

DEE SET LOGISTICS LIMITED

REGISTERED OFFICE:

249, WEST GEORGE STREET,
GLASGOW.
G2 4RB.

COMPANY NO. 208421

REPORT & FINANCIAL ACCOUNTS
FOR THE YEAR ENDED
31st DECEMBER, 2002.

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DEE SET LOGISTICS LTD.

DIRECTORS' REPORT

FOR THE YEAR ENDED
31st DECEMBER, 2002.

The Directors submit their Annual Report, together with the audited Accounts of the Company for the year ended 31st December, 2002.

1. RESULTS & DIVIDENDS

The Net Profit for the year, after taxation, was £172,481. The Directors propose that no Dividend be paid for the year.

2. REVIEW OF THE BUSINESS

The principal activity of the Company is the distribution of third party goods.

The Turnover for the year was £3,874,781. The Directors consider the results to be satisfactory and will continue in their efforts to improve profitability.

3. FIXED ASSETS

Movement in the Fixed Assets of the Company is set out in detail in the Notes to the Accounts.

4. DIRECTORS AND THEIR INTERESTS

The Directors at 31st December, 2002, and their interests in the Share Capital of the Company, were as follows:

	<u>Ordinary Shares of £1 each</u>	
	<u>2002</u>	<u>2001</u>
W. Latham	12500	1
C. Maclean [resigned 30/6/2002]	-	-
E. Byrnes	12500	-

5. EVENTS SINCE THE END OF THE YEAR

The Directors consider that there have not been major events since the year end which require reporting.

6. CLOSE COMPANY STATUS

In the opinion of the Directors, the Company is a Close Company, as defined by Section 414[1] Income & Corporation Taxes Act 1988.

7. AUDITORS

In accordance with the Companies Act 1985, a resolution re-appointing Messrs. Hardings, as Auditors, and to fix their remuneration, will be put to the Annual General Meeting.

8. 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 these Financial Statements, the Directors are required to:

- select suitable Accounting Policies and 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.

We, as Directors, are responsible for maintaining proper accounting records, which disclose the reasonable accuracy, at any time, of the financial position of the Company, and to enable them to ensure that the Financial Statements comply with the Companies Act 1985.

We 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.

By Order of the Board.

Dated 17th March, 2003.



W. Latham

Director

6, Marsh Parade
Newcastle-under-Lyme
Staffordshire
ST5 1DU

Telephone (01782) 617868
Facsimile (01782) 712673
~~DX 20083 Newcastle-under-Lyme 1~~

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
DEE SET LOGISTICS LIMITED

We have audited the financial statements of Dee Set Logistics Limited for the year ended 31st December, 2002, which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, and the related notes. These financial statements have been prepared under the Historical Cost Convention and the Accounting Policies set out therein.

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. This 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 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 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 December, 2002, and of its Profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Dated 17th March, 2003.

A handwritten signature in dark ink, appearing to read 'H. J. ...', is written over the date line.

Chartered Certified Accountants
& Registered Auditors

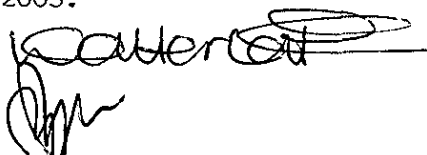
DEE SET LOGISTICS LIMITED

BALANCE SHEET AS AT 31st DECEMBER, 2002.

	<u>NOTE</u>	<u>2002</u> <u>£</u>	<u>2001</u> <u>£</u>
<u>FIXED ASSETS:</u>			
Tangible Assets	2	<u>583279</u>	<u>41219</u>
<u>CURRENT ASSETS:</u>			
Debtors	3	906600	576357
Stock		6000	3000
Cash in Hand		302	82
		<u>912902</u>	<u>579439</u>
<u>CREDITORS:</u>			
Amounts falling due within one year	4	<u>1077991</u>	<u>802448</u>
<u>NET CURRENT LIABILITIES</u>		<u>[165089]</u>	<u>[233009]</u>
<u>TOTAL ASSETS LESS CURRENT LIABILITIES</u>		<u>418190</u>	<u>[181790]</u>
<u>CREDITORS:</u>			
Amounts falling due after more than one year	4	<u>[337500]</u>	<u>-</u>
<u>PROVISION FOR LIABILITIES & CHARGES:</u>			
Deferred Taxation	5	<u>-</u>	<u>-</u>
<u>NET ASSETS/[LIABILITIES]</u>		<u>£80690</u>	<u>£[181790]</u>
<u>CAPITAL & RESERVES:</u>			
Called Up Share Capital	6	90000	1
Profit & Loss Account		<u>[9310]</u>	<u>[181791]</u>
<u>SHAREHOLDERS FUNDS</u>	7	<u>£80690</u>	<u>£[181790]</u>

Approved by the Board 17th March, 2003.

W. Latham]
] Directors
E. Byrnes]




The Notes on pages 7 to 10 form part of these Accounts.

DEE SET LOGISTICS LIMITED

PROFIT & LOSS ACCOUNT

FOR THE YEAR ENDED
31st DECEMBER, 2002.

	<u>NOTE</u>	<u>2002</u> <u>£</u>	<u>2001</u> <u>£</u>
Gross Margin		2191393	1041678
Staff Costs	11	1566905	1016882
Depreciation		18158	7590
Other Operating Charges		402508	181986
Operating Profit/[Loss]		203822	[164780]
Interest Payable	12	31341	17011
Profit/[Loss] on Ordinary Activities before Taxation	10	172481	[181791]
Taxation	13	-	-
Profit/[Loss] on Ordinary Activities after Taxation		172481	[181791]
Dividends	14	-	-
Profit/[Loss] for year		172481	[181791]
Losses brought forward		[181791]	-
Losses carried forward		£[9310]	£[181791]

The above results all derived
from continuing operations.

The Notes on pages 7 to 10 form part of these Accounts.

DEE SET LOGISTICS LIMITED

NOTES TO ACCOUNTS

FOR THE YEAR ENDED
31st DECEMBER, 2002.

1. ACCOUNTING POLICIES

Accounting Convention

The Accounts have been prepared under the Historical Cost Convention.

Depreciation

Depreciation is provided on all Tangible Fixed Assets to write off the cost of each asset over its expected useful life at the following rates:-

Fixtures, Fittings & Equipment	25% on net book value
Computer Equipment	25% on cost

The Freehold Buildings were purchased in December, 2002. Depreciation will be provided with effect from 1st January, 2003.

Stock and Work in Progress

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

Work in Progress and finished goods - cost of direct materials and labour plus attributable overheads on normal level of activity.

Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

Hire-Purchase and Leasing Commitments

Assets obtained under Hire-Purchase Contracts and Finance Leases are capitalised in the Balance Sheet and are depreciated over their useful lives.

The interest element of the Hire-Purchase and Finance Lease repayments is charged to Profit and Loss Account over the period of the contract and represents a constant proportion of the balance of Capital repayments outstanding.

Rentals paid under operating Leases are charged to income as incurred.

Deferred Taxation

Tax deferred or accelerated is accounted for in respect of all material timing differences to the extent that it is probable that a liability or asset will crystallise. Provision is made at the rate which is expected to be applied when the liability or asset is expected to crystallise. Where this is not known the latest estimate of the long term tax rate applicable has been adopted.

Pension Scheme Arrangements

The Company operates a defined contributions Pension Scheme. Contributions payable for the year are charged in the Profit and Loss Account.

2. TANGIBLE ASSETS

	<u>Total</u>	<u>Freehold Land and Buildings</u>	<u>Fixtures, Fittings & Equipment</u>	<u>Computer Equipment</u>
<u>COST:</u>				
At beginning of year	48809	-	9423	39386
Additions	560218	504448	33484	22286
Disposals	-	-	-	-
As at 31st December, 2002	£609027	£504448	£42907	£61672
<u>DEPRECIATION:</u>				
At beginning of year	7590	-	1162	6428
Charge for year	18158	-	5451	12707
Adjustment for Disposals	-	-	-	-
As at 31st December, 2002	£25748	£-	£6613	£19135
<u>WRITTEN DOWN VALUE:</u>				
As at 31st December, 2001	£41219	£-	£8261	£32958
As at 31st December, 2002	£583279	£504448	£36294	£42537

3. DEBTORS

	<u>2002</u>	<u>2001</u>
Due within one year		
Trade Debtors	674705	551116
Other Debtors	22195	1
Prepayments	22673	25240
Associated Company Current Account	187027	-
	£906600	£576357

4. CREDITORS

	<u>Due within one year</u>		<u>Due after more than one year</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Loans	49500	180000	337500	-
Bank Overdraft	303639	338242	-	-
Trade Creditors	654192	206922	-	-
Social Security & Other Taxes	69989	70570	-	-
Directors' Loan Accounts	-	-	-	-
Hire-Purchase Accounts	-	-	-	-
Accruals	-	-	-	-
Other Creditors	671	6714	-	-
	£1077991	£802448	£337500	£-

The Bank Overdraft is secured by a guarantee by William Haughey dated 26th March, 2002.

5. DEFERRED TAXATION

The potential amounts, and those for which provision has been made are as follows:

	31st December, 2002		31st December, 2001	
	<u>Provisional</u>	<u>Potential</u>	<u>Provisional</u>	<u>Potential</u>
Capital Allowances in advance of Depreciation	<u>£-</u>	<u>£-</u>	<u>£-</u>	<u>£-</u>

6. CALLED UP SHARE CAPITAL

	<u>Authorised</u>	<u>Allotted, Issued and Fully Paid</u>	
		<u>2002</u>	<u>2001</u>
Ordinary Shares of £1 each	<u>£250,000</u>	<u>£90000</u>	<u>£1</u>

7. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS FUNDS

	<u>2002</u>	<u>2001</u>
Profit/[Loss] for year	172481	[181791]
Opening Shareholders Funds	[181790]	1
Issue of Shares	89999	-
Closing Shareholders Funds	<u>£80690</u>	<u>£[181790]</u>

8. CAPITAL COMMITMENTS

Capital Expenditure contracted for, but not provided for in the Accounts	<u>Nil</u>	<u>Nil</u>
Capital Expenditure authorised by the Directors, but not yet contracted for	<u>Nil</u>	<u>Nil</u>

10. PROFIT/[LOSS] ON OPERATING ACTIVITIES BEFORE TAXATION

Directors' Remuneration	£74671	£97616
Depreciation of Fixed Assets	£18158	£7590
Auditors' Remuneration	£2000	£1400
Interest Payable	<u>£31341</u>	<u>£17011</u>

11. STAFF COSTS

	<u>2002</u>	<u>2001</u>
Wages & Salaries	1433166	931191
Social Security Costs	124895	80531
Directors' Pension Scheme	8844	5160
	<u>£1566905</u>	<u>£1016882</u>
Average Number of Employees	<u>125</u>	<u>88</u>

12. INTEREST PAYABLE

On Bank Overdraft repayable on demand	13246	14761
On Loan repayable within one year	750	2250
Factoring Interest	17345	-
	<u>£31341</u>	<u>£17011</u>

13. TAXATION

Corporation Tax	-	-
Deferred Taxation	-	-
	<u>£-</u>	<u>£-</u>

14. DIVIDENDS

Dividends on Ordinary Shares	<u>£-</u>	<u>£-</u>
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15. TRANSACTIONS WITH DIRECTORS

The following Directors had interest-free loans during the year.
The movements on these loans are as follows:

	<u>Amount Owing</u>		<u>Maximum Amount Owing In Year</u>
	<u>2002</u>	<u>2001</u>	
E. Byrnes	£12500	£-	£12500
W. Latham	£7500	£-	£7500

16. RELATED PARTY TRANSACTIONS

The Company has one Associated Company - Dee Set Confectionery Limited and the inter-Company balance due from this Company at 31st December, 2002, as a result of transactions, is £187,027.

DEE SET LOGISTICS LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED
31st DECEMBER, 2002.

	<u>NOTE</u>	<u>£</u>
Net Cash Inflow from Operating Activities	A	161383
Returns on Investment and Serving of Finance		
- Interest Paid		[31341]
- Issue of Shares		89999
Net Cash Inflow from Returns on Investment and Serving of Finance		£220041
Taxation		
- Corporation Tax Paid		<u>£-</u>
Investing Activities		
- Payments to Acquire Tangible Fixed Assets		[560218]
- Receipts from Sale of Tangible Fixed Assets		-
Net Cash Outflow from Investing Activities		£[560218]
Equity Dividends Paid		<u>£-</u>
Increase in Cash and Cash Equivalents	C	<u>£[340177]</u>

DEE SET LOGISTICS LIMITED

NOTES TO CASH FLOW STATEMENT

NOTE

A RECONCILIATION OF OPERATING PROFIT
TO NET CASH INFLOW FROM OPERATING ACTIVITIES

Operating Profit	203822
Depreciation Charge	18158
Movement in Stocks	[3000]
Movement in Debtors	[330243]
Movement in Creditors	272646
Net Cash Inflow from Operating Activities	£161383

B ANALYSIS OF CHANGES IN CASH AND
CASH EQUIVALENTS DURING THE YEAR

Balance at beginning of year	[338160]
Net Cash [Outflow]/Inflow	[340177]
Balance at end of year	£[678337]

C ANALYSIS OF THE BALANCES OF CASH AND CASH
EQUIVALENTS AS SHOWN IN THE BALANCE SHEET

	<u>2002</u>	<u>2001</u>	<u>Charge in Year</u>
Cash in Hand	302	82	220
Bank Overdraft & Loan	[678639]	[338242]	[340397]
	£[678337]	£[338160]	£[340177]