,353,858
Additions	42,478	411,054	453,532
Disposals	-	(215,509)	(215,509)
31 December 2000	151,570	1,440,311	1,591,881
Depreciation			
1 January 2000	38,602	703,367	741,969
Charge for the year	11,297	295,778	307,075
Disposals	-	(164,829)	(164,829)
31 December 2000	49,899	834,316	884,215
Net book value			
31 December 2000	101,671	605,995	707,666
31 December 1999	70,490	541,399	611,889
Net book value under hire purchase contracts			
31 December 2000	-	255,976	255,976
31 December 1999	-	-	-

9 Investments

	Group 2000 £	Company 2000 £	Group 1999 £	Company 1999 £
Subsidiary undertakings	-	510,000	-	10,002
Other investments	178,025	178,025	178,025	178,025
	178,025	688,025	178,025	188,027

Company

Subsidiary undertakings

At 31 December 2000, the company held 100% of the issued share capital of both RDM Asset Finance Limited and RDM Payroll Services Limited. Both companies are incorporated in England and trade in providing asset finance and factoring with payroll services respectively. During the year, the company subscribed for a further 499,998 ordinary shares of £1 in RDM Asset Finance Limited and since the year end, a further £250,000 has been invested.

Other investments

The company and group hold an investment of 177,752 (1999: 177,752) 'B' redeemable preference shares in Fairfax Gerrard Holdings Limited.

Notes to the accounts (continued)

10 Debtors

	Group 2000 £	Company 2000 £	Group 1999 £	Company 1999 £
Amounts falling due within one year				
Factor debtors	22,554,144	21,907,192	16,880,821	16,617,549
Amounts owed by group undertakings	-	736,552	-	594,018
Investment in finance agreements	583,847	-	125,810	-
Other debtors	431,411	269,793	331,583	299,628
Prepayments and accrued income	619,299	539,299	380,945	380,294
	<u>24,188,701</u>	<u>23,452,836</u>	<u>17,719,159</u>	<u>17,891,489</u>
Gross factored debts	42,484,127	41,619,020	32,607,086	32,156,439
Due to clients on collection	(19,929,983)	(19,711,828)	(15,726,265)	(15,538,890)
Factor debtors	<u>22,554,144</u>	<u>21,907,192</u>	<u>16,880,821</u>	<u>16,617,549</u>

Amounts falling due after more than one year

	Group 2000 £	Company 2000 £	Group 1999 £	Company 1999 £
Investment in finance agreements	<u>1,387,053</u>	<u>-</u>	<u>155,735</u>	<u>-</u>

11 Creditors: amounts falling due within one year

	Group 2000 £	Company 2000 £	Group 1999 £	Company 1999 £
Bank loans and overdrafts	18,338,892	18,173,463	12,638,509	12,638,509
Corporation tax	123,745	104,243	199,433	199,333
Other taxes and social security costs	263,850	258,488	206,057	199,878
Obligations under hire purchase contracts	151,500	130,100	-	-
Accruals and deferred income	133,588	125,981	175,179	169,811
Dividend accrual	61,686	61,686	15,821	15,821
	<u>19,073,261</u>	<u>18,853,961</u>	<u>13,234,999</u>	<u>13,223,352</u>

The bank loans and overdrafts are secured by a debenture over all the company's assets.

Notes to the accounts (continued)

12 Creditors: amounts falling due after more than one year

	Group 2000 £	Company 2000 £	Group 1999 £	Company 1999 £
Bank loans and overdrafts	1,383,602	-	-	-
Obligations under hire purchase contracts	122,355	105,956	-	-
	<u>1,505,957</u>	<u>105,956</u>	<u>-</u>	<u>-</u>

Borrowings are repayable as follows:

Loans and overdrafts

Within one year	18,338,892	18,173,463	12,638,509	12,638,509
Between one and two years	1,181,332	-	-	-
Between two and five years	202,270	-	-	-
	<u>19,722,494</u>	<u>18,173,463</u>	<u>12,638,509</u>	<u>12,638,509</u>

Hire purchase contracts

Within one year	151,500	130,100	-	-
Between one and two years	118,168	101,769	-	-
Between two and five years	4,187	4,187	-	-
	<u>273,855</u>	<u>236,056</u>	<u>-</u>	<u>-</u>

Total borrowing including hire purchase contracts

Within one year	18,490,392	18,303,563	12,638,509	12,638,509
Between one and two years	1,299,500	101,769	-	-
Between two and five years	206,457	4,187	-	-
	<u>19,996,349</u>	<u>18,409,519</u>	<u>12,638,509</u>	<u>12,638,509</u>

13 Provision for liabilities and charges

The full and potential liability for deferred tax is:

	Group 2000 £	Company 2000 £	Group 1999 £	Company 1999 £
Balance at the beginning of year	20,000	-	-	-
Charged to profit and loss account	55,000	-	20,000	-
Balance at the end of year	<u>75,000</u>	<u>-</u>	<u>20,000</u>	<u>-</u>
Accelerated capital allowances	75,000	-	20,000	-

There are no provisions contained within the company accounts.

Notes to the accounts (continued)

14 Share capital

Authorised	2000 number	1999 number
<i>Equity shares</i>		
Ordinary shares of 1p each	129,000	129,000
'B' Ordinary shares of 1p each	16,000	16,000
<i>Non-equity shares</i>		
Convertible 'A' Preference shares of 1p each	50,000	50,000
Convertible 'B' Preference shares of 1p each	5,000	5,000
Cumulative Redeemable 'A' Preference shares of £1 each	2,000,000	2,000,000
Cumulative Redeemable 'B' Preference shares of £1 each	50,000	50,000
	<u>2,250,000</u>	<u>2,250,000</u>

Issued, allotted, called up and fully paid

	£	£
<i>Equity shares</i>		
95,000 Ordinary shares of 1p each	950	950
<i>Non-equity shares</i>		
46,614 Convertible 'A' Preference shares of 1p each	466	466
4,386 Convertible 'B' Preference shares of 1p each	44	44
2,000,000 Cumulative Redeemable 'A' Preference shares of £1 each	2,000,000	2,000,000
50,000 Cumulative Redeemable 'B' Preference shares of £1 each	50,000	50,000
	<u>2,051,460</u>	<u>2,051,460</u>

Redemption of Preference shares

The Cumulative Redeemable 'A' Preference shares are redeemable in 5 equal annual instalments of £400,000 commencing on 30 June 2006 and finishing on 30 June 2010.

Dividend rights

The Cumulative Redeemable 'A' Preference shares are entitled to receive a dividend equal to the accrued interest calculated at 3% above bank base rate, payable half-yearly in arrears on 31 March and 30 September.

The Convertible 'A' and 'B' Preference shares are entitled to receive a dividend equal to 4% on £49.02 for each 1p of nominal value.

Notes to the accounts (continued)

15 Capital redemption reserve

	Group and Company 2000 £	Group and company 1999 £
At 1 January 2000	999,490	700,000
Transfer from the profit and loss account	-	299,490
At 31 December 2000	<u>999,490</u>	<u>999,490</u>

16 Profit and loss account

	Group 2000 £	Company 2000 £	Group 1999 £	Company 1999 £
At 1 January 2000	2,656,108	2,631,417	2,345,189	2,359,352
Retained profit for the year	<u>325,418</u>	<u>327,680</u>	<u>310,919</u>	<u>272,065</u>
At 31 December 2000	<u>2,981,526</u>	<u>2,959,097</u>	<u>2,656,108</u>	<u>2,631,417</u>

17 Reconciliation of movements in shareholders' funds

	Group 2000 £	Company 2000 £	Group 1999 £	Company 1999 £
At 1 January 2000	5,707,058	5,682,367	3,435,189	3,449,352
Profit for the financial year	605,530	607,792	652,186	613,332
Dividends	(280,112)	(280,112)	(41,777)	(41,777)
Preference shares redeemed	-	-	(299,490)	(299,490)
New shares issued	-	-	2,000,000	2,000,000
Share premium written off against share issue costs	-	-	(39,050)	(39,050)
At 31 December 2000	<u>6,032,476</u>	<u>6,010,047</u>	<u>5,707,058</u>	<u>5,682,367</u>

18 Other financial commitments

At the year end, the company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings		Other	
	2000 £	1999 £	2000 £	1999 £
Operating leases which expire:				
Within one year	-	-	7,170	10,500
Within two to five years	20,000	-	19,692	11,688
In over five years	<u>203,007</u>	<u>210,907</u>	<u>-</u>	<u>-</u>
	<u>223,007</u>	<u>210,907</u>	<u>26,862</u>	<u>22,188</u>

Notes to the accounts (continued)

19 Reconciliation of operating profit to net cash

Notes	2000 £	1999 £
Outflow from operating activities		
Operating profit	932,865	1,001,524
Depreciation charges	343,392	284,081
Increase in debtors	(7,700,860)	(1,800,692)
Increase/(decrease) in creditors	16,202	(189,525)
Profit on sale of tangible fixed assets	(20,269)	(4,551)
Net cash outflow from operating activities	(6,428,670)	(709,163)

20 Gross cash flows

	2000 £	1999 £
Returns on investments and servicing of finance		
Interest received	835	111
Interest paid	(20,180)	(449)
Interest element of hire purchase contracts	(11,490)	-
Preference dividends paid	(234,247)	(29,949)
	(265,082)	(30,287)

Taxation

UK Corporation tax paid	(317,188)	(519,995)
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Capital expenditure

Payments to acquire tangible fixed assets	(161,867)	(326,434)
Payments to acquire investments	-	(38,025)
Receipts from sales of tangible fixed assets	87,049	43,175
	(74,818)	(321,284)

Financing

Issue of share capital	-	2,000,000
Redemption of share capital	-	(299,490)
Share issue costs	-	(39,050)
Capital element hire purchase contracts	(92,467)	-
New loans raised	7,104,680	47,367
	7,012,213	1,708,827

Notes to the accounts (continued)

21 Analysis of changes in net debt

	As at 1 January 2000 £	Cash flow £	Other non- cash changes £	As at 31 December 2000 £
Cash at bank and in hand	243,627	(94,240)	-	149,387
Bank overdrafts	(112,342)	20,695	-	(91,647)
	<u>131,285</u>	<u>(73,545)</u>	<u>-</u>	<u>57,740</u>
Debt due within 1 year	(12,526,167)	(5,721,078)	-	(18,247,245)
Debt due after 1 year	-	(1,383,602)	-	(1,383,602)
Hire purchase contracts	-	92,467	(366,322)	(273,855)
Total	<u>(12,394,882)</u>	<u>(7,085,758)</u>	<u>(366,322)</u>	<u>(19,846,962)</u>

Reconciliation of net cash flow to movement in debt

	£
Decrease in cash in the period	(73,545)
Cash inflow from increase in debt and hire purchase contracts	(7,012,213)
Change in net debt resulting from cash flows	<u>(7,085,758)</u>
New hire purchase contracts	<u>(366,322)</u>
Movement in net debt in the period	<u>(7,452,080)</u>
Net debt at 1 January 2000	<u>(12,394,882)</u>
Net debt at 31 December 2000	<u>(19,846,962)</u>

22 Related party disclosures

The group has taken advantage of the exemption, in Financial Reporting Standard No. 8 "Related party disclosures", whereby disclosure is not required in consolidated financial statements, of any transactions or balances between group entities that have been eliminated on consolidation.

The company has taken advantage of the exemption, also in FRS8, whereby disclosure is not required in a parent's own financial statements when these statements are presented together with its consolidated financial statements.

23 Contingent liability

At the year end, the company had guaranteed the borrowing of RDM Asset Finance Limited up to a maximum of £450,000.