COMPANY REGISTRATION NUMBER 83965

HAULAGE SHETLAND LIMITED

ABBREVIATED FINANCIAL STATEMENTS

FOR

31ST JULY 2002



WILLIAMSON & DUNN
Chartered Accountants & Registered Auditors
3 West Craibstone Street
Aberdeen
AB11 6YW

HAULAGE SHETLAND LIMITED

ABBREVIATED FINANCIAL STATEMENTS

YEAR ENDED 31ST JULY 2002

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HAULAGE SHETLAND LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31ST JULY 2002

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31st July 2002.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW
The principal activity of the company during the year was that of road haulage and warehousing.

The directors are satisfied with the results for the year with the company maintaining its position in the local haulage market.

RESULTS AND DIVIDENDS
The trading results for the year, and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have not recommended a dividend.

THE DIRECTORS AND THEIR INTERESTS IN SHARES OF THE COMPANY
The directors who served the company during the year together with their beneficial interests in the shares of the company were as follows:

	Ordinary Shares of £1 each	
	At 31 July 2002	At 1 August 2001
H Balfour	**10,000**	**10,000**
Mrs K Balfour	–	–

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 at the end of the year and of the profit or loss for the year then ended.

In preparing those financial statements, the directors are required to:

select suitable accounting policies, as described on page 8, and then apply them consistently;

make judgements and estimates that are reasonable and prudent; and

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. The directors 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.

AUDITORS

A resolution to re-appoint Williamson & Dunn as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Registered office:
2-4 Pitt Lane
Lerwick

Signed on behalf of the directors

H Balfour
Director

Approved by the directors on ..... 24/5/03.

HAULAGE SHETLAND LIMITED

INDEPENDENT AUDITORS' REPORT TO THE COMPANY

PURSUANT TO SECTION 247B OF THE COMPANIES ACT 1985

We have examined the abbreviated accounts on pages 4 to 14, together with the financial statements of the company for the year ended 31st July 2002 prepared under Section 226 of the Companies Act 1985.

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 the 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 THE DIRECTORS AND THE AUDITORS
The directors are responsible for preparing the abbreviated accounts in accordance with section 246A of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts prepared in accordance with section 246A(3) of the Act to the registrar of companies and whether the accounts to be delivered are properly prepared in accordance with those provisions and report our opinion to you.

BASIS OF OPINION
We have carried out the procedures we consider necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts to be delivered are properly prepared. The scope of our work for the purpose of this report did not include examining or dealing with events after the date of our report on the financial statements.

OPINION
In our opinion the company is entitled to deliver abbreviated accounts prepared inaccordance with section 246A(3) of the Act, and the abbreviated accounts on pages 4 to 14 are properly prepared in accordance with those provisions.

Williamson & Dunn CA

WILLIAMSON & DUNN
Chartered Accountants & Registered Auditors
3 West Craibstone Street
Aberdeen
AB11 6YW
29-5-2003

HAULAGE SHETLAND LIMITED

ABBREVIATED PROFIT AND LOSS ACCOUNT

YEAR ENDED 31ST JULY 2002

	Note	2002 £	2001 £
GROSS PROFIT		**4,571,865**	3,616,489
OPERATING COSTS:			
Staff costs	**2**	**950,238**	658,089
Depreciation written off fixed assets	**3**	**385,335**	286,959
Other operating charges		**2,958,128**	2,484,977
OPERATING PROFIT	**3**	**278,164**	186,464
Interest receivable		**8,839**	12,363
Interest payable and similar charges		**(49,295)**	(31,699)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		**237,708**	167,128
Tax on profit on ordinary activities	**6**	**37,928**	38,703
RETAINED PROFIT FOR THE FINANCIAL YEAR		**199,780**	128,425
Balance brought forward		**780,140**	651,715
Balance carried forward		**979,920**	780,140

The company has no recognised gains or losses other than the results for the year as set out above.
All of the activities of the company are classed as continuing.

The notes on pages 8 to 14 form part of these financial statements.

HAULAGE SHETLAND LIMITED

ABBREVIATED BALANCE SHEET

31ST JULY 2002

	Note	2002 £	2002 £	2001 £	2001 £
FIXED ASSETS					
Tangible assets	7		**1,546,525**		1,468,771
CURRENT ASSETS					
Total stock	8	**16,222**		12,870	
Debtors	9	**671,233**		737,650	
Cash at bank and in hand		**428,000**		141,835	
		1,115,455		892,355	
CREDITORS: Amounts falling due within one year	10	**1,281,896**		1,042,467	
NET CURRENT LIABILITIES			**(166,441)**		(150,112)
TOTAL ASSETS LESS CURRENT LIABILITIES			**1,380,084**		1,318,659
CREDITORS: Amounts falling due after more than one year	11		**290,809**		430,843
			1,089,275		887,816
PROVISIONS FOR LIABILITIES AND CHARGES					
Deferred taxation	14		**89,355**		87,676
			999,920		800,140
CAPITAL AND RESERVES					
Called-up equity share capital	15		**10,000**		10,000
Other reserves	16		**10,000**		10,000
Profit and Loss Account			**979,920**		780,140
SHAREHOLDERS' FUNDS	17		**999,920**		800,140

These accounts have been prepared in accordance with the special provisions for medium-sized companies under Part VII of the Companies Act 1985.

These financial statements were approved by the directors on the 29-5-2003 and are signed on their behalf by:

Hamish T. Balfour

H BALFOUR

The notes on pages 8 to 14 form part of these financial statements.

HAULAGE SHETLAND LIMITED

CASH FLOW STATEMENT

YEAR ENDED 31ST JULY 2002

	2002		2001	
	£	£	£	£
NET CASH INFLOW FROM OPERATING ACTIVITIES		**661,398**		492,442
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE				
Interest received	**8,839**		12,363	
Interest paid	**–**		(582)	
Interest element of hire purchase	**(49,295)**		(31,117)	
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		**(40,456)**		(19,336)
TAXATION		**–**		(55,627)
CAPITAL EXPENDITURE				
Payments to acquire tangible fixed assets	**(520,589)**		(916,613)	
Receipts from sale of fixed assets	**57,500**		5,000	
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE		**(463,089)**		(911,613)
CASH INFLOW/(OUTFLOW) BEFORE FINANCING		**157,853**		(494,134)
FINANCING				
Capital element of hire purchase	**(90,092)**		499,526	
NET CASH (OUTFLOW)/INFLOW FROM FINANCING		**(90,092)**		499,526
INCREASE IN CASH		**67,761**		5,392

The notes on pages 8 to 14 form part of these financial statements.

RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2002 £	2001 £
Operating profit	**278,164**	186,464
Depreciation	**375,535**	283,813
Loss on disposal of fixed assets	***9,800***	3,146
Increase in stocks	**(3,352)**	(2,980)
Decrease/(Increase) in debtors	**66,417**	(58,701)
(Decrease)/Increase in creditors	**(65,166)**	80,700
Net cash inflow from operating activities	**661,398**	492,442

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2002 £	£	2001 £	£
Increase in cash in the period	**67,761**		5,392	
Cash outflow in respect of hire purchase	**90,092**		(499,526)	
		157,853		(494,134)
Change in net debt		**157,853**		(494,134)
Net debt at 1 August 2001		**(587,610)**		(93,476)
Net debt at 31 July 2002		**(429,757)**		(587,610)

ANALYSIS OF CHANGES IN NET DEBT

	At 1 Aug 2001 £	**Cash flows £**	**At 31 Jul 2002 £**
Net cash:			
Cash in hand and at bank	**141,835**	**286,165**	**428,000**
Overdrafts	**–**	**(218,404)**	**(218,404)**
	141,835	**67,761**	**209,596**
Debt:			
Hire purchase agreements	**(729,445)**	**90,092**	**(639,353)**
Net debt	**(587,610)**	**157,853**	**(429,757)**

The notes on pages 8 to 14 form part of these financial statements.

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention.

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Heritable property	- over	50 years
Plant and equipment	- over	5 years
Motor vehicles and trailers	- over	4 - 8 years

Stocks

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

Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the Profit and Loss Account on a straight line basis.

Pension costs

The company operates a defined benefit pension scheme for employees. The assets of the scheme are held separately from those of the company. The contributions to the scheme are charged to the Profit and Loss Account so as to spread the cost of pensions over the service lives of employees. Variations from the regular costs are spread over the average expected remaining working lives of current members in the scheme.

Deferred taxation

Deferred taxation is provided using the liability method on all timing differences, including those relating to pensions, which are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse. Advance corporation tax which is expected to be recoverable in the future is deducted from the deferred taxation balance.

Deferred taxation assets are only recognised if recovery without replacement by equivalent debit balances is reasonably certain.

2. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year amounted to:

	2002	2001
	No.	No.
Number of distribution staff	30	30
Number of administrative staff	7	5
	37	35

The aggregate payroll costs of the above were:

	2002	2001
	£	£
Wages and salaries	802,641	576,390
Social security costs	76,337	53,197
Other pension costs	71,260	28,502
	950,238	658,089

3. OPERATING PROFIT

Operating profit is stated after charging:

	2002	2001
	£	£
Depreciation	375,535	283,813
Loss on disposal of fixed assets	9,800	3,146
Auditors' remuneration		
- as auditors	4,900	4,700

4. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments, including pension contributions, in respect of qualifying services were:

	2002	2001
	£	£
Emoluments receivable	78,500	61,000
Value of company pension contributions to money purchase schemes	70,000	28,502
	148,500	89,502

The number of directors who are accruing benefits under company pension schemes were as follows:

	2002	2001
	No.	No.
Money purchase schemes	2	2

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2002	2001
	£	£
Finance charges	**49,295**	31,117
Other similar charges payable	**–**	582
	49,295	31,699

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

Taxation

		2002		2001
		£		£
Current tax:				
UK Corporation tax based on the results for the year at 19% (2001 - 20%)		**36,249**		–
Corporation tax		**–**		(48)
Total current tax		**36,249**		(48)
Increase in deferred tax provision				
Capital allowances	**1,679**		38,751	
Total deferred tax **(note 14)**		**1,679**		38,751
Tax on profit on ordinary activities		**37,928**		38,703

Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 19% (2001 - 20%).

	2002		2001	
	£	£	£	£
PROFIT on ordinary activites before taxation		**237,708**		167,128
Profit on ordinary activities @ 19% / 20%		**45,164**		33,426
Expenses not deductible for tax purposes		**248**		1,136
Capital allowances for year in excess of depreciation		**(5,856)**		(38,751)
Utilisation of trading losses		**(3,934)**		4,141
Adjustments in respect of change in tax rates		**627**		–
Total current tax		**36,249**		(48)

7. TANGIBLE FIXED ASSETS

	Heritable property £	Plant and equipment £	Vehicles and trailers £	Total £
COST				
At 1st August 2001	**116,473**	**50,999**	**2,423,258**	**2,590,730**
Additions	**11,123**	**62,416**	**447,050**	**520,589**
Disposals	**–**	**–**	**(67,300)**	**(67,300)**
At 31st July 2002	**127,596**	**113,415**	**2,803,008**	**3,044,019**
DEPRECIATION				
At 1st August 2001	**15,306**	**31,617**	**1,075,036**	**1,121,959**
Charge for the year	**2,552**	**19,498**	**353,485**	**375,535**
At 31st July 2002	**17,858**	**51,115**	**1,428,521**	**1,497,494**
NET BOOK VALUE				
At 31st July 2002	**109,738**	**62,300**	**1,374,487**	**1,546,525**
At 31st July 2001	101,167	19,382	1,348,222	1,468,771

Hire purchase agreements
Included within the net book value of £1,546,525 is £1,044,042 (2001 - £854,400) relating to assets held under hire purchase agreements. The depreciation charged to the accounts in the year in respect of such assets amounted to £175,426 (2001 - £108,362).

Capital commitments

	2002 £	2001 £
Contracted but not provided for in the financial statements	**310,000**	–

8. STOCKS

	2002 £	2001 £
Raw materials	**16,222**	12,870

9. DEBTORS

	2002 £	2001 £
Trade debtors	**654,372**	722,795
Other debtors	**16,861**	14,855
	671,233	737,650

10. CREDITORS: Amounts falling due within one year

	2002	2001
	£	£
Bank loans and overdrafts	**218,404**	–
Trade creditors	**521,815**	591,242
Corporation tax	**36,249**	–
PAYE and social security	**20,683**	25,024
VAT	**33,249**	36,684
Other creditors	**451,496**	389,517
	1,281,896	1,042,467

The following liabilities disclosed under creditors falling due within one year are secured by the company:

	2002	2001
	£	£
Bank loans and overdrafts	**218,404**	–

The bank holds a bond and floating charge over all the heritable and moveable assets of the company.

11. CREDITORS: Amounts falling due after more than one year

	2002	2001
	£	£
Other creditors:		
Hire purchase agreements	**290,809**	430,843

12. COMMITMENTS UNDER HIRE PURCHASE AGREEMENTS

Future commitments under hire purchase agreements are as follows:

	2002	2001
	£	£
Amounts payable within 1 year	**348,544**	298,602
Amounts payable between 2 to 5 years	**290,809**	430,843
	639,353	729,445
Hire purchase agreements are analysed as follows:		
Current obligations	**348,544**	298,602
Non-current obligations	**290,809**	430,843
	639,353	729,445

13. PENSIONS

The company operates a defined contribution pension scheme on behalf of its employees. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions are paid based upon the recommendations of a qualified actuary. The annual commitment under this scheme is for contributions of £71,260 (2001 - £28,502). There were no contributions prepaid or outstanding at the year end.

14. DEFERRED TAXATION

	2002	2001
	£	£
The movement in the deferred taxation provision during the year was:		
Provision brought forward	**87,676**	48,925
Profit and Loss Account movement arising during the year	**1,679**	38,751
Provision carried forward	**89,355**	87,676

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

	2002	2001
	£	£
Excess of taxation allowances over depreciation on fixed assets	**89,355**	87,676
	89,355	87,676

15. SHARE CAPITAL

Authorised share capital:

	2002	2001
	£	£
20,000 Ordinary shares of £1 each	**20,000**	20,000

Allotted, called up and fully paid:

	2002	2001
	£	£
Ordinary share capital	**10,000**	10,000

16. OTHER RESERVES

	2002	2001
	£	£
Capital redemption reserve	**10,000**	10,000

17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002	2001
	£	£
Profit for the financial year	**199,780**	128,425
Opening shareholders' equity funds	**800,140**	671,715
Closing shareholders' equity funds	**999,920**	800,140