Company Registration No. 1058015 (England and Wales)

RITCHEY TAGG PLC

DIRECTORS REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003

KENNETH EASBY & CO

CHARTERED ACCOUNTANTS

RITCHEY TAGG PLC

COMPANY INFORMATION

Directors	I Maxwell Scott G C Rhodes G H Fabretti S Hall FCCA The Earl of Hillsborough J S Lambert (appointed 1 July 2003)
Secretary	S Hall FCCA
Company Number	1058015
Registered Office	Fearby Road Masham Ripon North Yorkshire HG4 4ES
Auditors	Kenneth Easby & Co Oak Mount Thornfield Business Park Standard Way Northallerton North Yorkshire DL6 2XQ
Bankers	Barclays Bank plc P O Box 76 25 James Street Harrogate North Yorkshire HG1 1QX

RITCHEY TAGG PLC

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RITCHEY TAGG PLC

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2003

The directors present their annual report on the affairs of the group together with the financial statements for the year ended 30 June 2003.

Principal activities and review of the business
Ritchey Tagg plc
The principal activity of the company continues to be that of the manufacture and sale of identification products together with other livestock products.

The company has experienced a year of consolidation following the disturbances and uncertainties created within the agricultural economy of the UK as a result of the 'foot and mouth' outbreak.

The completion of a large one-off contract for the sale of ear tags to the USA in the previous accounting year means that although total turnover and profitability have fallen, the turnover and profitability of the core businesses (excluding USA) have increased.

Cashflow remains strong, with the majority of the deferred consideration, payable in connection with the acquisition of Fearing International (Stock Aids) Limited on 1 July 2001, having been funded out of free cashflow.

During the year the company made a bonus issue of shares 1:1 and then subdivided all shares from ordinary £1 shares to ordinary 20p shares.

On 19 November 2002 Ritchey Tagg Limited, formerly registered as a private company, was re-registered as a public company under the name of Ritchey Tagg plc.

On 10 December 2002 the company listed its shares on the OFEX trading market, which the directors consider has been successful. This was done to create a market for the company's shares for the benefit of its shareholders.

Fearing International (Stock Aids) Limited
The principal activity of this subsidiary undertaking is the sale of identification products together with other livestock products.

This company has continued to operate under its existing trading name, and independently from that of Ritchey Tagg plc, from its own operating base in rented premises at Brixworth, Northampton.

This company has also experienced a year of consolidation.

Brookwick Ward & Company Limited
On 1 July 2002 Ritchey Tagg plc successfully completed the acquisition of 100% of the share capital of Brookwick Ward & Company Limited. Following the acquisition, the business has been relocated to Ritchey Tagg's main site in Masham. However, the company has continued to operate under its existing trading name and independently from that of Ritchey Tagg plc.

The principal activity of this company is that of the resale of veterinary, animal grooming, equine and other agricultural products. The increased availability of working capital following the acquisition has enabled a better service to be offered to this company's customers and has also increased market penetration. This has enabled profitability levels to be increased following acquisition.

Post balance sheet events

The company is in the process of opening a distribution and tag printing facility in Northern Ireland. This will consist of a small warehouse and will have an initial staffing level of two, likely to increase to three in the near future.

On 1 July 2003 the trade and net assets of Brookwick Ward & Company Limited were transferred in full to Ritchey Tagg plc. The business now operates as a trading division of Ritchey Tagg plc under the trading name 'Brookwick Ward'. Brookwick Ward & Company Limited now exists as a dormant subsidiary only.

Results and dividends

The results for the year are set out on page 5.

As detailed in the profit and loss account on page 5 the group has realised a net profit for the year after tax of £730,072 (2002: £908,038). The company declared a first and final dividend of 3.375p per share to be paid to all shareholders on the share register on 15 October 2003 (2002: 3.24p per share adjusted). The dividend is to be paid on 14 November 2003.

Future developments

The group continues to concentrate on expanding its core businesses. The directors will, however, consider making further acquisitions as and when opportunities arise which will further complement the group's existing business.

Directors

The following directors have held office since 1 July 2002:

I Maxwell Scott
G C Rhodes
G H Fabretti
S Hall FCCA
The Earl of Hillsborough
J S Lambert (appointed 1 July 2003)

Directors' interests

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

	Ordinary shares of 20p	**Ordinary shares of £1**
	30 June 2003	**1 July 2002**
I Maxwell Scott	120,000	12,000
G C Rhodes	697,000	70,200
G H Fabretti	323,560	32,356
S Hall FCCA	161,780	16,178
The Earl of Hillsborough	42,660	4,266
J S Lambert (appointed 1 July 2003)	-	-

In addition to the above The Earl of Hillsborough has an interest in 1,056,513 Ordinary 20p shares of the company (2002: 107,565 Ordinary £1 shares). All of these shares are held in settlement accounts.

Creditor payment policy

It is the group's policy to maintain good relationships with its suppliers. Suppliers are made aware of the terms of payment which are agreed with them in advance and these terms are adhered to. The number of days purchases included in trade creditors at 30 June 2003 was 54 days (2002 - 52 days).

Auditors
In accordance with section 385 of the Companies Act 1985, a resolution proposing that Kenneth Easby & Co be re-appointed as auditors will be put to the Annual General Meeting.

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 group and of the profit or loss of the group 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 group 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the board

S Hall FCCA
Director
9 September 2003

RITCHEY TAGG PLC

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RITCHEY TAGG PLC

We have audited the financial statements of Ritchey Tagg plc for the year ended 30 June 2003 which comprise the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement, and the related notes 1 to 28 together with the notes to the consolidated cash flow statement. These financial statements have been prepared 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 which 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
As described in the statement of directors' responsibilities on page 3 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 group 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 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 the affairs of the company and of the group as at 30 June 2003 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.

Kenneth Easby & Co
Chartered Accountants and Registered Auditors

Kenneth Easby & Co

9 September 2003

Oak Mount
Thornfield Business Park
Standard Way
Northallerton
North Yorkshire
DL6 2XQ

RITCHEY TAGG PLC

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2003

	Notes		2003	2002
			£	£
Turnover	2			
- Continuing operations		6,088,232		
- Acquisitions		765,263	6,853,495	7,014,743
Cost of sales			(2,331,282)	(2,356,015)
Gross profit			4,522,213	4,658,728
Distribution costs			(322,033)	(283,367)
Administrative expenses			(3,120,291)	(2,951,852)
Other operating income			40,505	32,493
Operating profit	4			
- Continuing operations		1,038,651		
- Acquisitions		81,743	1,120,394	1,456,002
Other interest receivable and similar income	5		12,442	23,305
Interest payable and similar charges	6		(13,930)	(85,802)
Profit on ordinary activities before taxation			1,118,906	1,393,505
Taxation on profit on ordinary activities	7		(388,834)	(485,467)
Profit on ordinary activities after taxation			730,072	908,038
Dividends	8		(175,015)	(168,014)
Retained profit for the year			555,057	740,024
Basic earnings per share (pence)	27		14.08p	17.51p

There are no recognised gains and losses other than those passing through the consolidated profit and loss account.

RITCHEY TAGG PLC

BALANCE SHEETS
AS AT 30 JUNE 2003

	Notes	Group 2003	Group 2002	Company 2003	Company 2002
Fixed assets		£	£	£	£
Intangible assets	9	1,824,847	2,001,290	-	-
Tangible assets	10	989,951	1,030,604	913,855	921,964
Investments	11	-	-	2,494,041	2,473,016
		2,814,798	3,031,894	3,407,896	3,394,980
Current assets					
Stocks	13	1,038,128	795,524	695,343	631,389
Debtors	14	1,225,237	1,234,714	1,190,031	1,092,729
Cash at bank and in hand		675,600	911,650	268,270	542,974
		2,938,965	2,941,888	2,153,644	2,267,092
Creditors: amounts falling due within one year	15	(1,327,434)	(2,056,989)	(1,014,884)	(1,838,374)
Net current assets		1,611,531	884,899	1,138,760	428,718
Total assets less current liabilities		4,426,329	3,916,793	4,546,656	3,823,698
Creditors: Amounts falling due after more than one year	16	-	(43,860)	-	(43,860)
Provisions for liabilities and charges	17	(73,434)	(75,095)	(61,000)	(60,200)
		4,352,895	3,797,838	4,485,656	3,719,638
Capital and reserves					
Called up share capital	19	1,037,126	518,563	1,037,126	518,563
Share premium account	20	899,554	899,554	899,554	899,554
Other reserves	20	300	300	300	300
Profit and loss account	20	2,415,915	2,379,421	2,548,676	2,301,221
Shareholders' funds – equity interests		4,352,895	3,797,838	4,485,656	3,719,638

The financial statements were approved by the board on 9 September 2003

G C Rhodes
Director

G H Fabretti
Director

RITCHEY TAGG PLC

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2003

		2003		2002
	£	£	£	£
Net cash inflow from operating activities		748,574		2,392,438
Returns on investment and servicing of finance				
Interest received	12,442		23,305	
Interest paid	(13,930)		(85,802)	
Net cash inflow/(outflow) for returns on investments and servicing of finance		(1,488)		(62,497)
Taxation		(598,679)		(317,765)
Capital expenditure				
Payments to acquire tangible assets	(225,343)		(177,148)	
Receipts from sales of tangible assets	71,555		23,376	
Net cash inflow/(outflow) for capital expenditure		(153,788)		(153,772)
Acquisitions and disposals				
Purchase of subsidiary undertakings		(36,005)		(2,473,016)
Equity dividends paid		(168,014)		(148,574)
Net cash inflow/(outflow) before management of liquid resources and financing		(209,400)		(763,186)
Financing				
Issue of ordinary share capital	-		630,000	
Capital element of finance lease contracts	-		(413)	
Net cash inflow from financing		-		629,587
(Decrease)/increase in cash in the year		(209,400)		(133,599)

RITCHEY TAGG PLC

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2003

1 Reconciliation of operating profit to net cash inflow from operating activities

	2003	2002
	£	£
Operating profit	1,120,394	1,456,002
Depreciation of tangible assets	154,647	189,125
Amortisation of intangible assets	227,458	222,366
Loss/(Profit) on disposal of tangible assets	39,794	(3,818)
(Increase)/Decrease in stocks	(242,604)	9,043
Decrease/(Increase) in debtors	9,477	(142,571)
(Decrease)/Increase in creditors within one year	(501,722)	618,431
(Decrease)/Increase in creditors over one year	(43,860)	43,860
Provision for write down of tangible assets	(15,010)	-
Net cash inflow from operating activities	748,574	2,392,438

2 Analysis of net funds

	1 July 2002	Cash flow	Other non cash changes	30 June 2003
	£	£	£	£
Net cash:				
Cash at bank and in hand	911,650	(236,050)	-	675,600
Bank overdrafts	(26,650)	26,650	-	-
	885,000	(209,400)	-	675,600
Debt:				
Finance leases	-	-	-	-
Net funds	885,000	(209,400)	-	675,600

3 Reconciliation of net cash flow to movement in net debt

	2003	2002
	£	£
(Decrease)/increase in cash in the year	(209,400)	(133,599)
Cash outflow from decrease in debt and lease financing	-	413
Movement in net funds in the year	(209,400)	(133,186)
Opening net funds	885,000	1,018,186
Closing net funds	675,600	885,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2003

1. Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

1.2 Basis of consolidation

The consolidated accounts incorporate the accounts of Ritchey Tagg plc and of its subsidiaries made up to 30 June 2003. The results of subsidiaries acquired are included in the consolidated profit and loss account from the date on which control passed. Intra–group transactions and profits are eliminated fully on consolidation.

The company has taken advantage of section 230 of the Companies Act 1985 and does not publish a separate profit and loss account.

1.3 Goodwill

Positive and negative goodwill represent the excess of cost of acquisition over the fair value of the separable net assets of the business acquired. Positive and negative goodwill are amortised through the profit and loss account in equal annual instalments over their estimated useful lives, which is 10 years. The directors review the period of amortisation of goodwill on an annual basis. Where it is believed the carrying value of goodwill suffers any impairment, the fall in value is charged immediately to the profit and loss account.

1.4 Turnover

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

1.5 Research and development

Research expenditure is written off to the profit and loss account in the year in which it is incurred. Development expenditure is written off in the same way unless the directors are satisfied as to the technical, commercial and financial viability of individual projects. In this situation, the expenditure is deferred and amortised over the period during which the group is expected to benefit.

1.6 Tangible fixed assets and depreciation

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

Buildings freehold	2% straight line basis
Plant and equipment	25% reducing balance basis
Office furniture and equipment	25% reducing balance basis
Motor vehicles	33% (high mileage) and 25% (low mileage) reducing balance basis

1.7 Investments

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

1 Accounting policies (*continued*)

1.8 Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and 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.

1.9 Stock

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

1.10 Pensions

The group operates a defined contribution pension scheme and the pension charge represents the amounts payable by the group to the fund in respect of the year.

1.11 Deferred taxation

The charge for taxation takes into account taxation deferred as a result of timing differences between the treatment of certain items for taxation and accounting purposes. In general, deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. However, 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 in accordance with FRS 19. Deferred taxation is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

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.

2. Turnover

The total turnover of the group for the year has been derived from its principal activity.

Turnover by destination
The analysis by geographical area of the group's turnover is set out below:

Geographical market

	2003 £ (000's)	2002 £ (000's)
United Kingdom	6,344	5,852
Other European Countries	313	384
Americas	80	706
Australasia	8	5
Rest of the World	108	68
	6,853	7,015

3. Cost of sales and net operating expenses

The total figures for continuing operations in 2003 include the following amounts relating to acquisitions: Cost of sales £454,645, distribution costs £20,057 and administrative expenses £208,818. The only acquisition in the year was of the subsidiary undertaking Brookwick Ward & Company Limited.

4. Operating profit

	2003 £	2002 £
Operating profit is stated after charging:		
Depreciation of tangible assets	154,648	189,125
Research and development	24,220	2,141
Operating lease rentals	47,990	40,322
Auditors' remuneration	15,500	12,500
Amortisation of goodwill	227,458	222,366
Loss on disposal of tangible assets	39,794	-

5 Other interest receivable and similar income

	2003 £	2002 £
Bank interest	12,442	23,305

6 Interest payable and similar charges

	2003 £	2002 £
Bank charges and interest	13,466	85,389
Hire purchase and finance lease interest	464	413
	13,930	85,802

7 Taxation

	2003 £	2002 £
Domestic current year tax		
UK corporation tax	390,873	464,795
Adjustment for prior years	(377)	(49)
Current tax charge	390,496	464,746
Deferred tax		
Deferred tax (credit)/charge current year	(1,662)	20,721
	388,834	485,467
Factors affecting the tax charge for the year		
Profit on ordinary activities before taxation	1,118,906	1,393,505
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% *(2002: 30%)*	335,672	418,051
Effects of:		
Non deductible expenses	9,149	5,370
Depreciation	58,332	55,592
Amortisation of goodwill	68,237	66,710
Capital allowances	(54,943)	(51,198)
Other tax adjustments	(1,561)	(20,955)
Benefit of marginal small company relief	-	(8,824)
Tax losses utilised	(24,390)	-
	54,824	46,695
Current tax charge	390,496	464,746

8. Dividends

	2003 £	2002 £
Ordinary final	175,015	168,014

9. Intangible fixed assets – goodwill

Group	
Cost	**£**
At 1 July 2002	2,223,656
Additions	51,015
At 30 June 2003	2,274,671
Amortisation	
At 1 July 2002	222,366
Charge for the year	227,458
At 30 June 2003	449,824
Net book value	
At 30 June 2003	1,824,847
At 30 June 2002	2,001,290

Goodwill arises in the year as a result of the fair value adjustment resulting from the acquisition of Brookwick Ward & Company Limited.

10. Tangible fixed assets

Group	**Land and buildings Freehold**	**Plant and equipment**	**Office furniture & equipment**	**Motor vehicles**	**Total**
	£	**£**	**£**	**£**	**£**
Cost					
As at 1 July 2002	622,020	1,036,451	242,559	83,292	1,984,322
Additions	4,620	130,689	68,232	21,802	225,343
Disposals	(2,120)	(159,749)	(87,038)	(23,500)	(272,407)
At 30 June 2003	624,520	1,007,391	223,753	81,594	1,937,258
Depreciation					
At 1 July 2002	177,569	614,482	135,042	26,625	953,718
On disposals	(655)	(92,361)	(58,029)	(10,013)	(161,058)
Charge for the year	12,252	103,395	24,063	14,937	154,647
At 30 June 2003	189,166	625,516	101,076	31,549	947,307
Net book value					
At 30 June 2003	435,354	381,875	122,677	50,045	989,951
At 30 June 2002	444,451	421,969	107,517	56,667	1,030,604

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2003

10. Tangible fixed assets *(continued)*

Company	Land and Buildings Freehold £	Plant and equipment £	Office furniture & equipment £	Motor vehicles £	Total £
Cost					
At 1 July 2002	622,020	981,413	215,669	79,467	1,898,569
Additions	4,620	108,987	55,689	21,802	191,098
Disposals	(2,120)	(106,497)	(84,900)	(23,500)	(217,017)
At 30 June 2003	624,520	983,903	186,458	77,769	1,872,650
Depreciation					
At 1 July 2002	177,569	640,514	132,853	25,669	976,605
On disposals	(655)	(76,690)	(58,029)	(10,013)	(145,387)
Charge for the year	12,252	84,684	16,421	14,220	127,577
At 30 June 2003	189,166	648,508	91,245	29,876	958,795
Net book value					
At 30 June 2003	435,354	335,395	95,213	47,893	913,855
At 30 June 2002	444,451	340,899	82,816	53,798	921,964

11. Fixed asset investments

Company	Shares in group undertakings and participating interests £
Cost	
At 1 July 2002	2,473,118
Additions	21,025
At 30 June 2003	2,494,143
Provisions for diminution in value	
At 1 July 2002 & at 30 June 2003	102
Net book value	
At 30 June 2003	2,494,041
At 30 June 2002	2,473,016

Holdings of more than 20%

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

Company	Country or registration or incorporation	Class	Shares held %
Subsidiary undertakings			
Ritchey Europe Limited	England	Ordinary	100
Makesmart Limited	England	Ordinary	100
Fearing International (Stock Aids) Ltd	England	Ordinary	100
Brookwick Ward & Company Ltd	Scotland	Ordinary	100
		Preference	100

The principal activity of these undertakings for the last relevant financial year was as follows:

	Principal activity
Ritchey Europe Limited	- Dormant
Makesmart Limited	- Dormant
Fearing International (Stock Aids) Ltd	- The sale of identification products together with other livestock products.
Brookwick Ward & Company Ltd	- The re-sale of veterinary, animal grooming, equine and other agricultural products.

11 Fixed Asset investments *(continued)*

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	Profit for the year
	£	£
Ritchey Europe Limited	100	-
Makesmart Limited	2	-
Fearing International (Stock Aids) Limited	485,145	303,218
Brookwick Ward & Company Limited	51,289	81,279

12. Acquisition of subsidiary undertaking
Brookwick Ward & Company Limited

The company was acquired by Ritchey Tagg plc on 1 July 2002.

The following table sets out the book values of the identifiable assets acquired and their fair value to the group.

	Book value
	£
Tangible fixed assets	17,982
Stocks	55,295
Cash	54
Debtors	107,634
Creditors	(210,955)
Net assets	(29,990)
Goodwill	51,015
Consideration	
Satisfied by:	
Cash consideration	1
Professional fees incurred on acquisition	6,014
Provision for write-down in value of tangible fixed assets	15,010
	21,025

The company has recorded the cost of investment at the fair value of the consideration plus the costs directly associated with the acquisition in accordance with FRS 7.

The directors considered the 'fair value' of the assets acquired at the date of acquisition and considered that a provision of £15,010 was required against computer equipment acquired but of no practical use post acquisition.

13. Stocks

	Group 2003	Group 2002	Company 2003	Company 2002
	£	£	£	£
Raw materials and consumables	45,151	52,557	45,151	52,557
Finished goods and goods for resale	992,977	742,967	650,192	578,832
	1,038,128	795,524	695,343	631,389

14. Debtors

	Group 2003	Group 2002	Company 2003	Company 2002
	£	£	£	£
Trade debtors	1,103,953	1,133,304	937,967	1,010,086
Amounts owed by subsidiary undertaking	-	-	140,639	-
Other debtors	4,625	45,750	4,625	26,983
Prepayments and accrued income	116,659	55,660	106,800	55,660
	1,225,237	1,234,714	1,190,031	1,092,729

15. Creditors: amounts falling due within one year

	Group 2003	Group 2002	Company 2003	Company 2002
	£	£	£	£
Bank overdraft	-	26,650	-	26,650
Trade creditors	334,536	302,444	264,315	277,281
Corporation tax	256,611	464,795	120,036	352,689
Other taxes and social security costs	168,016	170,097	126,126	154,774
Deferred consideration (note 16)	83,780	482,793	83,780	482,793
Accruals and deferred income	309,476	442,196	245,612	376,173
Dividends payable	175,015	168,014	175,015	168,014
	1,327,434	2,056,989	1,014,884	1,838,374

The bank overdraft is secured by a debenture over the group's assets.

16. Creditors: amounts falling due after one year

	Group 2003	Group 2002	Company 2003	Company 2002
	£	£	£	£
Deferred consideration	-	43,860	-	43,860

The deferred consideration totalling £83,780 *(2002: £526,653)* relates to the acquisition of Fearing International (Stock Aids) Limited and is in the form of unsecured loan notes 2002/2003 which carry interest at the rate of 3.25%.

17. Provisions for liabilities and charges

Deferred taxation

	Group	Company
	£	£
Balance at 1 July 2002	75,095	60,200
Capital allowances	(1,661)	800
Balance at 30 June 2003	73,434	61,000

Deferred taxation provided in the financial statements is as follows:

	Group		Company	
		Fully provided		Fully provided
	2003	2002	2003	2002
	£	£	£	£
Accelerated capital allowances	73,434	75,095	61,000	60,200
Other timing differences	-	-	-	-
	73,434	75,095	61,000	60,200

18. Pension costs

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension costs charge represents contributions payable by the group to the fund and amounted to £64,915 (*2002 - £63,872*).

19. Share capital

		2003	2002
		£	£
Authorised			
560,000	Ordinary shares of £1 each	-	560,000
6,250,000	Ordinary shares of 20p each	1,250,000	-
Allotted, called up and fully paid			
518,563	Ordinary shares of £1 each	-	518,563
5,185,630	Ordinary shares of 20p each	1,037,126	-

During the year the company made a bonus issue of share 1:1 and then subdivided all shares from ordinary £1 to ordinary 20p shares.

20. Statement of movement on reserves

	Other reserves	Profit and loss account
Group	£	£
Balance at 1 July 2002	899,854	2,379,421
Retained profit for the year	-	555,057
Bonus issue of shares	-	(518,563)
Balance at 30 June 2003	899,854	2,415,915

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 JUNE 2003

20. Statement of movement on reserves *(continued)*

Company

	Share premium account £	Capital redemption reserve £	Profit and loss account £
Balance at 1 July 2002	899,554	300	2,301,221
Retained profit for the year	-	-	766,018
Bonus issue of shares	-	-	(518,563)
Balance at 30 June 2003	899,554	300	2,548,676

21. Reconciliation of movements in shareholders' funds

Group

	2003 £	2002 £
Profit for the financial year	730,072	908,038
Dividends	(175,015)	(168,014)
	555,057	740,024
Proceeds from issue of shares	-	630,000
Net addition to shareholders' funds	555,057	1,370,024
Opening shareholders' funds	3,797,838	2,427,814
Closing shareholders' funds	4,352,895	3,797,838

Company

	2003 £	2002 £
Profit for the financial year	941,033	829,838
Dividends	(175,015)	(168,014)
	766,018	661,824
Proceeds from issue of shares	-	630,000
Net addition to shareholders' funds	766,018	1,291,824
Opening shareholders' funds	3,719,638	2,427,814
Closing shareholders' funds	4,485,656	3,719,638

22. Contingent liabilities

Cross guarantees exist in respect of bank overdrafts between all of the group companies.

23. Financial commitments

At 30 June 2003 the group had annual commitments under non-cancellable operating leases as follows:

	Land and Buildings		Other	
	2003	2002	2003	2002
	£	£	£	£
Expiry date:				
Within one year	9,055	-	3,774	16,979
Between two and five years	-	11,212	34,910	18,837
	9,055	11,212	38,684	35,816

24. Capital commitments

At 30 June 2003 the group had capital commitments as follows:

	2003	2002
	£	£
Contracted for but not provided in the financial statements	55,000	-

25. Directors emoluments

	2003	2002
	£	£
Emoluments for qualifying services	215,648	220,415
Company pension contributions to money purchase schemes	30,642	34,735
	246,290	255,150

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounts to 3 (*2002: 3*).

	2003	2002
	£	£
Emoluments disclosed above include the following amounts paid to the highest paid director:		
Emoluments for qualifying services	76,012	79,057
Company pension contributions to money purchase schemes	12,770	11,078

26. Employees

Number of employees

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

	2003	2002
	Number	Number
Production	36	33
Selling and administration	53	47
	89	80

26. Employees *(continued)*

Employment costs	£	£
Wages and salaries	1,538,075	1,552,743
Social security costs	152,668	149,914
Other pension costs	64,915	63,872
	1,755,658	1,766,529

27. Earnings per share

	2003 Number	**2002 Number**
Ordinary shares of 20p each	5,185,630	-
Ordinary shares of £1 each	-	518,563
Profit for the financial year	730,072	908,038
Earnings per share (pence)	14.08p	17.51p
		Adjusted

The comparative figure for earnings per share has been adjusted onto a comparable basis to reflect the bonus issue of shares 1:1 and the subdivision from ordinary £1 shares to ordinary 20p shares in the current year.

28. 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 parent company's profit for the financial year was £941,033 (*2002 - £829,838*)