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COMPANY

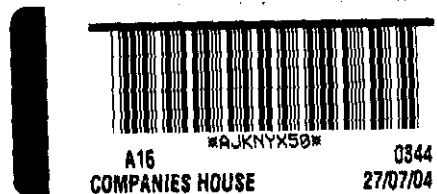
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Concorde Logistics Limited

Report and Unaudited Financial Statements

Year Ended

31 December 2003



IBDO

BDO Stoy Hayward
Chartered Accountants

CONCORDE LOGISTICS LIMITED

Annual report and financial statements for the year ended 31 December 2003

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Directors

C J N Grad
D N Fletcher
B J Dearman
K G Williams
A Joy

Secretary and registered office

D N Fletcher, Unit 4, Trident Way, International Trading Estate, Brent Road, Southall,
Middlesex UB2 5LF

Company number

01372780

Auditors

BDO Stoy Hayward LLP, Kings Wharf, 20-30 Kings Road, Reading, Berkshire RG1 3EX

CONCORDE LOGISTICS LIMITED

Report of the directors for the year ended 31 December 2003

The directors present their report together with the audited financial statements for the year ended 31 December 2003.

Results and dividends

The profit and loss account is set out on page 5 and shows the profit for the year.

Interim dividends of £Nil (2002 – 20.05p) per share were paid to ordinary shareholders during the year. The directors do not recommend the payment of a final dividend.

Principal activities, trading review and future developments

The company's principal activity is that of the provision of logistics services, incorporating warehousing, distribution, engineering, configuration and computer resale services.

The directors are satisfied with the results for the year under review and are of the opinion that the ensuing year's results should show a further increase in turnover and profit.

Directors

The directors of the company during the year were:

C J N Grad
D N Fletcher
B J Dearman
K G Williams
A Joy (appointed 23 December 2003)

No director had any beneficial interest in the share capital of the company. The directors, except A Joy, are also directors of the ultimate parent company, Concorde Logistics Services Limited, and their interests in the share capital of that company are shown 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

CONCORDE LOGISTICS LIMITED

Report of the directors for the year ended 31 December 2003 (*Continued*)

Directors' responsibilities (*continued*)

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.

Auditors

On 31 December 2003, BDO Stoy Hayward, the company's auditors, transferred its business to BDO Stoy Hayward LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. Accordingly BDO Stoy Hayward resigned as auditors on that date and the directors appointed BDO Stoy Hayward LLP as its successor. A resolution to reappoint BDO Stoy Hayward LLP as auditors will be proposed at the next annual general meeting.

By order of the Board



D N Fletcher
Secretary

Date: 15TH JULY 2004

CONCORDE LOGISTICS LIMITED

Report of the independent auditors

To the shareholders of Concorde Logistics Limited

We have audited the financial statements of Concorde Logistics Limited for the year ended 31 December 2003 on pages 5 to 18 which have been prepared under the accounting policies set out on pages 8 and 9.

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

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

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.

CONCORDE LOGISTICS LIMITED

Report of the independent auditors (*Continued*)

Opinion

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

BDO Stoy Hayward LLP
BDO STOY HAYWARD LLP
Chartered Accountants
and Registered Auditors
Reading

Date: *15 July 2004*

CONCORDE LOGISTICS LIMITED**Profit and loss account for the year ended 31 December 2003**

	Note	2003 £	2002 £
Turnover	2	24,495,330	22,264,298
Cost of sales		21,555,708	19,225,596
Gross profit		2,939,622	3,038,702
Administrative expenses		1,714,987	1,703,515
		1,224,635	1,335,187
Other operating income		84,500	44,000
Operating profit	3	1,309,135	1,379,187
Income from shares in group undertakings		135,895	-
Other interest receivable and similar income	6	2,102	9,708
Interest payable and similar charges	7	(13,433)	(20,975)
Profit on ordinary activities before taxation		1,433,699	1,367,920
Taxation on profit from ordinary activities	8	436,751	408,047
Profit on ordinary activities after taxation for the year		996,948	959,873
Dividends	9	-	40,000
Retained profit for the financial year	17	996,948	919,873

All amounts relate to continuing activities

All recognised gains and losses in the current and prior year are included in the profit and loss account

The notes on pages 8 to 18 form part of these financial statements

CONCORDE LOGISTICS LIMITED

Balance sheet at 31 December 2003

	Note	2003 £	2003 £	2002 £	2002 £
Fixed assets					
Tangible assets	10		651,668		303,333
Investments	11		100,000		165,000
			<u>751,668</u>		<u>468,333</u>
Current assets					
Stocks	12	-		44,053	
Debtors	13	7,693,601		5,604,430	
Cash at bank and in hand		283,947		406,935	
		<u>7,977,548</u>		<u>6,055,418</u>	
Creditors: amounts falling due within one year	14	6,080,263		4,871,746	
		<u>1,897,285</u>		<u>1,183,672</u>	
Net current assets			<u>2,648,953</u>		<u>1,652,005</u>
Total assets less current liabilities			<u>2,648,953</u>		<u>1,652,005</u>
Capital and reserves					
Called up share capital	16		199,531		199,531
Profit and loss account	17		2,449,422		1,452,474
			<u>2,648,953</u>		<u>1,652,005</u>
Equity shareholder's funds	18		<u>2,648,953</u>		<u>1,652,005</u>

The financial statements were approved by the Board on 15th JULY 2004

C J N Grad
Director

The notes on pages 8 to 18 form part of these financial statements

CONCORDE LOGISTICS LIMITED

Cash flow statement for the year ended 31 December 2003

	Note	2003 £	2003 £	2002 £	2002 £
Net cash inflow from operating activities	22		678,820		1,393,054
Returns on investments and servicing of finance					
Interest received		2,102		9,708	
Interest paid: other		(13,433)		(2,066)	
Interest paid: hire purchase		-		(18,909)	
Dividends received		135,895		-	
			124,564		(11,267)
Taxation					
UK corporation tax paid		(390,983)		(489,456)	
			(390,983)		(489,456)
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(573,789)		(132,408)	
Receipts from sale of tangible fixed assets		38,400		42,894	
			(535,389)		(89,514)
Acquisitions and disposals					
Purchase of subsidiary		-		(165,000)	
			-		(165,000)
Equity dividend paid			-		(40,000)
Cash (outflow)/inflow before financing			(122,988)		597,817
Financing					
Capital element of finance leases repaid		-		(107,456)	
			-		(107,456)
(Decrease)/increase in cash	23		(122,988)		490,361

The notes on pages 8 to 18 form part of these financial statements

CONCORDE LOGISTICS LIMITED

Notes forming part of the financial statements for the year ended 31 December 2003

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

Group accounts

The company is exempt under Section 228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as it and its subsidiary undertaking are included by full consolidation in the consolidated financial statements of its ultimate parent, Concorde Logistics Services Limited. These financial statements, therefore, present information about the company as an individual undertaking and not about its group.

Goodwill

Goodwill arising on an acquisition is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. It is capitalised and amortised through the profit and loss account over the directors' estimate of its useful economic life. Impairment tests on the carrying value of goodwill are undertaken:

- at the end of the first full financial year following acquisition;
- in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Turnover

Turnover represents sales to outside customers at invoiced amounts less value added tax or local taxes on sales.

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets, evenly over their expected useful lives. It is calculated at the following rates:

Leasehold improvements	- over the period of the lease
Plant and machinery	- 10%-33% per annum
Motor vehicles	- 25% per annum
Fixtures and fittings	- 20% per annum

Valuation of investments

Investments held as fixed assets are stated at cost less any provision for impairment.

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis. Net realisable value is based on estimated selling price less additional costs to completion and disposal.

CONCORDE LOGISTICS LIMITED

Notes forming part of the financial statements for the year ended 31 December 2003 (Continued)

1 Accounting policies (Continued)

Foreign currency

Foreign currency transactions are translated into sterling at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet dates. Any differences are taken to the profit and loss account.

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences. Deferred tax balances are not discounted.

Leased assets

Operating lease rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

Reverse premiums and similar incentives to enter into operating lease agreements are initially recorded as deferred income and released to the profit and loss account over the period to the date on which the rent is first expected to be adjusted to the prevailing market rate.

Pensions

Contributions to the company's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable.

2 Turnover

	2003 £	2002 £
Analysis by class of business:		
Field service logistics and general warehousing	16,008,057	12,432,939
Transport	6,547,316	6,997,366
Engineering and audit services	630,028	934,409
Computer maintenance and sales	1,309,929	1,899,584
	<hr/>	<hr/>
	24,495,330	22,264,298
	<hr/>	<hr/>
	2003 £	2002 £
Analysis by geographical market:		
United Kingdom	22,964,602	21,248,495
Europe	1,530,728	1,015,803
	<hr/>	<hr/>
	24,495,330	22,264,298
	<hr/>	<hr/>

CONCORDE LOGISTICS LIMITED

Notes forming part of the financial statements for the year ended 31 December 2003 (Continued)

3 Operating profit

	2003 £	2002 £
This is arrived at after charging/(crediting):		
Depreciation of tangible fixed assets	187,778	153,030
Hire of plant and machinery - operating leases	158,071	183,213
Hire of other assets - operating leases	2,470,637	1,221,799
Auditors' remuneration - Audit services	30,000	30,000
- Non-audit services	11,270	7,889
Exchange differences	(13,289)	(6,935)
(Profit)/loss on disposal of fixed assets	(724)	7,587

4 Employees

	2003 £	2002 £
Staff costs (including directors) consist of:		
Wages and salaries	5,400,215	4,759,501
Social security costs	557,058	472,433
Other pension costs	83,070	89,109
	6,040,343	5,321,043

The average number of employees (including directors) during the year was as follows:

	2003 Number	2002 Number
Warehouse and transport	168	137
Sales and administration	19	18
Engineering maintenance and computer sales	43	54
	230	209

5 Directors' remuneration

	2003 £	2002 £
Directors' emoluments	464,490	432,912
Company contributions to money purchase pension schemes	12,177	33,552

There were 3 directors in the company's defined contribution pension scheme during the year (2002 - 3).

The total amount payable to the highest paid director in respect of emoluments was £193,828 (2002 - £153,194). Company pension contributions of £Nil (2002 - £24,000) were made to a money purchase scheme on his behalf.

CONCORDE LOGISTICS LIMITED

Notes forming part of the financial statements for the year ended 31 December 2003 (*Continued*)

6	Other interest receivable and similar income	2003	2002
		£	£
	Bank deposits	2,102	8,724
	Other interest	-	984
		<hr/>	<hr/>
		2,102	9,708
		<hr/>	<hr/>
7	Interest payable and similar charges	2003	2002
		£	£
	Bank loans and overdrafts	3,338	2,066
	Finance leases and hire purchase contracts	-	18,909
	Other interest payable	10,095	-
		<hr/>	<hr/>
		13,433	20,975
		<hr/>	<hr/>
8	Taxation on profit on ordinary activities	2003	2002
		£	£
	<i>Current tax</i>		
	UK corporation tax on profits of the year	483,047	448,563
	Overprovision in prior years	(13,473)	(33,026)
	Payment for group relief	10,295	-
		<hr/>	<hr/>
	Total current tax	479,869	415,537
	<i>Deferred tax</i>		
	Origination and reversal of timing differences	(43,118)	(7,490)
		<hr/>	<hr/>
	Taxation on profit on ordinary activities	436,751	408,047
		<hr/>	<hr/>

CONCORDE LOGISTICS LIMITED

Notes forming part of the financial statements for the year ended 31 December 2003 (*Continued*)

8 Taxation on profit on ordinary activities (*Continued*)

The tax assessed for the year is different to the standard rate of corporation tax in the UK. The differences are explained below:

	2003 £	2002 £
Profit on ordinary activities before tax	1,433,699	1,367,920
Profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2002 - 30%)	430,110	410,376
Effects of:		
Expenses not deductible for tax purposes	75,250	34,552
Non taxable income	(40,769)	-
Capital allowances for the year in excess of depreciation	14,469	11,777
Increase in pension contributions not paid	-	2,355
Charges paid	-	(2,216)
Group relief claimed not paid	-	(8,281)
Short term timing differences	14,282	-
Adjustment to tax charge in respect of previous years	(13,473)	(33,026)
Current tax charge for the year	479,869	415,537

9 Dividends

	2003 £	2002 £
<i>Equity shares</i>		
Ordinary shares		
Interim paid of Nil p (2002 – 20.05p) per share	-	40,000

CONCORDE LOGISTICS LIMITED

Notes forming part of the financial statements for the year ended 31 December 2003 (Continued)

10 Tangible fixed assets	Leasehold Improvements £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Total £
<i>Cost</i>					
At 1 January 2003	-	323,945	250,060	102,642	676,647
Additions	484,623	56,573	9,500	23,093	573,789
Disposals	-	(64,287)	(89,316)	(14,371)	(167,974)
At 31 December 2003	484,623	316,231	170,244	111,364	1,082,462
<i>Depreciation</i>					
At 1 January 2003	-	150,746	183,614	38,954	373,314
Provided for the year	73,926	61,207	32,260	20,385	187,778
Disposals	-	(58,380)	(57,548)	(14,370)	(130,298)
At 31 December 2003	73,926	153,573	158,326	44,969	430,794
<i>Net book value</i>					
At 31 December 2003	410,697	162,658	11,918	66,395	651,668
At 31 December 2002	-	173,199	66,446	63,688	303,333

11 Investments

	Subsidiary investments £
<i>Cost</i>	
At 31 January 2003 and at 31 December 2003	165,000
<i>Impairment</i>	
Provided for the year and at 31 December 2003	65,000
<i>Net book value</i>	
At 31 December 2003	100,000
At 31 December 2002	165,000

The following was an unlisted subsidiary undertaking at the year end:

Name of company	Country of incorporation	Proportion of ordinary share capital and voting rights held	Nature of business
Hospital Technical Services Limited	England	100%	Dormant

CONCORDE LOGISTICS LIMITEDNotes forming part of the financial statements for the year ended 31 December 2003 (*Continued*)**12 Stocks**

	2003	2002
	£	£
Finished goods and goods for resale	-	44,053

13 Debtors

	2003	2002
	£	£
Amounts receivable within one year		
Trade debtors	5,026,617	4,018,497
Amounts owed by group undertakings	1,602,915	933,383
Deferred taxation (see note 15)	43,118	-
Other debtors	330,773	178,709
Prepayments and accrued income	676,124	420,607
	7,679,547	5,551,196
Amounts receivable after more than one year		
Other debtors	14,054	53,234
	7,693,601	5,604,430

14 Creditors: amounts falling due within one year

	2003	2002
	£	£
Trade creditors	2,607,723	2,254,564
Amounts owed to group undertakings	127,759	183,359
Taxation and social security	652,209	319,834
Corporation tax	256,472	167,586
Other creditors	380,316	294,271
Accruals and deferred income	2,055,784	1,652,132
	6,080,263	4,871,746

CONCORDE LOGISTICS LIMITED

Notes forming part of the financial statements for the year ended 31 December 2003 (*Continued*)

15 Deferred taxation

	£	
At 1 January 2003		-
Credited to profit and loss account		43,118
		<hr/>
At 31 December 2003		43,118
		<hr/>
	2003	2002
	£	£
The deferred tax asset consists of:		
Accelerated capital allowances	26,480	-
Short term timing differences	16,638	-
	<hr/>	<hr/>
	43,118	-
	<hr/>	<hr/>

The company has an unprovided deferred tax asset of £Nil (2002 - £7,211).

16 Share capital

	2003	2002
	£	£
<i>Authorised</i>		
500,000 ordinary shares of £1 each	500,000	500,000
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
199,531 ordinary shares of £1 each	199,531	199,531
	<hr/>	<hr/>

17 Reserves

	Profit and loss account £
At 1 January 2003	1,452,474
Profit for the year	996,948
	<hr/>
At 31 December 2003	2,449,422
	<hr/>

CONCORDE LOGISTICS LIMITED

Notes forming part of the financial statements for the year ended 31 December 2003 (Continued)

18 Reconciliation of movement in shareholder's funds

	2003 £	2002 £
Profit for the year	996,948	959,873
Dividends	-	(40,000)
	<hr/>	<hr/>
Opening shareholder's funds	996,948 1,652,005	919,873 732,132
	<hr/>	<hr/>
Closing shareholder's funds	2,648,953	1,652,005
	<hr/>	<hr/>

19 Pensions

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension charge represents contributions payable by the company to the fund and amounted to £83,090 (2002 - £89,109). There were outstanding contributions at the end of the financial year of £3,598 (2002 - £7,850).

20 Commitments under operating leases

As at 31 December 2003, the company had annual commitments under non-cancellable operating leases as set out below:

	2003 Land and buildings £	2003 Other £	2002 Land and buildings £	2002 Other £
Operating leases which expire:				
Within one year	372,812	3,888	28,365	69,818
In two to five years	904,653	14,330	828,220	175,526
Over five years	311,417	9,923	275,000	43,165
	<hr/>	<hr/>	<hr/>	<hr/>
	1,588,882	28,141	1,131,585	288,509
	<hr/>	<hr/>	<hr/>	<hr/>

CONCORDE LOGISTICS LIMITED

Notes forming part of the financial statements for the year ended 31 December 2003 (*Continued*)

21 Related party disclosures

Related party transactions and balances

Related party	Sales to related party £	Purchases from related party £	Management fees received £	Amounts owed by related party £
2003				
Navypark Developments Limited	-	21,004	-	-
Lundy International Limited	23,340	175	-	996
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
2002				
Lundy Electronics & Systems Limited	-	-	44,000	-
Navypark Developments Limited	-	23,583	-	-
Lundy International Limited	43,315	-	-	16,893
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

C J N Grad owns 33% of Lundy International Limited and 50% of Navypark Developments Limited.

Grad Electronics Limited (formerly Lundy Electronics & Systems Limited) is owned by Grad Companies Limited, a company controlled by C J N Grad.

The company has taken advantage of the exemption allowed by Financial Reporting Standard 8, "Related Party Transactions" not to disclose any transactions with entities that are included in the consolidated financial statements of Concorde Logistics Services Limited.

22 Reconciliation of operating profit to net cash inflow from operating activities

	2003 £	2002 £
Operating profit	1,309,135	1,379,187
Impairment of intangible fixed assets	65,000	-
Depreciation of tangible fixed assets	187,778	153,030
(Profit)/loss on sale of tangible fixed assets	(724)	7,587
Decrease/(increase) in stocks	44,053	(3,841)
Increase in debtors	(2,046,053)	(508,868)
Increase in creditors	1,119,631	365,959
	<u> </u>	<u> </u>
Net cash inflow from operating activities	678,820	1,393,054
	<u> </u>	<u> </u>

CONCORDE LOGISTICS LIMITED

Notes forming part of the financial statements for the year ended 31 December 2003 (Continued)

23 Reconciliation of net cash inflow to movement in net debt

	2003 £	2002 £
(Decrease)/increase in cash	(122,988)	490,361
Cash outflow from changes in debt	-	107,456
Movement in net debt resulting from cash flows and movement in net debt	(122,988)	597,817
Opening net debt	406,935	(190,882)
Closing net debt	283,947	406,935

24 Analysis of net debt

	At 1 January 2003 £	Cash flow £	At 31 December 2003 £
Cash in hand and at bank	406,935	(122,988)	283,947

25 Capital commitments

	2003 £	2002 £
Contracted but not provided for		
Tangible fixed assets	-	15,000

26 Contingent liabilities

The company has cross guarantees between itself, Concorde Logistics (Holdings) Limited and Concorde Logistics Services Limited in respect of bank borrowings and loan notes. At 31 December 2003 these guarantees amounted to £564,583 (2002 - £1,206,852). The guarantees are secured by first and second fixed and floating charges over the assets of the company.

27 Ultimate parent company and ultimate controlling party

The immediate parent company is Concorde Logistics (Holdings) Limited.

The ultimate parent company is Concorde Logistics Services Limited, which is the parent of the largest group of which the company is a member. Copies of the consolidated financial statements of Concorde Logistics Services Limited are available from Companies House.

The ultimate controlling party is Mr C J N Grad.