Registered number: SC225409

NORTHWARDS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 NOVEMBER 2002



NORTHWARDS LIMITED

COMPANY INFORMATION

DIRECTORS	Larry Leslie (appointed 16/11/2001) Neil Leslie (appointed 16/11/2001) Robert Leslie (appointed 16/11/2001) G Brian Anderson (appointed 16/11/2001) John White (appointed 16/11/2001) Angus Watson (appointed 01/12/2001 & resigned 06/03/2003) Jordans (Scotland) Limited (appointed 16/11/2001 & resigned 16/11/2001) Terence Cairns (appointed 11/01/2002 & resigned 30/09/2002)
SECRETARY	Neil Leslie
COMPANY NUMBER	SC225409
REGISTERED OFFICE	Anderson Base Gremista Lerwick Shetland ZE1 0PX
AUDITORS	Reeves & Neylan Chartered Accountants & Registered Auditors 15 South Ward Road Dundee DD1 1PU

NORTHWARDS LIMITED

CONTENTS

	Page
Directors' report	1 - 3
Auditors' report	4 - 5
Profit and loss account	6
Balance sheet	7
Cash flow statement	8
Notes to the financial statements	9 - 16
The following pages do not form part of the statutory accounts:	
Detailed profit and loss account and summaries	17 - 19

DIRECTORS' REPORT
For the period ended 30 November 2002

The directors present their report and the financial statements for the period ended 30 November 2002.

STATEMENT OF 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.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

The company's principal activities are freight control and the provision of haulage services.

The company was incorporated as Port Services Limited on 16 November 2001. It's name was changed to Northwards Limited on 3 December 2001.

The company commenced trading in January 2002 after a management buyout from P&O Scottish Ferries Limited of their freight, haulage and maintenance operations in and between Aberdeen, Orkney, Shetland and Scrabster.

Throughout 2002 we continued to market and expand the services previously offered. This saw cargo volumes on all routes grow throughout the period, showing an increase of approximately 50% between Aberdeen and Shetland and traffic to and from Orkney increasing by almost 100%. In October an additional depot was opened in Inverness, which has performed ahead of budget since starting operations.

Haulage and maintenance services within Orkney and Shetland performed in line with expectations. A significant amount of plant was refurbished and painted in the new company livery. This amounted to a one-off cost of approximately £50,000 during the period. A number of vehicles and trailers were also replaced.

October saw the contract for the provision of ferry services to and from Orkney and Shetland change from P&O to Northlink Ferries and also the introduction of Norse Island Ferries in which Northwards has a share. This resulted in an increase in our costs due to changes in pricing methods and the introduction of one freight rate for all traffic where previously the rate paid was dependent on the commodity carried. For certain cargoes this meant negotiating a rate increase, a procedure that has been time consuming and protracted. This certainly had an adverse effect on the last two months of our financial period.

RESULTS AND DIVIDENDS

The profit for the period, after taxation, amounted to £72,457.

The directors do not recommend the payment of a dividend.

DIRECTORS' REPORT
For the period ended 30 November 2002

DIRECTORS

The directors who served during the period and their beneficial interests in the company's issued share capital were:

	Ordinary shares of £1 each	
	30/11/02	*16/11/01*
Larry Leslie (appointed 16/11/2001)	**25,000**	-
Neil Leslie (appointed 16/11/2001)	**25,000**	-
Robert Leslie (appointed 16/11/2001)	**25,000**	-
G Brian Anderson (appointed 16/11/2001)	**25,000**	-
John White (appointed 16/11/2001)	**25,000**	-
Angus Watson (appointed 01/12/2001 & resigned 06/03/2003)	**12,500**	-
Jordans (Scotland) Limited (appointed 16/11/2001 & resigned 16/11/2001)	-	*1 **
Terence Cairns (appointed 11/01/2002 & resigned 30/09/2002)	-	-

(* held on date of appointment)

FUTURE DEVELOPMENTS

Costs are being continually monitored and have been reduced significantly in various areas.

Better utilisation of space on each trailer has been achieved and has resulted in a monthly saving of between 10% and 15% on ferry costs.

Plant costs have been cut by reducing the amount of hired plant where possible and achieving more favourable rates on others. Labour costs have reduced through staff leaving or retiring and not being replaced and also by stricter controls on overtime worked.

Certain cargoes which became non-profitable after the ferry rates changed are no longer carried unless the rates increase could be passed to the customer. This has reduced costs considerably and significantly reduced the losses that were initially being incurred on these contracts.

The introduction of a full time Financial Controller has enabled us to identify and put in place procedures to cut costs further.

All rates have been reviewed and increases put in place where necessary. The services provided by the company are being marketed constantly and new avenues of business are being investigated.

All areas continue to grow with the exception of freight into Shetland, where the decline of the fishing industry, turmoil within the salmon industry and the general downturn in oil-related traffic has seen the market place shrink since the period end. However, our core traffic of salmon feed and groupage cargo has been in line with budget to date.

DIRECTORS' REPORT
For the period ended 30 November 2002

AUDITORS

The auditors, Reeves & Neylan, will be proposed for reappointment in accordance with section 385 of the Companies Act 1985.

This report was approved by the board on 15 September 2003 and signed on its behalf.

N Leslie

Neil Leslie
Secretary

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF NORTHWARDS LIMITED

We have audited the financial statements of Northwards Limited for the period ended 30 November 2002 set out on pages 6 to 16. These financial statements have been prepared under the historical cost convention and the accounting policies set out on page 9.

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 an 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 DIRECTORS AND AUDITORS

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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 the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

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.

Going concern

In forming our opinion, we have considered the adequacy of the disclosures made in note 23 of the financial statements concerning the uncertainty as to the company's ability to meet its liabilities as they fall due. In view of the significance of this uncertainty, we consider that it should be drawn to your attention but our opinion is not qualified in this respect.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF NORTHWARDS LIMITED

OPINION

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 November 2002 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Reeves & Neylan

Chartered Accountants
Registered Auditors

15 South Ward Road
Dundee
DD1 1PU

15 September 2003

NORTHWARDS LIMITED

PROFIT AND LOSS ACCOUNT
For the period ended 30 November 2002

	Note	Period ended 30 November 2002 £
TURNOVER	1, 2	**4,354,630**
Cost of sales		**(3,308,516)**
GROSS PROFIT		**1,046,114**
Administrative expenses		**(969,592)**
OPERATING PROFIT	3	**76,522**
Interest receivable		**93**
Interest payable	6	**(4,158)**
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		**72,457**
TAX ON PROFIT ON ORDINARY ACTIVITIES		**-**
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		**72,457**

All amounts relate to continuing operations.

The activities acquired during the period related to freight control and the provision of haulage services.

There were no recognised gains and losses for 2002 other than those included in the profit and loss account.

The notes on pages 9 to 16 form part of these financial statements.

NORTHWARDS LIMITED

BALANCE SHEET
As at 30 November 2002

	Note	£	30 November 2002 £
FIXED ASSETS			
Tangible fixed assets	7		**620,216**
Investments	8		**3,200**
			623,416
CURRENT ASSETS			
Stocks	9	**64,823**	
Debtors	10	**1,739,068**	
Cash in hand		**400**	
		1,804,291	
CREDITORS: amounts falling due within one year	11	**(2,084,552)**	
NET CURRENT LIABILITIES			**(280,261)**
TOTAL ASSETS LESS CURRENT LIABILITIES			**343,155**
CREDITORS: amounts falling due after more than one year	12		**(133,198)**
NET ASSETS			**209,957**
CAPITAL AND RESERVES			
Called up share capital	13		**137,500**
Profit and loss account			**72,457**
SHAREHOLDERS' FUNDS - All Equity	14		**209,957**

The financial statements were approved by the board on 15 September 2003 and signed on its behalf.

Larry Leslie
Director

The notes on pages 9 to 16 form part of these financial statements.

CASH FLOW STATEMENT
For the period ended 30 November 2002

	Note	Period ended 30 November 2002 £
Net cash flow from operating activities	15	**(297,863)**
Returns on investments and servicing of finance	16	**(4,065)**
Capital expenditure and financial investment	16	**(714,496)**
CASH OUTFLOW BEFORE FINANCING		**(1,016,424)**
Financing	16	**304,822**
DECREASE IN CASH IN THE PERIOD		**(711,602)**

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT (NOTE 17)
For the period ended 30 November 2002

	Period ended 30 November 2002 £
Decrease in cash in the period	**(711,602)**
Cash inflow from decrease in debt and lease financing	**(167,322)**
MOVEMENT IN NET DEBT IN THE PERIOD	**(878,924)**
Net funds at 16 November 2001	**-**
NET DEBT AT 30 NOVEMBER 2002	**(878,924)**

The notes on pages 9 to 16 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 30 November 2002

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

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

1.2 Turnover

Turnover comprises the invoiced value of goods and services supplied by the company, exclusive of Value Added Tax and trade discounts.

1.3 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 bases:

Haulage Plant	-	15% - 20%	straight line
Groupage Plant	-	15%	straight line
Plant, machinery & office equipment	-	15% - 25%	straight line
Motor Vehicles	-	20%	straight line
Tenants Improvements	-	10%	straight line

1.4 Leasing and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease and hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

1.5 Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the profit and loss account on the straight line basis over the lease term.

1.6 Stocks

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

1.7 Deferred taxation

Provision is made in full for all taxation deferred in respect of timing differences that have originated but not reversed by the balance sheet date, except for gains on disposal of fixed assets which will be rolled over into replacement assets. No provision is made for taxation on permanent differences.

Deferred tax assets are recognised to the extent that it is more likely than not that they will be recovered.

1.8 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the period.

2. TURNOVER

The whole of the turnover is attributable to freight control and the provision of haulage services.

All turnover arose within the United Kingdom.

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 30 November 2002

3. OPERATING PROFIT

The operating profit is stated after charging:

	Period ended 30 November 2002 £
Depreciation of tangible fixed assets:	
- owned by the company	75,026
- held under finance leases	10,598
Auditors' remuneration	13,500
Operating lease rentals:	
- plant and machinery	20,608

4. STAFF COSTS

Staff costs, including directors' remuneration, were as follows:

	Period ended 30 November 2002 £
Wages and salaries	935,134
Social security costs	85,755
Other pension costs	7,271
	1,028,160

The average monthly number of employees, including directors, during the period was as follows:

	Period ended 30 November 2002
Directors	3
Administration	20
Drivers, checkers etc.	49
	72

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 30 November 2002

5. DIRECTORS' REMUNERATION

	Period ended 30 November 2002 £
Emoluments	110,875
Company pension contributions to money purchase pension schemes	1,170

During the period retirement benefits were accruing to 3 directors in respect of money purchase pension schemes.

In addition, £32,391 was paid to a director for accounting and administration assistance during the period to 30 November 2002.

6. INTEREST PAYABLE

	Period ended 30 November 2002 £
On bank loans and overdrafts	2,843
On other loans	271
On finance leases and hire purchase contracts	1,044
	4,158

7. TANGIBLE FIXED ASSETS

	Haulage plant	Groupage plant	Plant, machinery & office equipment	Motor vehicles	Tenant's improvements	Total
	£	£	£	£	£	£
Cost						
Additions	441,038	213,882	46,585	7,000	3,989	712,494
Disposals	(1,800)	(5,600)	-	-	-	(7,400)
At 30 November 2002	439,238	208,282	46,585	7,000	3,989	705,094
Depreciation						
Charge for the period	59,829	18,350	6,206	1,239	-	85,624
On disposals	-	(746)	-	-	-	(746)
At 30 November 2002	59,829	17,604	6,206	1,239	-	84,878
Net book value						
At 30 November 2002	379,409	190,678	40,379	5,761	3,989	620,216

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 30 November 2002

7. TANGIBLE FIXED ASSETS (continued)

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2002 £
Haulage plant	120,807
Groupage plant	70,565
	191,372

8. FIXED ASSET INVESTMENTS

	Unlisted investments £	*Total* £
Cost		
Additions	3,200	3,200
At 30 November 2002	3,200	3,200

The company owns 16% of the issued ordinary share capital of Norse Island Ferries Limited. As this company was only incorporated on 8 July 2002 financial statements have yet to be prepared.

9. STOCKS

	2002 £
Parts stock	64,823

The difference between purchase price of stocks and their replacement cost is not material.

10. DEBTORS

	2002 £
Due within one year	
Trade debtors	1,575,480
Other debtors	131,058
Prepayments and accrued income	32,530
	1,739,068

Of the trade debtors, £1,394,208 are factored debts.

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 30 November 2002

11. CREDITORS:
Amounts falling due within one year

	2002 £
Bank loans and overdrafts	**712,002**
Net obligations under finance leases and hire purchase contracts	**34,124**
Trade creditors	**1,142,794**
Social security and other taxes	**121,028**
Other creditors	**2,840**
Accruals and deferred income	**71,764**
	2,084,552

The Royal Bank of Scotland plc holds a bond and floating charge over the assets of the company.

In addition it has unsecured personal guarantees provided by Larry Leslie, Neil Leslie, Robert Leslie, John White, G Brian Anderson and Angus Watson. These guarantees are limited to £80,000 in total.

Hire purchase and finance agreements are secured over the assets to which they relate.

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

	2002 £
Net obligations under finance leases and hire purchase contracts	**133,198**

Obligations under finance leases and hire purchase contracts, included above, are payable as follows:

	2002 £
Between two and five years	**133,198**

13. SHARE CAPITAL

	2002 £
Authorised	
150,000 Ordinary shares of £1 each	**150,000**
Allotted, called up and fully paid	
137,500 Ordinary shares of £1 each	**137,500**

137,500 Ordinary shares of £1 each were allotted and issued during the period at par value.

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 30 November 2002

14. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2002 £
Profit for the period	72,457
Shares issued during the period	137,500
Closing shareholders' funds	209,957

15. NET CASH FLOW FROM OPERATING ACTIVITIES

	Period ended 30 November 2002 £
Operating profit	76,522
Depreciation of tangible fixed assets	85,624
Loss on disposal of tangible fixed assets	5,456
Increase in stocks	(64,823)
Increase in debtors	(1,739,068)
Increase in creditors	1,338,426
NET CASH OUTFLOW FROM OPERATIONS	(297,863)

16. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	Period ended 30 November 2002 £
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	
Interest received	93
Interest paid	(3,114)
Hire purchase interest	(1,044)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	(4,065)

	Period ended 30 November 2002 £
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	
Purchase of tangible fixed assets	(712,494)
Sale of tangible fixed assets	1,198
Purchase of unlisted and other investments	(3,200)
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE	(714,496)

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 30 November 2002

16. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT *(continued)*

	Period ended 30 November 2002 £
FINANCING	
Issue of ordinary shares	**137,500**
Principal payment under finance lease	**167,322**
NET CASH INFLOW FROM FINANCING	**304,822**

17. ANALYSIS OF CHANGES IN NET DEBT

	16 November 2001 £	Cash flow £	*Other* non-cash changes £	30 November 2002 £
Cash at bank and in hand:	-	**400**	-	**400**
Bank overdraft	-	**(712,002)**	-	**(712,002)**
	-	**(711,602)**	-	**(711,602)**
DEBT :				
Finance leases	-	**(167,322)**	-	**(167,322)**
NET	-	**(878,924)**	-	**(878,924)**

18. PENSION COMMITMENTS

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £5,453.

19. OPERATING LEASE COMMITMENTS

At 30 November 2002 the company had annual commitments under non-cancellable operating leases as follows:

	2002 £
Expiry date:	
Between 2 and 5 years	**51,726**

20. DIRECTORS' PERSONAL GUARANTEES

Unsecured personal guarantees have been provided by Larry Leslie, Neil Leslie, Robert Leslie, John White, G Brian Anderson and Angus Watson in favour of the Royal Bank of Scotland plc. These guarantees are limited to £80,000 in total.

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 30 November 2002

21. RELATED PARTY TRANSACTIONS

During the period £32,391 was charged by AMW Management Services, a partnership in which Angus Watson is a partner. This was for the provision of accounting and administration services. There were no amounts outstanding at the period end.

£17,755 was charged to GBAM Anderson a partnership in which Brian Anderson is a partner. This was for the provision of freight control and haulage services and was charged at arms length. At 30 November 2002, £1,752 was due to Northwards Limited.

The company owns an investment at a cost of £3,200 in Norse Island Ferries Limited, equivalent to 16% of the share capital of that company. During the period Northwards Limited loaned £42,504 to Norse Island Ferries Limited as part of the normal working capital of that company. This amount was outstanding at the year end. This balance is contained within other debtors. Within trade debtors is an amount due from Norse Island Ferries Limited of £18,401 and within trade creditors an amount due to Norse Island Ferries Limited of £412,204. These balances were built up through the normal trading of both companies and all transactions were at arms length.

22. CONTROLLING PARTY

There is no single controlling party.

23. GOING CONCERN

Trading has been extremely difficult since the year end.

The directors have put in place a number of new procedures and carried out a number of cost reducing measures to secure the future of the company. They have evidenced their commitment to the company by the injection of personal funds and also by increasing their personal guarantees in favour of the Royal Bank of Scotland.

The directors expect that the Royal Bank of Scotland will continue to support the company through this difficult period.

The directors are satisfied that these financial statements should be prepared using the going concern basis.