

Company No: 4164708

G.K.R. LOGISTICS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31ST OCTOBER 2003

THAIN OSBORNE & CO
Chartered Accountants

47A LONDON ROAD
SEVENOAKS
KENT TN13 1AR



G.K.R. LOGISTICS LTD

COMPANY INFORMATION

DIRECTORS: Mr G. Rowswell
Mr L. Rowswell
Mr N. Rowswell

SECRETARY: Mrs C. Rowswell

REGISTERED OFFICE: 47A London Road
Sevenoaks
Kent
TN13 1AR

COMPANY NUMBER: 4164708 (England & Wales)

AUDITORS: Thain Osborne & Co
Chartered Accountants
Registered Auditors
47A London Road
Sevenoaks
Kent
TN13 1AR

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The following page does not form part of the Statutory Accounts

11	Detailed Profit and Loss Account
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G.K.R. LOGISTICS LTD
DIRECTORS' REPORT
FOR THE YEAR ENDED 31ST OCTOBER 2003

The directors present their report and the financial statements for the year ended 31st October 2003

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The Company's principal activity continues to be that of transport suppliers. On 28.8.03, the company acquired 100% of the shares in G.K.R. Scaffolding Ltd, whose principal activity is that of scaffold suppliers, for 220 shares in G.K.R. Logistics Ltd, and £1800000 financed by loans. The directors are confident of increasing turnover and profitability for the company and its subsidiary during 2004.

RESULTS AND DIVIDENDS

The profit for the year after taxation was £209784 (2002 £63943). The directors do not propose the payment of a dividend.

DIRECTORS

The directors who served during the year, together with their beneficial interests, including Family holdings, in the issued ordinary share capital of the company were as follows:-

	Ordinary £1 Shares	
	As at 31.10.2003	As at 31.10.2002
G. Rowswell (from 28.8.03)	20	-
L. Rowswell	101	1
N. Rowswell	101	1

The directors are also directors of G.K.R. Scaffolding Ltd, and their interests in the share capital of that company are disclosed in its financial statements.

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 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;
- 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.

FIXED ASSETS

The movements in fixed assets during the year are set out in note 7 on page 7.

AUDITORS

The Auditors, Thain Osborne & Co., will be proposed for re-appointment in accordance with the Companies Act 1985. This report was approved by the board on 24th June 2004.

BY ORDER OF THE BOARD

C.Rowswell
Secretary

C Rowswell

G.K.R. LOGISTICS LTD

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF G.K.R. LOGISTICS LTD

We have audited the financial statements of G.K.R. Logistics Limited, for the year ended 31st October 2003, as set out on pages 3 to 5 and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

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 other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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.

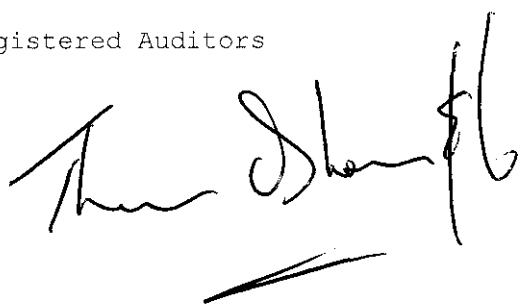
Opinion

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

THAIN OSBORNE & CO
Accountants and Registered Auditors

47A London Road
Sevenoaks
Kent
TN13 1AR

24th June 2004



G.K.R. LOGISTICS LTD

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST OCTOBER 2003

		<u>2003</u> <u>£</u>	<u>2002</u> <u>£</u>
	Note		
<u>TURNOVER</u>		507535	194630
Cost of Sales		(117640)	(65719)
<u>GROSS PROFIT</u>		389895	128911
Administration Expenses		(98574)	(50591)
<u>OPERATING PROFIT</u>	3	291321	78320
Interest Receivable	4	379	-
Interest Payable	4	(2673)	(580)
<u>PROFIT ON ORDINARY ACTIVITIES</u>		289027	77740
<u>BEFORE TAXATION</u>			
Taxation	5	(79243)	(13797)
<u>PROFIT AFTER TAXATION</u>		209784	63943
<u>RETAINED PROFITS</u> brought forward		63943	-
<u>RETAINED PROFITS</u> carried forward		£273727	£ 63943

None of the company's activities were acquired or discontinued during the year.

There were no recognised gains or losses in the year other than those stated above.

The notes on pages 6-10 form part of these financial statements

G.K.R. LOGISTICS LTD

BALANCE SHEET AS AT 31ST OCTOBER 2003

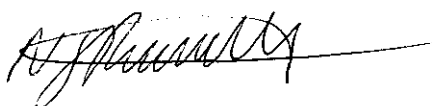
	<u>Note</u>	<u>2003</u> £	<u>2002</u> £
<u>FIXED ASSETS</u>			
Tangible Assets	7	99690	99706
Investments	8	<u>1800220</u>	<u>-</u>
		1899910	99706
<u>CURRENT ASSETS</u>			
Debtors	9	144770	66289
Cash at bank and in hand		<u>123606</u>	<u>35600</u>
		268376	101889
<u>CREDITORS: amounts falling due</u>			
within one year	10	<u>(134337)</u>	<u>(123650)</u>
<u>NET CURRENT ASSETS/(LIABILITIES)</u>		<u>134039</u>	<u>(21761)</u>
<u>TOTAL ASSETS LESS CURRENT LIABILITIES</u>		2033949	77945
<u>CREDITORS: Amounts falling due after</u>			
more than one year	11	(1760000)	(14000)
<u>NET ASSETS</u>		£ <u>273949</u>	£ <u>63945</u>
<u>CAPITAL AND RESERVES</u>			
Called up Share Capital	12	222	2
Profit and Loss Account		<u>273727</u>	<u>63943</u>
<u>SHAREHOLDER FUNDS</u>		<u>£273949</u>	<u>£63945</u>

The financial statements were approved on 24th June 2004, and signed on its behalf.

L. Rowswell
Director



N. Rowswell
Director



The notes on pages 6-10 form part of these Financial Statements

G.K.R. LOGISTICS LTD

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST OCTOBER 2003

	Note	<u>2003</u> £	<u>2002</u> £
Net cash inflow from operations	16	263866	89076
Returns on investment and servicing of finance	4	(2294)	(580)
Taxation		(13797)	-
Cash Inflow before use of liquid reserves and financing		<u>247775</u>	<u>88496</u>
Capital expenditure and financial investment	16	(59769)	(112898)
Payments to acquire investments		(300220)	-
Financing	16	200220	60000
Increase in cash		<u>£ 88006</u>	<u>£ 35598</u>

The notes on pages 6-10 form part of these Financial Statements

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST OCTOBER 20031. ACCOUNTING POLICIES(a) BASIS OF PREPARATION OF FINANCIAL STATEMENTS

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

(b) CONSOLIDATION

In the opinion of the directors, the company and its subsidiary undertaking comprise a medium-sized group. The company has therefore taken advantage of the exemption provided by Section 248 of the Companies Act 1985 not to prepare group accounts. The financial statements therefore present information about the company as an individual undertaking and not about its group.

(c) TURNOVER

Turnover, all of which arises in the United Kingdom represents income receivable from work invoiced during the year exclusive of value added tax.

(d) TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible Fixed Assets are stated at cost less depreciation.

Depreciation is provided at rates calculated to write off the cost of fixed assets less their estimated residual value, over their expected useful lives on the following basis:

Motor Vehicles	25% WDV
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(e) TAXATION

The charge for taxation is based on the profit for the year and takes account of deferred taxation on timing differences except where there is reasonable probability that no such taxation will become payable in the foreseeable future.

2. TURNOVER

Turnover is attributable to the company's principal activity.

3. OPERATING PROFIT FOR THE YEAR

The Profit for the year is attributable to the principal activity of the company and is stated after charging:-

	<u>2003</u>	<u>2002</u>
	£	
Depreciation	39225	35475
(Profit) on Sale of Motor Vehicles	(1440)	(283)
Audit Fees	2500	-

G.K.R. LOGISTICS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST OCTOBER 2003

4.	<u>INTEREST</u>	<u>2003</u>	<u>2002</u>
	<u>Interest Receivable</u>		
	Bank Interest	379	-
		<u>£ 379</u>	<u>£ -</u>
	<u>Interest Payable</u>		
	H.P. Interest	2657	580
	C.T. Interest	16	-
		<u>£ 2673</u>	<u>£ 580</u>
5.	<u>TAXATION</u>	<u>2003</u>	<u>2002</u>
	Corporation tax is charged at 19% & 32.75% (2002 19%/20%) on the profits for the year	£79243	£13797
	Deferred taxation not provided for	£ 2050	£1271
6.	<u>DIRECTORS AND EMPLOYEES</u>	<u>2003</u>	<u>2002</u>
	(i) The average number of persons including the directors, employed by the company during the year was:	<u>3</u>	<u>2</u>
	(ii) Employee costs:		
	Directors remuneration	£ -	£ -
		<u>Motor</u>	<u>Total</u>
		<u>Vehicles</u>	
7.	<u>FIXED ASSETS</u>	<u>£</u>	<u>£</u>
	<u>COST</u>		
	At 1st November 2002	132942	132942
	Additions	61269	61269
	Disposal	(36771)	(36771)
	At 31st October 2003	<u>157440</u>	<u>157440</u>
	<u>DEPRECIATION</u>		
	At 1st November 2002	33236	33236
	Charge in Year	39225	39225
	Disposal	(14711)	(14711)
	At 31st October 2003	<u>57750</u>	<u>57750</u>
	<u>NET BOOK VALUE</u>		
	At 31st October 2003	<u>£99690</u>	<u>£ 99690</u>
	At 31st October 2002	<u>£99706</u>	<u>£ 99706</u>

G.K.R. LOGISTICS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST OCTOBER 2003

8.	<u>INVESTMENTS</u>	<u>2003</u>	<u>2002</u>
	Shares in group undertakings		
	At cost 1.11.02 & 31.10.03	1800220	-
		<u>£1800220</u>	<u>£ -</u>

On 28.8.03 the company acquired 100% of the ordinary share capital of G.K.R. Scaffolding Ltd, a company which supplies scaffolding. The investment is to be financed by an unsecured interest free loan of £1,200,000 from G.K.R. Scaffolding Ltd, repayable by 30.6.06. At 31.10.03 consideration of £1500000 for this investment is outstanding. Additional information is given in Notes 11, 14 and 15.

The company's share of the results, assets and liabilities of G.K.R. Scaffolding Ltd, for the year ended 31st October 2003 was:

	<u>2003</u>	<u>2002</u>
	£	£
Profit before tax	212222	-
Taxation	(55514)	-
Profit after tax	156708	-
Fixed assets	589193	-
Current assets	2116183	-
Liabilities due within one year	(977975)	-

9.	<u>DEBTORS</u>	<u>2003</u>	<u>2002</u>
	Trade Debtors	122593	61540
	Other Debtors	11721	1002
	Prepayments	10456	3747
		<u>£ 144770</u>	<u>£ 66289</u>

Included in trade debtors is £122593 due from GKR Scaffolding Ltd., relating to the supply of transportation.

10.	<u>CREDITORS: Amounts falling</u>	<u>2003</u>	<u>2002</u>
	due within one year		
	Trade Creditors	3481	29348
	Other Creditors	-	60000
	Hire Purchase	-	8000
	Corporation Tax	79243	13797
	Other Taxes & Social Security Costs	48261	9653
	Accruals	3352	2852
		<u>£134337</u>	<u>£123650</u>

11.	<u>CREDITORS: Amounts falling</u>		
	due after one year.		
	HP Finance	-	14000
	GKR Scaffolding Ltd	260000	-
	Mr G. Rowswell	750000	-
	Mrs Y. Rowswell	750000	-
		<u>£1760000</u>	<u>£ 14000</u>

All amounts are unsecured, interest free and repayable by 30.6.06.

G.K.R. LOGISTICS LTD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST OCTOBER 2003

	<u>2003</u>	<u>2002</u>
12. <u>SHARE CAPITAL AUTHORISED</u>		
1000 Ordinary Shares of £1 each	<u>£1000</u>	<u>£1000</u>
<u>ALLOTTED, CALLED UP AND FULLY PAID</u>		
Ordinary Shares of £1 each		
2 at 1.11.02	2	2
220 issued during year	220	-
222 at 31.10.03	<u>£222</u>	<u>£ 2</u>
13. <u>RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS</u>	<u>2003</u>	<u>2002</u>
Profit for the Financial Year after taxation	209784	63943
Increase in Share Capital	220	-
Opening Shareholders' Funds	63945	2
Closing Shareholders' Funds	<u>£ 273949</u>	<u>£ 63945</u>
14. <u>TRANSACTIONS WITH DIRECTORS</u>		
On 28.8.03 the company purchased a 50% holding in G.K.R. Scaffolding Ltd, from Mr G Rowswell and his wife for £1800000 and the issue of 20 ordinary £1 shares in G.K.R. Logistics Ltd. At 31.10.03 £1500000 is outstanding. Refer Note 11.		
On 28.8.03 the company purchased a 50% holding in G.K.R. Scaffolding Ltd, for 200 shares in G.K.R. Logistics Ltd, from Mr. L. Rowswell and Mr N. Rowswell.		
During the year the company sold 2 Motor Vehicles to G.K. and Y. Rowswell in which G Rowswell, L. Rowswell and N. Rowswell are partners. At the 31.10.2003, £11719 is included in Other Debtors relating to these transactions.		
15. <u>RELATED PARTY TRANSACTIONS</u>		
On 28.8.03 the company acquired 100% of G.K.R. Scaffolding Ltd, and entered into an agreement to receive an unsecured, interest free loan of up to £1200000 from G.K.R. Scaffolding Ltd, repayable by 30.6.06. At 31.10.03 £260000 has been drawn against this facility. Refer Note 11.		
The invoiced value, net of VAT for transportation costs supplied to GKR Scaffolding Ltd., in the year is £507494. The invoiced value net of VAT of administrative costs supplied by GKR Scaffolding Ltd., is £96594. Additional related party information is given in note 9.		

16. NOTES TO THE STATEMENT OF CASH INFLOWRECONCILIATION OF OPERATING PROFIT TO NET CASH FLOW

	<u>2003</u>	<u>2002</u>
	<u>£</u>	<u>£</u>
Operating profit	291321	78320
Depreciation of tangible fixed assets	39225	35475
Profit on sale of Motor Vehicles	(1440)	(283)
Increase in debtors	(78481)	(66289)
Increase in creditors	13241	41853
Net cash inflow from operations	<u>£263866</u>	<u>£ 89076</u>

CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT

Capital element of repayments under HP agreement	(22000)	(2000)
Payments to acquire fixed assets	(61269)	(117898)
Receipts from sale of fixed assets	23500	7000
	<u>(59769)</u>	<u>(112898)</u>

FINANCING

Loan from G.K.R. Scaffolding Ltd	200000	60000
Issue of Ordinary Share Capital	220	-
	<u>£200220</u>	<u>£ 60000</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	<u>2003</u>	<u>2002</u>
	<u>£</u>	<u>£</u>
Increase in cash in the period	88006	35598
New HP agreements	-	(24000)
Cash paid in repaying HP agreements	22000	2000
Loans to finance Investments acquired	(1700000)	(60000)
Change in net debt	<u>(1589994)</u>	<u>(46402)</u>
Net (debt)/funds at 1st November 2002	(46400)	2
Net debt at 31st October 2003	<u>£ (1636394)</u>	<u>£ (46400)</u>