

4081664

TMX CORPORATION LIMITED

REPORT AND ACCOUNTS

YEAR ENDED 31 DECEMBER 2003



TMX CORPORATION LIMITED

I N D E X

Year ended 31 December 2003

	Page
General information	2
Report of the directors	3
Auditors' report	5
Consolidated profit and loss account	6
Consolidated balance sheet	7
Company balance sheet	8
Consolidated cash flow statement	9
Accounting policies	10
Notes to the financial statements	12

TMX CORPORATION LIMITED

GENERAL INFORMATION

Year ended 31 December 2003

Directors

W A Smith
P A Smith
M J Dooley (appointed 26 August 2003)
C A Melvin (resigned 10 July 2003)
D Broek (resigned 8 October 2003)
A C Rouiller (resigned 5 September 2003)

Secretary

P A Smith

Registered office

Wellington House
Butt Road
Colchester
Essex
CO3 3DA

Company number

4081664

Auditors

Dixon Wilson
(PO Box 900)
Rotherwick House
3 Thomas More Street
London
EIW 1YX

Bankers

National Westminster Bank plc
25 High Street
Colchester
Essex
CO1 1DG

Solicitors

Pollington Associates
2, The Atrium
Phoenix Square
Wyncolls Road
Colchester
Essex
CO4 9PB

TMX CORPORATION LIMITED

REPORT OF THE DIRECTORS

Year ended 31 December 2003

The directors submit their report and accounts for the year ended 31 December 2003.

Results, appropriation and dividends

The consolidated profit and loss account and balance sheet of the group and of the company are set out on pages 6, 7 and 8. These should be read in conjunction with their related notes.

The group made a profit of £4,156,968 (2002 - £5,270,030) in the year which has been transferred to reserves.

The directors are not able to declare a dividend.

Review of the business

The group's principal activity during the year was that of estate agency and related services. After a slow start to the year, and despite continuing difficulties in the financial services market, the group experienced stronger trading towards the end of the year and has thus maintained profitability. The directors regard the company's position as satisfactory.

Directors

The directors who held office during the year ended 31 December 2003 were those shown on page 2.

Directors' interests

Details of each director's interests, including family interests, in the shares of the company at the beginning of the financial year under review or date of appointment, and at the end of the year were as follows:

	31 December 2003	31 December 2002
	Ordinary shares	Ordinary shares
W A Smith	2,501	2,501
P A Smith	2,501	2,501

None of the other directors had an interest in the ordinary shares at any time during the year.

No director had interests in the deferred shares at any time during the year.

Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company 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.

TMX CORPORATION LIMITED

R E P O R T O F T H E D I R E C T O R S

Year ended 31 December 2003

Employee involvement


Efforts have been made to consult with and inform employees on matters which concern them with emphasis on the continuing growth and development of the company. Communication is principally through the regional and branch management structure.

It is the policy of the group to support the employment of disabled persons where possible, both in recruitment and by retention of employees who become disabled whilst in the employment of the group, as well as through training and career development.

Auditors

A resolution to re-appoint Dixon Wilson as auditors in accordance with Section 385 of the Companies Act 1985 will be proposed at the forthcoming annual general meeting.

By order of the board



P A SMITH
Secretary

Colchester

4 May

2004

TMX CORPORATION LIMITED

AUDITORS' REPORT

Year ended 31 December 2003

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF TMX CORPORATION LIMITED

We have audited the financial statements of tmx Corporation Limited for the year ended 31 December 2003 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement, the Accounting Policies and the related notes. These financial statements have been prepared under the historical cost convention as modified by the revaluation of investment properties, and under 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 work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the 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 the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

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 considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

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

DIXON WILSON
Chartered Accountants and Registered Auditors
Rotherwick House
3 Thomas More Street
London E1W 1YX

11 May 2004

TMX CORPORATION LIMITED**CONSOLIDATED PROFIT AND LOSS ACCOUNT****Year ended 31 December 2003**

	Note	2003 £	2002 £
Turnover	1	83,502,177	80,362,805
Operating costs		(77,552,225)	(73,196,261)
Loss on disposal of fixed assets		(93,264)	(33,619)
		<u>5,856,688</u>	<u>7,132,925</u>
Amortisation of goodwill		(60,857)	(33,082)
Operating profit	2	<u>5,795,831</u>	<u>7,099,843</u>
Interest receivable and similar income	3	442,471	370,210
Interest payable	4	(2,081,334)	(2,200,023)
Profit on ordinary activities before taxation		<u>4,156,968</u>	<u>5,270,030</u>
Taxation	7	-	-
Profit on ordinary activities after taxation		<u>4,156,968</u>	<u>5,270,030</u>
Retained loss brought forward		(30,431,332)	(35,701,362)
Retained loss carried forward		<u>(26,274,364)</u>	<u>(30,431,332)</u>

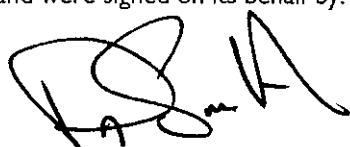
There were no recognised gains or losses other than the profit for the year and for the previous year.

All amounts relate to continuing operations.

TMX CORPORATION LIMITED
CONSOLIDATED BALANCE SHEET
At 31 December 2003

	Note	2003 £	2002 £
Fixed assets			
Intangible assets	8	1,034,574	1,095,431
Tangible assets	9	4,616,883	4,712,405
Investment properties	10	89,000	89,000
		<u>5,740,457</u>	<u>5,896,836</u>
Current assets			
Debtors	13	8,934,100	8,303,658
Cash at bank and in hand		14,831,687	11,224,675
		<u>23,765,787</u>	<u>19,528,333</u>
Total assets		<u>29,506,244</u>	<u>25,425,169</u>
Capital and reserves			
Called up share capital	17	5,102	5,102
Profit and loss account		(26,274,364)	(30,431,332)
Merger reserve		49,902	49,902
Shareholders' deficit (including non-equity)	19	<u>(26,219,360)</u>	<u>(30,376,328)</u>
Creditors: amounts falling due within one year	15	13,019,890	12,131,660
Creditors: amounts falling due after more than one year	16	42,705,714	43,669,837
		<u>29,506,244</u>	<u>25,425,169</u>
Shareholders' funds comprise of:			
Equity interest		(26,219,460)	(30,376,428)
Non-equity interest		100	100

The financial statements on pages 6 to 19 were approved by the board of directors on *4 May* 2004 and were signed on its behalf by:-



P A SMITH
Director

TMX CORPORATION LIMITED

C O M P A N Y B A L A N C E S H E E T

At 31 December 2003

	Note	2003 £	2002 £
Fixed assets			
Investments	11	1,562,506	1,562,502
Current assets			
Cash		669	801
Debtors (including gross debtors of £34,467,782 due after more than one year)	13	33,997,803	35,255,656
Total assets		<u>35,560,978</u>	<u>36,818,959</u>
Capital and reserves			
Called up share capital	17	5,102	5,102
Share premium		49,900	49,900
Profit and loss account		(824,254)	(320,887)
Shareholders' deficit (including non-equity)	19	<u>(769,252)</u>	<u>(265,885)</u>
Creditors: amounts falling due within one year	14	805,033	773,691
Creditors: amounts falling due after more than one year	16	35,525,197	36,311,153
		<u>35,560,978</u>	<u>36,818,959</u>
Shareholders' funds comprise of:			
Equity interest		(769,352)	(265,985)
Non-equity interest		<u>100</u>	<u>100</u>

The financial statements on pages 6 to 19 were approved by the board of directors on and were signed on its behalf by:-

2004

P A SMITH
Director

TMX CORPORATION LIMITED
CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 December 2003

	Note	£	2003 £	£	2002 £
Net cash inflow from operating activities	22		7,660,552		7,289,777
Returns on investments and servicing of finance					
Interest received		442,471		370,210	
Interest paid		(2,081,334)		(2,200,023)	
Net cash outflow from returns on investments and servicing of finance			(1,638,863)		(1,829,813)
Taxation					
Taxation paid less received			(3,482)		(148,154)
Capital expenditure and financial investment					
Payments to acquire fixed assets		(1,438,978)		(1,323,741)	
Receipts from sales of fixed assets		18,630		94,413	
Net cash outflow from capital expenditure and financial investment			(1,420,348)		(1,229,328)
Acquisitions and disposals					
Purchase of subsidiary undertaking		-		(500,000)	
Net cash outflow for acquisitions and disposals			-		(500,000)
Net cash inflow before financing			4,597,859		3,582,482
Financing					
Debt due within one year:					
(Decrease)/increase in short term borrowings		(26,724)		889,449	
Debt due beyond a year:					
Decrease in borrowings		(964,123)		(142,061)	
Net cash (outflow)/inflow from financing			(990,847)		747,388
Increase in cash	23		3,607,012		4,329,870

TMX CORPORATION LIMITED

ACCOUNTING POLICIES

Year ended 31 December 2003

The financial statements have been prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Basis of accounting

The financial statements have been prepared under the historical cost convention as modified by the revaluation of investment properties.

Basis of consolidation

The group's financial statements consolidate the financial statements of the company and all its subsidiary undertakings at 31 December 2003 using acquisition accounting for subsidiaries acquired other than by issuing shares. Merger accounting has been used for the consolidation of tmx Darlows Limited and Spicerhaart Limited (formerly Spicer McColl Limited).

Investments

Investments are stated at cost less provision for impairment. Cost is purchase price including acquisition expenses, but excluding any payment for accrued interest or fixed dividend entitlement.

Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, 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	- over 50 years in a straight line
Long leasehold property	- over the life of the lease
Leasehold improvements	- 20% on reducing balance
Fixtures, fittings and office equipment	- 25% on reducing balance
Motor vehicles	- 25% on reducing balance
Computer equipment	- 33 $\frac{1}{3}$ % on reducing balance

Leasehold premiums are amortised over the shorter of the remaining length of the lease or useful economic life of the leasehold.

Leases

Assets held under finance leases and the related lease obligations are recorded in the balance sheet at the cost of the assets at the inception of the leases. The amounts by which the lease payments exceed the recorded lease obligations are treated as finance charges which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligations.

Rental costs under operating leases are charged to profit and loss account in equal annual amounts over the periods of the leases.

Goodwill

Purchased goodwill is reviewed by the directors at the end of the period of acquisition for impairment. Goodwill on consolidation is amortised at the rate of 20% per annum, and considered each period for impairment.

Pension costs

The company operates a defined contribution pension scheme. The assets of the scheme are invested and managed independently of the finances of the company. The pension cost charge represents contributions payable in the year.

TMX CORPORATION LIMITED

ACCOUNTING POLICIES

Year ended 31 December 2003

Investment properties

Investment properties are revalued annually at open market value and any temporary surplus or deficit is transferred to investment property revaluation reserve. Permanent deficits on individual properties are charged in the profit and loss account which is also credited with any subsequent reversals. As these properties are held for investment purposes, not consumption, depreciation is not considered to be relevant. Depreciation is only one of many factors reflected in the annual valuation and the amount, which might otherwise be shown, cannot be separately identified or quantified.

Deferred taxation

Provision is made at current rates for taxation deferred in respect of all material timing differences in accordance with FRS 19. In view of the volatility of the markets in which the group operates, the directors have decided not to recognise deferred tax assets in the balance sheet.

TMX CORPORATION LIMITED**NOTES TO THE FINANCIAL STATEMENTS****Year ended 31 December 2003****1. Turnover**

Turnover comprises commission and fees receivable (excluding VAT). Commission earned on sales of residential and commercial property is accounted for on the exchange of contract for such sales. Commission earned on financial services is recognised on receipt.

No breakdown is shown of turnover as the directors consider it would be prejudicial to the group's interests.

2. Operating profit**2003****2002****£****£**

Operating profit is arrived at after charging:

Operating lease rentals

- leasehold property

- motor vehicles

5,135,738

4,883,162

2,531,340

2,480,517

Auditors' remuneration

- audit fees

- other services

103,100

117,100

46,000

46,000

Depreciation of tangible fixed assets

1,422,606

1,483,158

3. Interest receivable and similar income

Interest receivable

442,471

370,210

4. Interest payable

Interest on bank loans and overdrafts

Interest on other loans

352

4,671

2,080,982

2,195,352

2,081,334

2,200,023

TMX CORPORATION LIMITED**NOTES TO THE FINANCIAL STATEMENTS****Year ended 31 December 2003****5. Employees**

Average monthly number of employees, including directors employed by the company during the year was:

	2003	2002
	Number	Number
Administration and management	245	251
Operational, including branch staff	1,648	1,686
	<u>1,893</u>	<u>1,937</u>
	£	£
Staff costs, including directors:		
Wages and salaries	44,003,826	40,855,866
Social security costs	4,302,187	3,995,787
Other pension costs (defined contribution schemes)	361,244	365,107
	<u>48,667,257</u>	<u>45,216,760</u>

6. Directors

Directors' emoluments	493,483	1,132,927
Pension contributions	55,000	146,000
	<u>548,483</u>	<u>1,278,927</u>

The highest paid director received emoluments of £291,559 (2002 - £659,832) and pension contributions of £30,000 (2002 - £116,000).

The two executive directors are members of a defined contributions pension scheme.

7. Taxation

	2003	2002
	£	£
Based on the profit for the year		
UK corporation tax	-	-
Adjustment relating to previous year	-	-
	<u>-</u>	<u>-</u>
Factors affecting the tax charge for the year:		
Profit on ordinary activities before tax	4,156,968	5,270,030
Profit multiplied by the standard rate of 30% (2002 - 30%)	1,247,090	1,581,009
Effects of:		
Depreciation in arrears of capital allowances	(150,061)	(214,156)
Disallowed expenditure	184,354	123,510
Trading losses	(1,281,383)	(1,490,363)
	<u>-</u>	<u>-</u>

TMX CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2003

8. Intangible fixed assets

£

Goodwill

Cost

At 1 January 2003 and 31 December 2003	1,191,593
--	-----------

Amortisation

At 1 January 2003	96,162
-------------------	--------

Amortisation in the year	60,857
--------------------------	--------

At 31 December 2003	157,019
---------------------	---------

Net book value

At 31 December 2003	1,034,574
---------------------	-----------

At 31 December 2002	1,095,431
---------------------	-----------

Goodwill arises in respect of the purchase of the share capital of H C Wolton & Son Ltd, and is being written off over a period of 20 years, a period which the directors feel reflects the established nature of the business.

9. Tangible fixed assets

Group	Freehold property £	Long leasehold property £	Short leasehold property £	Leasehold improvements £	Motor vehicles £	Plant, machinery, furniture, fixtures, and office equipment £	Total £
Cost							
At 1 January 2003	819,500	112,448	162,419	2,604,043	112,320	11,667,316	15,478,046
Additions	-	-	-	504,322	-	934,656	1,438,978
Disposals	-	-	-	(123,024)	(112,320)	(158,517)	(393,861)
At 31 December 2003	819,500	112,448	162,419	2,985,341	-	12,443,455	16,523,163
Depreciation							
At 1 January 2003	8,195	9,498	162,419	1,312,082	102,627	9,170,820	10,765,641
Provided during the year	8,195	1,586	-	356,324	1,000	1,055,501	1,422,606
Disposals	-	-	-	(64,406)	(103,627)	(113,934)	(281,967)
At 31 December 2003	16,390	11,084	162,419	1,604,000	-	10,112,387	11,906,280
Net book value							
At 31 December 2003	803,110	101,364	-	1,381,341	-	2,331,068	4,616,883
At 31 December 2002	811,305	102,950	-	1,291,961	9,693	2,496,496	4,712,405

TMX CORPORATION LIMITED**NOTES TO THE FINANCIAL STATEMENTS****Year ended 31 December 2003****10. Investment properties****Long leasehold land and buildings**

	Group	Company
	£	£
Cost and market value		
At 31 December 2002 and 31 December 2003	89,000	-

The directors have valued the properties at the balance sheet date and do not consider that the open market value differs from the cost.

11. Investments**£****Company**

Investment in subsidiaries

At 1 January 2003	1,562,502
Additions in the year	4
At 31 December 2003	1,562,506

12. Investment in subsidiary companies

Subsidiary companies and their activities are as follows:

Trading**Principal activity**

Spicerhaart Limited (formerly Spicer McColl Limited)
 Mortgages Direct Limited
 Essex & Suffolk Development Company Limited
 TMX Darlows Limited
 H C Wolton & Son Limited
 TMX Services Limited

Estate agency
 Financial services
 Property development
 Estate agency
 Surveying
 Ancillary services

Non-trading

Haart Limited
 Spicer McColl (Estate Agents) Limited
 Spicer McColl Property Management Company Limited
 Felicity J Lord Limited
 Haart Agencies Limited
 Haart Real Estate Limited
 Spicer Haart (Commercial) Limited
 Spicer McColl Eastern Limited
 Haart International Real Estate Limited
 Spicer McColl Limited (formerly Spicer Haart Limited)
 James Jardine Limited
 Own Label Limited
 Spicerhaart Estate Agents Limited

All subsidiary companies are registered in England and are wholly owned.

TMX CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2003

13. Debtors

	2003		2002	
	Group	Company	Group	Company
	£	£	£	£
Trade debtors	5,976,330	-	5,532,035	-
Amounts owed by group companies	-	33,997,801	-	35,255,654
Other debtors	2,957,770	2	2,771,623	2
	<u>8,934,100</u>	<u>33,997,803</u>	<u>8,303,658</u>	<u>35,255,656</u>

Amounts owed by group companies include gross debtors of £34,467,782 (2002 – £35,252,319) due after one year.

14. Provision for deferred tax

The following deferred tax assets have not been recognised in the balance sheet, and would be recoverable in the event of sufficient future taxable profits.

	2003	2002
	£	£
Fixed asset timing differences	713,951	926,358
Tax losses carried forward	4,254,983	5,490,060
Potential deferred tax asset	<u>4,968,934</u>	<u>6,416,418</u>

15. Creditors: amounts falling due within one year

	2003		2002	
	Group	Company	Group	Company
	£	£	£	£
Amounts owed to group companies	-	55,202	-	6,565
Trade creditors	1,583,353	-	1,468,037	-
Corporation tax	8,365	-	11,847	-
Other taxation and social security	3,920,489	-	4,297,163	-
Other creditors	468,737	-	1,131,928	-
Loan from financial institution	886,744	737,322	913,468	759,543
Accruals	6,152,202	12,509	4,309,217	7,583
	<u>13,019,890</u>	<u>805,033</u>	<u>12,131,660</u>	<u>773,691</u>

TMX CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2003
16. Creditors: amounts falling due after more than one year

	2003		2002	
	Group	Company	Group	Company
	£	£	£	£
Loans from financial institution	42,705,714	35,525,197	43,669,837	36,311,153

The loans are repayable at the rate of 2% per annum with effect from 21 December 2002 each half year, commencing 31 December 2002, with the balance of the loan repayable on 1 January 2009. Interest is payable at 1% over the base rate of National Westminster Bank plc, with interest in 2001 having been added to the capital sum borrowed, and half such interest in 2002. The loans are secured on all of the group's assets.

	2003		2002	
	Group	Company	Group	Company
	£	£	£	£
The long-term portions of the loans are thus repayable:				
Between one and two years	886,744	737,322	886,744	737,322
Between two and five years	2,660,232	2,211,966	2,660,232	2,211,966
More than five years	39,158,738	32,575,909	40,122,861	33,361,865
	<u>42,705,714</u>	<u>35,525,197</u>	<u>43,669,837</u>	<u>36,311,153</u>

17. Share capital
£

At 31 December 2003 and 31 December 2002

Authorised

Equity shares

5,002 ordinary shares of £1 each

5,002

Non-equity shares

100 non-participating deferred shares of £1 each

100

5,102

Allotted and fully paid

Equity shares

5,002 ordinary shares of £1 each

5,002

Non-equity shares

100 non-participating deferred shares of £1 each

100

5,102
18. Profit of parent company

As permitted by section 230 of the Companies Act 1985 the profit and loss account of the parent company is not presented as part of these financial statements. The consolidated profit after taxation for the financial year includes a loss of £503,367 which is dealt with in the financial statements of the parent company.

TMX CORPORATION LIMITED**NOTES TO THE FINANCIAL STATEMENTS****Year ended 31 December 2003****19. Reconciliation of movements in shareholders' funds**

	2003	2002
	£	£
Group		
Opening shareholders' deficit	(30,376,328)	(35,646,358)
Total recognised profit	4,156,968	5,270,030
Closing shareholders' deficit	<u>(26,219,360)</u>	<u>(30,376,328)</u>
Company		
Opening shareholders deficit	(315,785)	(56,563)
Loss for the financial year	(503,367)	(259,222)
Closing shareholders' deficit	<u>(819,152)</u>	<u>(315,785)</u>

20. Control

The company was under the control of W A Smith and P A Smith throughout the year.

21. Financial commitments

The payments which the group is committed to make in the next year under operating leases are as follows:

	2003	2002
	Group	Group
	£	£
(i) Land and buildings, leases expiring		
- within one year	364,857	68,865
- two to five years	1,691,488	1,409,740
- beyond five years	2,788,573	3,484,001
	<u>4,844,918</u>	<u>4,962,606</u>
(ii) Motor vehicles, leases expiring		
- within one year	489,281	156,494
- two to five years	1,408,202	867,007
	<u>1,897,483</u>	<u>1,023,501</u>

TMX CORPORATION LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2003

22. Reconciliation of operating profit to net cash inflow from operating activities

	2003	2002
	Group	Group
	£	£
Operating profit	5,795,831	7,099,843
Depreciation and amortisation of goodwill	1,483,463	1,516,240
Loss on sale of tangible fixed assets	93,264	33,619
Increase in debtors	(630,442)	(1,860,446)
Increase in creditors	918,436	491,521
Write off of investment	-	9,000
Net cash inflow from operating activities	<u>7,660,552</u>	<u>7,289,777</u>

23. Reconciliation of net cash flow to movement in net debt

Increase in cash	3,607,012	4,329,870
Cash outflow/(inflow) from increase in debt financing	990,847	(747,388)
Decrease in net debt from cash flow	<u>4,597,859</u>	<u>3,582,482</u>
Net debt at 1 January 2003	(33,358,630)	(36,941,112)
Net debt at 31 December 2003	<u>(28,760,771)</u>	<u>(33,358,630)</u>

24. Analysis of changes in net debt

	At		At
	1 January	Cash flow	31 December
	2003		2003
	£	£	£
Cash at bank	11,224,675	3,607,012	14,831,687
Loans	(44,583,305)	990,847	(43,592,458)
Net debt	<u>(33,358,630)</u>	<u>4,597,859</u>	<u>(28,760,771)</u>

25. Related party transactions

There were no related party transactions in the year. The company has taken advantage of the exemptions available in FRS 8 and has not disclosed transactions with entities which are part of the group in these accounts.