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Company Registration No. SC205193 (Scotland)

COMPASS BOX DELICIOUS WHISKY LIMITED
DIRECTOR'S REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2002



COMPASS BOX DELICIOUS WHISKY LIMITED

COMPANY INFORMATION

Director	J R Glaser
Secretary	A L Englehardt
Company number	SC205193
Registered office	24 Great King Street Edinburgh Midlothian EH3 6QN
Accountants	Marks Bloom 60/62 Old London Road Kingston upon Thames Surrey KT2 6QZ
Business address	57a Weymouth Street London W1G 8NW
Bankers	National Westminster Bank plc 22 King's Mall Hammersmith London W6 0QD

COMPASS BOX DELICIOUS WHISKY LIMITED

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COMPASS BOX DELICIOUS WHISKY LIMITED

DIRECTOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2002

The director presents his report and financial statements for the year ended 31 December 2002.

Principal activities

The principal activity of the company in the year under review was manufacturing distilled potable alcoholic drinks.

Review of the business

Turning profit in only our second full year of business was our goal, and this goal was within reach in fiscal year 2002, but two key events held us back:

* A questionable trademark lawsuit was threatened against us in the U.S. which brought US trading to a standstill until it was resolved; this threat also forced us to stall opening new export markets, as it was prudent to await the outcome of the threat. This issue has been fully resolved and trading continues with no effect to the status of our trademark.

* A dock workers strike in our largest market, the U.S., held up shipments for several months during the busiest selling season of the year.

Were it not for these events, I estimate turnover would have been at least 50% higher on an expense base close to the one we had, resulting in net profit for the year.

We have taken appropriate measures to protect ourselves from these types of occurrences in future.

We look to profitability in the coming year.

Director

The following director has held office since 1 January 2002:

J R Glaser

Director's interests

The director's interest in the shares of the company was as stated below:

	Ordinary shares of £ 1 each	
	31 December 2002	1 January 2002
J R Glaser	740	1

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

On behalf of the board



J R Glaser

Director

April 2003

COMPASS BOX DELICIOUS WHISKY LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2002

	Notes	£	2002 £	2001 £
Turnover			96,623	13,619
Raw materials and other consumables			56,785	7,701
			<u>39,838</u>	<u>5,918</u>
Depreciation and amortisation		6,840		3,080
Other operating charges		53,827		7,869
			<u>60,667</u>	<u>10,949</u>
Operating loss	2		(20,829)	(5,031)
Interest payable and similar charges			(265)	-
Loss on ordinary activities before taxation			(21,094)	(5,031)
Tax on loss on ordinary activities			-	-
Loss on ordinary activities after taxation	8		<u>(21,094)</u>	<u>(5,031)</u>

COMPASS BOX DELICIOUS WHISKY LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2002

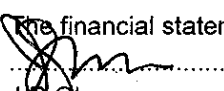
	Notes	2002 £	£	2001 £	£
Fixed assets					
Tangible assets	3		6,919		11,110
Current assets					
Stocks		37,395		15,623	
Debtors	4	23,970		16,085	
Cash at bank and in hand		232		327	
		<u>61,597</u>		<u>32,035</u>	
Creditors: amounts falling due within one year	5	<u>(41,323)</u>		<u>(3,324)</u>	
Net current assets			20,274		28,711
Total assets less current liabilities			27,193		39,821
Creditors: amounts falling due after more than one year	6		<u>(26,450)</u>		<u>(70,759)</u>
			<u>743</u>		<u>(30,938)</u>
Capital and reserves					
Called up share capital	7		840		1
Share premium account	8		51,936		-
Profit and loss account	8		<u>(52,033)</u>		<u>(30,939)</u>
Shareholders' funds			<u>743</u>		<u>(30,938)</u>

In preparing these financial statements:

- The director is of the opinion that the company is entitled to the exemption from audit conferred by Section 249A(1) of the Companies Act 1985;
- No notice has been deposited under Section 249B(2) of the Companies Act 1985, and
- The director acknowledges his responsibilities for:
 - ensuring that the company keeps accounting records which comply with Section 221 of the Companies Act 1985, and
 - preparing accounts which give a true and fair view of the state of affairs of the company as at the end of the financial year and of its profit or loss for the financial year in accordance with the requirements of Section 226, and which otherwise comply with the requirements of this Act relating to accounts, so far as applicable to the company.

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

The financial statements were approved by the Board on 11 April 2003


J. B. Glaser
Director

COMPASS BOX DELICIOUS WHISKY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002).

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable accounting standards.

1.3 Turnover

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

1.4 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 less estimated residual value of each asset over its expected useful life, as follows:

Design costs	33.33% per annum straight line
Fixtures, fittings & equipment	25% per annum reducing balance

1.5 Stock and work in progress

Stock and work in progress are valued at the lower of cost and net realisable value.

1.6 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 Operating loss

	2002	2001
	£	£
Operating loss is stated after charging:		
Depreciation of tangible assets	6,840	3,080

COMPASS BOX DELICIOUS WHISKY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002

3 Tangible fixed assets

	Plant and machinery etc
	£
Cost	
At 1 January 2002	19,708
Additions	2,649
At 31 December 2002	22,357
Depreciation	
At 1 January 2002	8,598
Charge for the year	6,840
At 31 December 2002	15,438
Net book value	
At 31 December 2002	6,919
At 31 December 2001	11,110

4 Debtors

	2002 £	2001 £
Trade debtors	16,332	13,862
Other debtors	7,638	2,223
	23,970	16,085

5 Creditors: amounts falling due within one year

	2002 £	2001 £
Bank loans and overdrafts	13,124	-
Trade creditors	5,475	-
Director's loan account	5,000	-
Other creditors	17,724	3,324
	41,323	3,324

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002

6	Creditors: amounts falling due after more than one year	2002 £	2001 £
	Bank loans	4,728	-
	Director's loan account	21,722	30,155
	Other loans	-	40,604
		<u>26,450</u>	<u>70,759</u>

7	Share capital	2002 £	2001 £
	Authorised		
	1,000 Ordinary shares of £ 1 each	<u>1,000</u>	<u>1,000</u>
	Allotted, called up and fully paid		
	840 Ordinary shares of £ 1 each	<u>840</u>	<u>1</u>

On 12 December 2002, £45,759 of the long term loans was capitalised and a further 839 ordinary shares of £1 each were issued.

8	Statement of movements on reserves	Share premium account £	Profit and loss account £
	Balance at 1 January 2002	-	(30,939)
	Retained loss for the year	-	(21,094)
	Premium on shares issued during the year	51,936	-
	Balance at 31 December 2002	<u>51,936</u>	<u>(52,033)</u>

9 Related party transactions

For the whole year, the company was under the control of Mr J R Glaser, the major shareholder and director of the company.