

The balance sheets at 31 March 2010 and 2009 for Costello plc are shown below:

	2010		2009
	\$000	\$000	\$000 \$000
Non-current (fixed) assets (Note 1)		8 080	5 330
Current assets			
Inventories	948		920
Trade and other receivables	542		522
Cash and cash equivalents	–		580
Current liabilities			
Trade and other payables	(453)		(234)
Tax	(168)		(306)
Cash and cash equivalents	(87)		–
Net current assets		<u>782</u>	<u>1 482</u>
		8 862	6 812
Non-current liabilities			
7% debentures (Note 2)		<u>(360)</u>	<u>(500)</u>
Net assets		<u>8 502</u>	<u>6 312</u>
Equity			
Ordinary shares of \$1 each fully paid (Note 3)		3 000	2 000
Share premium account		1 000	–
Retained earnings		<u>4 502</u>	<u>4 312</u>
		<u>8 502</u>	<u>6 312</u>

The following information is available for the year ended 31 March 2010:

	\$000
Profit from operations (operating profit)	393
Finance costs (interest paid)	<u>(30)</u>
	363
Tax	<u>(168)</u>
	195
Dividends paid	<u>(5)</u>
Retained profit for the year	<u>190</u>

Note 1

Non-current (fixed) assets

	2010	2009
<u>Land</u>	\$000	\$000
Cost	2 550	2 550
Additions	450	–
Revaluation	500	–
Book value	<u>3 500</u>	<u>2 550</u>

There were no disposals of land during the year.

<u>Buildings</u>	\$000	\$000
Cost	1 530	1 530
Additions	1 350	–
Accumulated depreciation	(900)	(430)
Net book value	<u>1 980</u>	<u>1 100</u>

There were no disposals of buildings during the year.

<u>Plant and machinery</u>	\$000	\$000
Cost	1 600	1 600
Additions	620	–
Disposals	(130)	–
Accumulated depreciation	(810)	(400)
Net book value	<u>1 280</u>	<u>1 200</u>

During the year plant and machinery which had originally cost \$130 000 was sold for \$6000. The depreciation charged on this plant and machinery was \$98 000.

<u>Vehicles</u>	\$000	\$000
Cost	900	900
Additions	1 270	–
Disposals	(200)	–
Accumulated depreciation	(650)	(420)
Net book value	<u>1 320</u>	<u>480</u>

During the year vehicles which had originally cost \$200 000 were sold at a profit of \$7000. The sales proceeds were \$37 000.

Note 2

\$140 000 debentures were redeemed on 30 September 2009.

Note 3

In May 2009 a bonus issue of 1 new ordinary share for every 4 held was made. It is company policy to maintain reserves in their most flexible form. A rights issue of 1 ordinary share for every 5 held at a premium of \$2 each was made in February 2010.

REQUIRED

- (a) Prepare a statement to show the reconciliation of profit from operations (operating profit) to net cash flow from operating activities for the year ended 31 March 2010. [13]
- (b) Prepare a statement of cash flows (cash flow statement) for the year ended 31 March 2010 in good form. [16]