INCLUSIVE TECHNOLOGY LIMITED

REPORT AND ACCOUNTS

30 JUNE 2004

Company No. 3525459

INCLUSIVE TECHNOLOGY LIMITED

COMPANY INFORMATION

Directors	M Littler P M C Hornsey R L H Bates H L Carr S Gill
Secretary	H L Carr
Company number	3525459
Registered office	Gatehead Business Park Delph Oldham Lancashire OL3 5BX
Auditors	Wheawill & Sudworth 35 Westgate Huddersfield HD1 1PA
Solicitors	Baxter Caulfield 13 Station Street Huddersfield HD1 1LY
Bankers	Barclays Bank plc 10 Market Street Bradford BD1 1XW
US Advisors	Carr, Daley, Sullivan & Weir, PC Certified Public Accountants & Consultants 2 Shunpike Road Madison NJ 07940

INCLUSIVE TECHNOLOGY LIMITED

CONTENTS

INCLUSIVE TECHNOLOGY LIMITED

CHAIRMAN'S REPORT

FOR THE YEAR ENDED 30TH JUNE 2004

As I write this in my room at the Closing the Gap(CTG) Assistive Technology conference in Minneapolis, I have just received news that Inclusive Technology Limited has reached the final nine of the three thousand companies nominated for the prestigious Parcelforce Small Business Awards. We are already outright winner in the North West giving us a prize of six thousand pounds, and this carries us forward to the glittering National Final with a £30,000 prize in prospect.

Also this morning at this conference, 150 cheering American educators attended our seminar on Cerebral Visual Impairment - an area our software has an unchallenged world lead. Today I also learned that three of the four products nominated for the BETT Educational Awards have been short-listed: Choose and Tell: Nursery Rhymes is one of the latest products from our expanded development team and has received rave reviews in the education press. Meanwhile the BETT short-listed SuperTalker and Tech/Talk reflect our growing range of strategic partnerships in the United States and our clear dominance of the simple technology Voice Output Communication Aid (VOCA) market for speech impaired pupils.

We become an award winning, five million pound group, in just eight years
Inclusive Technology is no stranger to awards, particularly business awards. Ernst and Young have, for the third year, recognised us as one of the fastest growing technology businesses in the North West in their Fast Fifty awards. During the same three years Deloitte have included us in the final or semi-final of their Entrepreneur of the Year programme. Little wonder that we have attracted attention on the acquisition front and have spent too much of the last year evaluating approaches from two quoted companies now valuing the Inclusive Group at a figure approaching our annual revenues of £5 million.

Yet it is now just eight years since Trish Hornsey and Roger Bates and I founded Inclusive Technology as a division of Ocean Software. Our successful management buyout in April 1998 set up Inclusive Technology Ltd. Early in 2000 we strengthened our management team by appointing Helen Carr as finance director and, this year, Sukhjit Gill joined the Board to head up Sales and Marketing. These are our initial steps in the succession planning of our management team, which we should complete over the next three years.

Job done: seven thousand specialist teachers trained by Inclusive Consortium
In 1999 Inclusive Technology formed the group company Inclusive Consultancy and Training Ltd (ICT) to lead a Consortium to carry out the training of teachers working with pupils who have Severe and Complex SEN in England, Scotland, Wales and Northern Ireland. With 7,000 specialist teachers successfully trained by this Consortium, ICT's job is now done. This group company, with its remaining exhibition organising and training functions, is to be folded back into Inclusive Technology Ltd.

Change of approach in the United States
Inclusive TLC Inc. was set up in 2001 to carry the Inclusive Technology one-stop-shop direct selling model into the American market place. Although sales rose to two million dollars at their height, the current poor state of the American AT market, the exchange rate, and the cultural differences in the education market has made us think again. We have now discontinued direct catalog sales to the USA and Canada and are focussing on distribution channels to exploit our software in North America.

Our Switch Software leads the World
Our exposure to the US market has shown us that our range of switch software for learners with cognitive, physical and sensory disabilities is the world leader. We have a better range than any American competitor or any assistive technology company world-wide. This year our SwitchIt! tools were completed with SwitchIt! Jigsaw Maker. Our BETT short-listed Choose and Tell: Nursery Rhymes was the first in a promising new series of choice making software. Big Bang added to our superb selection of cause and effect software while SwitchIt! Christmas was a much-requested seasonal addition to our range. SwitchIt! Patterns, SwitchIt! Pictures, SwitchIt! Opposites, SwitchIt! Scenes, and SwitchIt! Ziko World were revised during the year too.

INCLUSIVE TECHNOLOGY LIMITED

CHAIRMAN'S REPORT

FOR THE YEAR ENDED 30TH JUNE 2004

A mile wide and a mile deep.
Our October 2004 catalogue shows the unparalleled breadth of our range for the assistive technology and educational software markets with other more specialised products available on our website. I have already mentioned the depth of our knowledge and product range for those working with pupils with cerebral visual impairment and our clear market lead in switch operated software for those with severe and profound learning difficulties and physical or sensory problems. We have similarly dominant position in the areas of switch mountings, variable height workstations and touch technology for these pupils. However there is room for considerable expansion in both products and in-house expertise in areas like dyslexia and the higher end VOCA products. Over the next two years we will work to make a distinctive contribution to help the large number of learners with Specific Learning Difficulties (SpLD), including dyslexia and dyspraxia, and for much smaller numbers of pupils without speech needing more sophisticated resources and expert support than we currently offer.

Looking forward to our ninth and tenth years
Despite the awards and the plaudits, 2004 was not a banner year for Inclusive Technology. There was no repeat of the single £1.4 million order which took the 2003 revenue numbers into the stratosphere; our NOF training was successfully completed closing a strong revenue stream; and our American direct selling operation was closed and its substantial losses absorbed.

Even so, the Group finished with more than £5 million in sales. Inclusive Technology had underlying revenue growth above 15% that has continued into 2005/06, and underlying net profits of 6.1% before the substantial write-down of our American activities. With growing intellectual property we have a burgeoning gross margin of 38% (32%) and our largest gross profit ever. We also have growing but clear focus and a superb team of employees, Inclusive is set fair to turn in some solid results in its coming ninth and tenth years of supplying the important and immensely worthwhile assistive technology market.

Martin Littler
Chairman and CEO, Inclusive Group
28th October 2004

INCLUSIVE TECHNOLOGY LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30TH JUNE 2004

The directors present their report and the audited accounts for the company for the year ended 30 June 2004.

Principal activities

The company's principal activity was that of providers of educational software and hardware for people with special needs.

The main UK subsidiary undertaking's principal activity was that of providers of training for teachers of pupils with severe and complex special educational needs. The USA subsidiary had the same principal activity as that of the parent company.

Directors and their interests

The directors who held office during the year and their beneficial interests in the company's issued share capital are given below:

	Ordinary shares	
	At 30th June 2004	**At 1st July 2003**
M Littler	308	299
P M C Hornsey	294	299
R L H Bates	12	196
H L Carr	-	-

S Gill was appointed as a director on 1 July 2004.

Political and charitable contributions

During the year the company made the following political and charitable contributions:

	£
The Labour Party	10,000
Charitable Contributions	1,538

Statement of 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 for that year. 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;

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 that 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.

INCLUSIVE TECHNOLOGY LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30TH JUNE 2004

Auditors

A resolution confirming the appointment of Wheawill & Sudworth as auditors will be put to the members at the Annual General Meeting.

Small company exemptions

This report has been prepared in accordance with the special provisions relating to small companies within Part VII of the Companies Act 1985.

This report was approved by the board on 28th October 2004 and signed on its behalf by:

M Littler
Director

INDEPENDENT AUDITORS' REPORT TO THE

SHAREHOLDERS OF INCLUSIVE TECHNOLOGY LIMITED

We have audited the accounts of Inclusive Technology Limited for the year ended 30th June 2004 on pages 6 to 15. These accounts have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002), under the historical cost convention and the accounting policies set out on pages 8 and 9.

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 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 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 the company's directors are responsible for the preparation of the accounts in accordance with applicable law and United Kingdom Accounting Standards.

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

We report to you our opinion as to whether the accounts 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 accounts, 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 other information contained in the Annual 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 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 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 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 the company's affairs as at 30th June 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Wheawill & Sudworth
Chartered Accountants and Registered Auditors
35 Westgate
Huddersfield
HD1 1PA
28th October 2004

INCLUSIVE TECHNOLOGY LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30TH JUNE 2004

	Notes	2004	2003
		£	£
Turnover	2	**4,503,778**	*5,298,232*
Cost of sales		**(2,730,814)**	*(3,616,256)*
Gross profit		**1,772,964**	*1,681,976*
Administrative expenses		**(1,494,062)**	*(1,221,983)*
Operating (loss) profit	3	**278,902**	*459,993*
Income from investments		**-**	*545,000*
Write off of inter-company loan	4	**(172,393)**	-
Provision against inter-company debtor	4	**(616,284)**	-
Amounts written off investments	4	**(35,061)**	-
(Loss) profit on ordinary activities before interest		**(544,836)**	*1,004,993*
Interest receivable	5	**105**	*28,250*
Interest payable	5	**(4,627)**	*(3,638)*
(Loss) profit on ordinary activities before taxation		**(549,358)**	*1,029,605*
Tax on loss/profit on ordinary activities	7	**33,242**	*(146,407)*
(Loss) profit for the financial year		**(516,116)**	*883,198*
Dividends	8	**(60,000)**	-
Retained (loss) profit for the financial year	17	**(576,116)**	*883,198*

The notes on pages 8 to 15 form part of these accounts.

INCLUSIVE TECHNOLOGY LIMITED

BALANCE SHEET

AS AT 30TH JUNE 2004

	Notes	2004 £	2004 £	*2003* *£*	*2003* *£*
Fixed assets					
Tangible assets	9		**110,950**		*148,821*
Investments	10/11		**3,100**		*38,161*
			114,050		*186,982*
Current assets					
Stocks		**338,597**		*326,014*	
Debtors	12	**452,349**		*1,398,820*	
Cash at bank and in hand		**287,428**		*31,003*	
		1,078,374		*1,755,837*	
Creditors: amounts falling due within one year	13	**(537,262)**		*(615,666)*	
Net current assets			**541,112**		*1,140,171*
Total assets less current liabilities			**655,162**		*1,327,153*
Creditors: amounts falling due after more than one year	14		**(7,673)**		*(11,048)*
Provisions for liabilities and charges					
Deferred taxation	16		**(4,400)**		*(6,900)*
Net assets			**643,089**		*1,309,205*
Capital and reserves					
Share capital	18		**614**		*794*
Share premium account	17		**24,404**		*24,404*
Capital redemption reserve	17		**386**		*206*
Profit and loss account	17		**617,685**		*1,283,801*
Shareholders' funds			**643,089**		*1,309,205*

These accounts have been prepared in accordance with the special provisions relating to small companies within Part VII of the Companies Act 1985 and the Financial Reporting Standard for Smaller Entities (effective June 2002)

These accounts were approved by the board on 28th October 2004 and signed on its behalf by:

M Littler
Director

P M C Hornsey
Director

The notes on pages 8 to 15 form part of these accounts.

INCLUSIVE TECHNOLOGY LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30TH JUNE 2004

1 Accounting policies

Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002).

The company has taken advantage of the exemptions in Financial Reporting Standard No. 1 from the requirement to produce a cash flow statement on the grounds that it is a small company.

Consolidation

The accounts contain information about Inclusive Technology Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under section 248 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as the group it heads qualifies as a medium group.

Turnover

Turnover comprises the value of sales and royalties receivable excluding value added tax and trade discounts.

Investment income

Investment income comprises dividends and interest and is accounted for on a receivable basis.

Tangible fixed assets and depreciation

Depreciation is calculated to write down the cost or valuation less estimated residual value of all tangible fixed assets over their expected useful lives. The rates and periods generally applicable are:

Computer and office equipment	Three to five years straight line
Motor vehicles	25% reducing balance
Furniture and fixtures	Five years straight line

In the year of acquisition tangible fixed assets are depreciated from the date of acquisition.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Deferred taxation

Provision is made for deferred taxation using the liability method to take account of timing differences between the incidence of income and expenditure for taxation and accounting purposes.

1 Accounting policies (continued)

Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Where exchange differences result from the translation of foreign currency borrowings raised to acquire foreign assets they are taken to reserves and offset against the differences arising from the translation of those assets. All other exchange differences are dealt with through the profit and loss account.

Contribution to pension funds

The company operates defined contribution pension schemes. The amount charged to the profit and loss account in respect of pension costs is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Hire purchase and leased assets

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet at their fair value and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

2 Turnover

The percentage of turnover attributable to overseas markets was 8% (2003: 8%).

3 Operating (loss) profit

The operating (loss) profit is stated after charging:	**2004**	*2003*
	£	*£*
Depreciation of tangible fixed assets:		
-owned assets	**44,606**	*50,297*
-assets held under finance leases and hire purchase contracts	**12,529**	*13,283*
Loss on disposal of fixed assets	**1,844**	*3,240*
Directors' remuneration (see below)	**260,097**	*293,890*
Auditors' remuneration	**5,500**	*5,500*

Retirement benefits are accruing to 3 directors (2003 3) under defined contribution pension schemes.

4 Exceptional items

	2004	*2003*
	£	*£*
Write off of inter-company loan	**(172,393)**	-
Provision against inter-company debtor	**(616,284)**	-
Amounts written off investments	**(35,061)**	-
	(823,738)	-

5 Interest receivable

	2004	2003
	£	£
Bank deposits	105	74
Group loan	-	28,176
	105	28,250

6 Interest payable and similar charges

	2004	2003
	£	£
Interest payable on bank loans and overdrafts	15	7
Finance leases and hire purchase contracts	1,627	3,471
Interest payable on other loans	2,985	160
	4,627	3,638

7 Taxation

	2004	2003
	£	£
Current tax		
Uk corporation tax	(30,700)	146,700
Adjustments in respect of a prior period	(42)	(693)
Total current tax charge	(30,742)	146,007
Deferred tax		
Timing differences, origination and reversal	(2,500)	400
Total deferred tax	(2,500)	400
Tax on loss/profit on ordinary activities	(33,242)	146,407

8 Dividends

	2004	2003
	£	£
Ordinary dividends - proposed	60,000	-
Total equity dividends	60,000	-

INCLUSIVE TECHNOLOGY LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30TH JUNE 2004

9 Tangible fixed assets

	Computer and office equipment	Motor vehicles	Furniture and fixtures	Total
Cost	**£**	**£**	**£**	**£**
At 1st July 2003	130,229	110,171	72,713	313,113
Additions	10,745	12,283	2,380	25,408
Disposals	-	(12,650)	-	(12,650)
At 30th June 2004	**140,974**	**109,804**	**75,093**	**325,871**
Depreciation				
At 1st July 2003	91,800	35,004	37,488	164,292
Charge for the year	24,882	20,734	11,519	57,135
Disposals	-	(6,506)	-	(6,506)
At 30th June 2004	**116,682**	**49,232**	**49,007**	**214,921**
Net book value				
At 30th June 2004	**24,292**	**60,572**	**26,086**	**110,950**
At 30th June 2003	*38,429*	*75,167*	*35,225*	*148,821*

Assets held under finance leases and hire purchase originally cost £65,015 (2003: £79,587) and have a net book value of £37,588 (2003: £51,291). Depreciation charged for the year was £12,529 (2003: £13,283).

10 Fixed asset investments

	Shares in group undertakings
Cost	**£**
At 1st July 2003	38,161
Additions	100
Disposals	(35,161)
At 30th June 2004	**3,100**
Provisions	
Provided during the year	35,061
Eliminated on disposals	(35,061)
At 30th June 2004	**-**
Net book value	
At 30th June 2004	**3,100**
At 30th June 2003	*38,161*

11 Shares in group undertakings

Name of company and registered office	Country of incorporation	Details of investment	Proportion held by company	Nature of business
Inclusive Consultancy and Training Limited Gatehead Business Park Delph Oldham OL3 5BX	England	1,000 Ordinary £1 shares	100%	Providers of training and consultancy
Inclusive Investments Limited Gatehead Business Park Delph Oldham OL3 5BX	England	1,000 Ordinary £1 shares	100%	Dormant
Inclusive Group Limited Gatehead Business Park Delph Oldham OL3 5BX	England	1,000 Ordinary £1 shares	100%	Dormant
Inclusive Distribution Limited Gatehead Business Park Delph Oldham OL3 5BX	England	100 Ordinary £1 shares	100%	Dormant

The capital and reserves and profit or loss for the subsidiaries as at their financial period ending with the financial year of the holding company were as follows :

	Profit/(loss) for the year	Capital and reserves
	£	£
Inclusive Consultancy and Training Limited	(798)	1,000
Inclusive Investments Limited	-	1,000
Inclusive Group Limited	-	1,000
Inclusive Distribution Limited	-	100

12 Debtors

	2004	2003
	£	£
Trade debtors	**436,494**	*397,222*
Amounts owed by subsidiary undertakings (Note 22)	**-**	*984,849*
Other debtors	**-**	*4,882*
Prepayments and accrued income	**15,855**	*11,867*
	452,349	*1,398,820*

Debtors include an amount of £- (2003: £211,726) falling due after more than one year.

13 Creditors: amounts falling due within one year

	2004	*2003*
	£	*£*
Bank loans and overdrafts	**-**	*35,149*
Obligations under hire purchase contracts and finance leases	**10,448**	*19,298*
Trade creditors	**186,389**	*248,530*
Amounts owed to subsidiary undertakings (Note 22)	**3,100**	*2,100*
Corporation tax	**49,700**	*146,700*
Other taxes and social security	**68,006**	*24,130*
Accruals and deferred income	**108,233**	*128,074*
Directors' loans (Note 22)	**51,386**	*11,685*
Proposed dividend	**60,000**	*-*
	537,262	*615,666*

14 Creditors: amounts falling due after more than one year

	2004	*2003*
	£	*£*
Obligations under hire purchase contracts and finance leases	**7,673**	*11,048*

15 Secured indebtedness

	2004	*2003*
	£	*£*
Aggregate amount of secured liabilities	**18,121**	*65,495*

16 Deferred taxation

The movements in deferred taxation during the current and previous years are as follows:

	2004	*2003*
	£	*£*
At 1st July 2003	**6,900**	*6,500*
Movement in the year	**(2,500)**	*400*
At 30th June 2004	**4,400**	*6,900*

Deferred taxation provided for in the accounts is set out below.

	Amount provided	
	2004	*2003*
	£	*£*
Accelerated capital allowances	**4,400**	*6,900*

17 Reserves

	Share premium account	Capital redemption reserve	Profit and loss account
	£	£	£
At 1st July 2002	24,404	100	481,603
Profit for the year	-	-	883,198
Transfers between reserves	-	106	(106)
Repurchase of shares	-	-	(80,894)
At 1st July 2003	24,404	206	1,283,801
Retained loss for the year	-	-	(576,116)
Transfers between reserves	-	180	(180)
Repurchase of shares	-	-	(89,820)
At 30th June 2004	**24,404**	**386**	**617,685**

18 Share capital

	2004	*2003*
	£	*£*
Authorised		
1,000 Ordinary shares of £1.00 each	**1,000**	*1,000*
Allotted		
614 Allotted, called up and fully paid ordinary shares of £1.00 each	**614**	*794*

On 20 August 2003 the company purchased 180 of its own ordinary shares for a cash consideration of £90,000. This transaction was undertaken to enable a shareholder to realise his principal investment in the company.

19 Pension scheme

The company operates defined contribution pension schemes for the benefit of the employees and directors. The assets of the schemes are administered by trustees in funds independent from those of the company.

The total contributions paid in the year amounted to £13,778 (2003 £8,372).

20 Operating lease commitments

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

	2004	*2003*
Operating leases which expire:	**£**	*£*
Between two and five years	**44,629**	*31,829*

21 Contingent liabilities

The company and a subsidiary company have given cross-guarantees in relation to their bank borrowings. Such bank borrowings at 30 June 2004 amounted to £nil (2003 £nil).

The company is a member of the Inclusive Technology Limited VAT scheme under Section 43 of the Value Added Tax Act 1994 and in consequence may be held responsible for the liabilities of other members which at 30 June 2004 totalled £nil (2003 £728).

22 Related party disclosures

During the period the company recharged costs to Inclusive Consultancy & Training Limited, a subsidiary company, at an amount of £111,834 (2003 £126,731).
The company has traded with this subsidiary on normal commercial terms, transactions during the period amounted to sales of £27,244 (2003 £107,213) and purchases of £6,917 (2003 £nil).
The company has written off £172,393 of a loan with Inclusive Consultancy & Training Limited during the year.
Amounts owed to Inclusive Consultancy & Training Limited at 30 June 2004 amounted to £1,000 (2003 debtor of £432,075) as disclosed in notes 12 and 13.

Amounts owed to Inclusive Investments Limited at 30 June 2004 amounted to £1,000 (2003 £1,000) as disclosed in note 13.

Amounts owed to Inclusive Group Limited at 30 June 2004 amounted to £1,000 (2003 £1,000) as disclosed in note 13.

Amounts owed to Inclusive Distribution Limited at 30 June 2004 amounted to £100 (2003 £nil) as disclosed in note 13.

Amounts owed by Inclusive TLC Inc., a former subsidiary company, at 30 June 2004 amounted to £616,283 (2003 £552,774). The full amount of this balance (2003 £nil) has been provided against in the accounts as it is not expected to be recovered, as disclosed in note 10. During the year interest receivable on this balance amounted to £nil (2003 £28,176).
The company has traded with this company on normal commercial terms, transactions during the year amounted to sales of £46,477 (2003 £180,633).

During the year, the shareholders acquired the whole of the issued share capital of a dormant subsidiary company, Inclusive Limited, from the company for its net asset value of £100. This company subsequently acquired the whole of the issued share capital of Inclusive TLC Inc from the company at its estimated market value of £1.

During the year three of the directors, M Littler, R L H Bates and P M C Hornsey, made loans to the company. The aggregate amounts outstanding at the year end were £51,386 (2003 £11,685) and were unsecured and repayable on demand. Interest has been paid on the loans at 3% above bank base rate.

The company is controlled by M Littler.