

1413254

STERLING RESOURCES PLC  
REPORT OF THE DIRECTORS AND  
FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST MARCH 2001

1413254



E.J.Clouder & Co  
Chartered Certified Accountants  
Charter House  
105 Leigh Road  
Leigh on sea  
Essex  
SS9 1JL

~~1413254~~

**STERLING RESOURCES PLC**

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**FOR THE YEAR ENDED 31ST MARCH 2001**

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**STERLING RESOURCES PLC**

**COMPANY INFORMATION**  
**FOR THE YEAR ENDED 31ST MARCH 2001**

**DIRECTORS:** D M Markscheffel  
B D Markscheffel  
D G Markscheffel  
S C Markscheffel

**SECRETARY:** B D Markscheffel

**REGISTERED OFFICE:** Charter House  
105 Leigh Road  
Leigh-on-Sea  
Essex  
SS9 1JL

**REGISTERED NUMBER:** 1413254 (England and Wales)

**AUDITORS:** E.J.Clouder & Co  
Chartered Certified Accountants  
Charter House  
105 Leigh Road  
Leigh on sea  
Essex  
SS9 1JL

**BANKERS:** Lloyds TSB Bank Plc  
77 High Street  
Southend-on-Sea  
Essex  
SS1 1HT

# **STERLING RESOURCES PLC**

## **REPORT OF THE DIRECTORS** **FOR THE YEAR ENDED 31ST MARCH 2001**

The directors present their report with the financial statements of the company for the year ended 31st March 2001.

### **PRINCIPAL ACTIVITY**

The principal activity of the company in the year under review was that of a holding company for Universal Cycles plc.

### **REVIEW OF BUSINESS**

The results for the year and financial position of the company are as shown in the annexed financial statements.

### **DIVIDENDS**

No dividends will be distributed for the year ended 31st March 2001.

### **DIRECTORS**

The directors during the year under review were:

D M Markscheffel  
B D Markscheffel  
D G Markscheffel  
S C Markscheffel

The beneficial interests of the directors holding office on 31st March 2001 in the issued share capital of the company were as follows:

|                           | 31.3.01 | 1.4.00 |
|---------------------------|---------|--------|
| <b>Ordinary £1 shares</b> |         |        |
| D M Markscheffel          | 53,000  | 53,000 |
| B D Markscheffel          | 26,000  | 26,000 |
| D G Markscheffel          | 7,000   | 7,000  |
| S C Markscheffel          | 7,000   | 7,000  |

### **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.

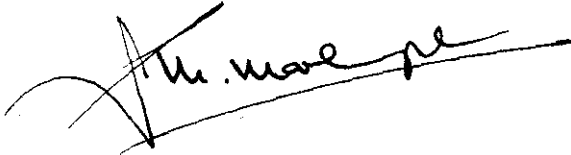
**STERLING RESOURCES PLC**

**REPORT OF THE DIRECTORS**  
**FOR THE YEAR ENDED 31ST MARCH 2001**

**AUDITORS**

The auditors, E.J.Clouder & Co, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

**ON BEHALF OF THE BOARD:**

A handwritten signature in black ink, appearing to read 'D M Markscheffel', written over a horizontal line.

D M Markscheffel - DIRECTOR

Dated: 25th October 2001

**STERLING RESOURCES PLC**

**REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF  
STERLING RESOURCES PLC**

We have audited the financial statements of Sterling Resources Plc for the year ended 31st March 2001 on pages five to ten. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

**Respective responsibilities of directors and auditors**

As described on page two the company's directors are responsible for the preparation of 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 Report of the Directors 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 Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

**Basis of audit opinion**

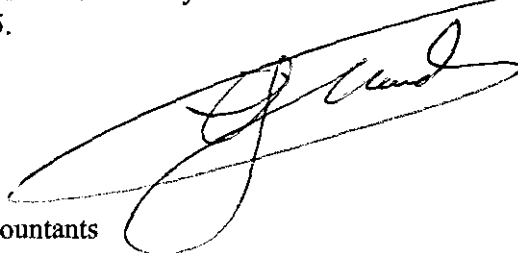
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates 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.

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31st March 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

E.J.Clouder & Co  
Chartered Certified Accountants  
Charter House  
105 Leigh Road  
Leigh on sea  
Essex  
SS9 1JL



Dated: 25th October 2001

**STERLING RESOURCES PLC**

**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31ST MARCH 2001**

|                                                        |       | Year Ended<br>31.3.01   | Period<br>1.1.99<br>to<br>31.3.00 |
|--------------------------------------------------------|-------|-------------------------|-----------------------------------|
|                                                        | Notes | £                       | £                                 |
| <b>TURNOVER</b>                                        |       | -                       | -                                 |
| <b>OPERATING PROFIT</b>                                | 2     | -                       | -                                 |
| Amounts written off<br>investments                     | 3     | <u>40,001</u>           | <u>-</u>                          |
| <b>LOSS ON ORDINARY ACTIVITIES<br/>BEFORE TAXATION</b> |       | <b>(40,001)</b>         | -                                 |
| Tax on loss on ordinary<br>activities                  | 4     | <u>-</u>                | <u>-</u>                          |
| <b>LOSS FOR THE FINANCIAL YEAR<br/>AFTER TAXATION</b>  |       | <b>(40,001)</b>         | -                                 |
| <b>DEFICIT CARRIED FORWARD</b>                         |       | <b><u>£(40,001)</u></b> | <b><u>-</u></b>                   |

**CONTINUING OPERATIONS**

None of the company's activities were acquired or discontinued during the current year or previous period.

**TOTAL RECOGNISED GAINS AND LOSSES**

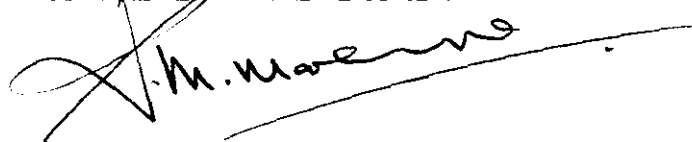
The company has no recognised gains or losses other than the loss for the current year.

**STERLING RESOURCES PLC**

**BALANCE SHEET**  
**31ST MARCH 2001**

|                                                          |       | <u>2001</u>    |                  | <u>2000</u>    |                  |
|----------------------------------------------------------|-------|----------------|------------------|----------------|------------------|
|                                                          | Notes | £              | £                | £              | £                |
| <b>FIXED ASSETS:</b>                                     |       |                |                  |                |                  |
| Investments                                              | 5     |                | 281,050          |                | 243,051          |
| <b>CURRENT ASSETS:</b>                                   |       |                |                  |                |                  |
| Debtors                                                  | 6     | 32,391         |                  | 32,391         |                  |
| <b>CREDITORS:</b> Amounts falling<br>due within one year | 7     | <u>253,442</u> |                  | <u>175,442</u> |                  |
| <b>NET CURRENT LIABILITIES:</b>                          |       |                | <u>(221,051)</u> |                | <u>(143,051)</u> |
| <b>TOTAL ASSETS LESS CURRENT<br/>LIABILITIES:</b>        |       |                | <u>£59,999</u>   |                | <u>£100,000</u>  |
| <b>CAPITAL AND RESERVES:</b>                             |       |                |                  |                |                  |
| Called up share capital                                  | 8     |                | 100,000          |                | 100,000          |
| Profit and loss account                                  |       |                | <u>(40,001)</u>  |                | <u>-</u>         |
| <b>SHAREHOLDERS' FUNDS:</b>                              | 10    |                | <u>£59,999</u>   |                | <u>£100,000</u>  |

**ON BEHALF OF THE BOARD:**



D M Markscheffel - DIRECTOR

Approved by the Board on 25th October 2001

The notes form part of these financial statements



**STERLING RESOURCES PLC**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31ST MARCH 2001**

**1. ACCOUNTING POLICIES**

**Accounting convention**

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

**Financial Reporting Standard Number 1**

Exemption has been taken from preparing a cash flow statement on the grounds that the company qualifies as a small company.

**Deferred taxation**

Provision is made at current rates for taxation deferred in respect of all material timing differences except to the extent that, in the opinion of the directors, there is reasonable probability that the liability will not arise in the foreseeable future.

**2. OPERATING PROFIT**

The operating profit is stated after charging:

|                       | <b>Year Ended</b><br><b>31.3.01</b><br><b>£</b> | <b>Period</b><br><b>1.1.99</b><br><b>to</b><br><b>31.3.00</b><br><b>£</b> |
|-----------------------|-------------------------------------------------|---------------------------------------------------------------------------|
| Directors' emoluments | -                                               | -                                                                         |
|                       | <u>          </u>                               | <u>          </u>                                                         |

**3. AMOUNTS WRITTEN OFF INVESTMENTS**

|                                        | <b>Year Ended</b><br><b>31.3.01</b><br><b>£</b> | <b>Period</b><br><b>1.1.99</b><br><b>to</b><br><b>31.3.00</b><br><b>£</b> |
|----------------------------------------|-------------------------------------------------|---------------------------------------------------------------------------|
| Loss on sale of fixed asset investment | 40,001                                          | -                                                                         |
|                                        | <u>          </u>                               | <u>          </u>                                                         |

**4. TAXATION**

No liability to UK corporation tax arose on ordinary activities for the year ended 31st March 2001 nor for the period ended 31st March 2000.

**STERLING RESOURCES PLC**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31ST MARCH 2001**

**5. FIXED ASSET INVESTMENTS**

|                        |                              |
|------------------------|------------------------------|
|                        | £                            |
| <b>COST:</b>           |                              |
| At 1st April 2000      | 223,051                      |
| Additions              | 60,000                       |
| Disposals              | (20,001)                     |
|                        | <hr/>                        |
| At 31st March 2001     | 263,050                      |
|                        | <hr/>                        |
| <b>NET BOOK VALUE:</b> |                              |
| At 31st March 2001     | 263,050                      |
|                        | <hr/>                        |
|                        | <hr/>                        |
| At 31st March 2000     | 223,051                      |
|                        | <hr/>                        |
|                        | <hr/>                        |
|                        | 2001                  2000   |
|                        | £                          £ |
| Unlisted investments   | 263,050              223,051 |
|                        | <hr/>                        |
|                        | <hr/>                        |

The company's investments at the balance sheet date in the share capital of unlisted companies include the following:

**Universal Cycles plc**

Nature of business: Bicycle distribution

|                  |         |
|------------------|---------|
|                  | %       |
| Class of shares: | holding |
| Ordinary         | 75.00   |

|                                |           |           |
|--------------------------------|-----------|-----------|
|                                | 2001      | 2000      |
|                                | £         | £         |
| Aggregate capital and reserves | 3,254,860 | 2,428,480 |
| Profit for the year/period     | 89,671    | 122,542   |
|                                | <hr/>     | <hr/>     |
|                                | <hr/>     | <hr/>     |

**Cycles UK Limited**

Nature of business: Bicycle retail

|                  |         |
|------------------|---------|
|                  | %       |
| Class of shares: | holding |
| Ordinary         | 50.00   |

**Belle Fabrics Limited**

Nature of business: Fabric retail

|                  |         |
|------------------|---------|
|                  | %       |
| Class of shares: | holding |
| Ordinary         | 50.00   |

**STERLING RESOURCES PLC**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31ST MARCH 2001**

**5. FIXED ASSET INVESTMENTS - continued**

Investments (neither listed nor unlisted) were as follows:

|       | 2001          | 2000          |
|-------|---------------|---------------|
|       | £             | £             |
| Loans | <u>18,000</u> | <u>20,000</u> |

The above loan outstanding at the end of the year was to Belle Fabrics Limited, and is being repaid by instalments.

**6. DEBTORS: AMOUNTS FALLING  
DUE WITHIN ONE YEAR**

|               | 2001          | 2000          |
|---------------|---------------|---------------|
|               | £             | £             |
| Other debtors | <u>32,391</u> | <u>32,391</u> |

**7. CREDITORS: AMOUNTS FALLING  
DUE WITHIN ONE YEAR**

|                 | 2001           | 2000           |
|-----------------|----------------|----------------|
|                 | £              | £              |
| Other creditors | <u>253,442</u> | <u>175,442</u> |

**8. CALLED UP SHARE CAPITAL**

Authorised:

| Number:   | Class:   | Nominal<br>value: | 2001             | 2000             |
|-----------|----------|-------------------|------------------|------------------|
|           |          |                   | £                | £                |
| 1,000,000 | Ordinary | £1                | <u>1,000,000</u> | <u>1,000,000</u> |

Allotted, issued and fully paid:

| Number: | Class:   | Nominal<br>value: | 2001           | 2000           |
|---------|----------|-------------------|----------------|----------------|
|         |          |                   | £              | £              |
| 100,000 | Ordinary | £1                | <u>100,000</u> | <u>100,000</u> |

**STERLING RESOURCES PLC**

**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31ST MARCH 2001**

**9. RELATED PARTY DISCLOSURES**

Other creditors represents amounts owed to other group undertakings.

On 12th July 2001 Administrative Receivers were appointed at Merlin (Colour Printers) Limited, following two of its major customers entering liquidation and the related substantial bad debts. It is anticipated that there will be insufficient funds to meet the unsecured creditors of the company in full and therefore the investment of £20,000 in the ordinary share capital of the company has been written off.

In the Summer of 2000 Bonanza House Limited ceased trading following recurring losses. The investment of £1 in the ordinary share capital of the company, and the loan of £20,000 have therefore been written off.

Both B.D. Markscheffel and D.M. Markscheffel were directors of Merlin (Colour Printers) Limited throughout the year. D.G. Markscheffel was a director of Bonanza House Limited until his resignation on 14th October 2000, and the managing director was his brother.

**10. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

|                                                 | 2001<br>£ | 2000<br>£ |
|-------------------------------------------------|-----------|-----------|
| Loss for the financial year                     | (40,001)  | -         |
| Net (reduction)/addition to shareholders' funds | (40,001)  | -         |
| Opening shareholders' funds                     | 100,000   | 100,000   |
| Closing shareholders' funds                     | 59,999    | 100,000   |
| Equity interests                                | 59,999    | 100,000   |

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STERLING RESOURCES PLC  
REPORT OF THE DIRECTORS AND  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31ST MARCH 2001

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COMPANIES HOUSE

0687  
30/10/01

E.J. Clouder & Co.  
Chartered Certified Accountants  
Charter House  
105 Leigh Road  
Leigh-on-Sea  
Essex  
SS9 1JL

**STERLING RESOURCES PLC**

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**FOR THE YEAR ENDED 31ST MARCH 2001**

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| <b>The following pages do not form part of the<br/>statutory financial statements:</b> |             |
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**STERLING RESOURCES PLC**  
**COMPANY INFORMATION**  
**FOR THE YEAR ENDED 31ST MARCH 2001**

**DIRECTORS:** D M Markscheffel  
B D Markscheffel  
D G Markscheffel  
S C Markscheffel

**SECRETARY:** B D Markscheffel

**REGISTERED OFFICE:** Charter House  
105 Leigh Road  
Leigh-on-Sea  
Essex  
SS9 1JL

**REGISTERED NUMBER:** 1413254 (England and Wales)

**AUDITORS:** E.J. Clouder & Co.  
Chartered Certified Accountants  
Charter House  
105 Leigh Road  
Leigh-on-Sea  
Essex  
SS9 1JL

**BANKERS:** Lloyds TSB Bank Plc  
77 High Street  
Southend-on-Sea  
Essex  
SS1 1HT

## STERLING RESOURCES PLC

### REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31ST MARCH 2001

The directors present their report with the consolidated financial statements of the group for the year ended 31st March 2001.

#### **PRINCIPAL ACTIVITY**

The principal activity of the group in the year under review was that of the importation and distribution of bicycles and allied goods.

#### **REVIEW OF BUSINESS**

The results for the year and financial position of the group are as shown in the annexed consolidated financial statements.

#### **DIVIDENDS**

No dividends will be distributed for the year ended 31st March 2001.

#### **FIXED ASSETS**

The freehold property was revalued on 23rd May 2001 as per note 9 of the consolidated financial statements. The directors have used this as an accurate valuation of the property as at 31st March 2001 as in their opinion there had been no significant variations in the property market between these dates. The valuation of £3,400,000 exceeded the book value by £778,823, and has been incorporated in these financial statements.

#### **EVENTS SINCE THE END OF THE YEAR**

Information relating to events since the end of the year is given in the notes to the consolidated financial statements.

#### **DIRECTORS**

The directors during the year under review were:

D M Markscheffel  
B D Markscheffel  
D G Markscheffel  
S C Markscheffel

The beneficial interests of the directors holding office on 31st March 2001 in the issued share capital of the company were as follows:

|                           | 31.3.01 | 1.4.00 |
|---------------------------|---------|--------|
| <b>Ordinary £1 shares</b> |         |        |
| D M Markscheffel          | 53,000  | 53,000 |
| B D Markscheffel          | 26,000  | 26,000 |
| D G Markscheffel          | 7,000   | 7,000  |
| S C Markscheffel          | 7,000   | 7,000  |

#### **GROUP'S POLICY ON PAYMENT OF CREDITORS**

It is the group's policy to:

- (a) settle the terms of payment when agreeing the terms of each transaction;
- (b) ensure the suppliers are made aware of the terms of payment; and
- (c) abide by the terms of payment.

Based on amounts outstanding at the year end, the average time taken to pay creditors during the preceeding year was 30 days.

This policy and practice applies to suppliers of goods and services whose claim on the company falls to be described as 'trade creditors' within 'creditors: amounts falling due within one year'.



**STERLING RESOURCES PLC**

**REPORT OF THE DIRECTORS**  
**FOR THE YEAR ENDED 31ST MARCH 2001**

**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.

**AUDITORS**

The auditors, E.J. Clouder & Co., will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

**ON BEHALF OF THE BOARD:**

A handwritten signature in black ink, appearing to read 'D M Markscheffel', is written over a horizontal line.

D M Markscheffel - DIRECTOR

Dated: 25<sup>th</sup> October 2001

**STERLING RESOURCES PLC**

**REPORT OF THE INDEPENDENT AUDITORS TO THE SHAREHOLDERS OF  
STERLING RESOURCES PLC**

We have audited the consolidated financial statements of Sterling Resources Plc for the year ended 31st March 2001 on pages five to twenty three. These consolidated financial statements have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out therein.

**Respective responsibilities of directors and auditors**

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

Our responsibility is to audit the consolidated 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 consolidated 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 Report of the Directors is not consistent with the consolidated 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 Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

**Basis of audit opinion**

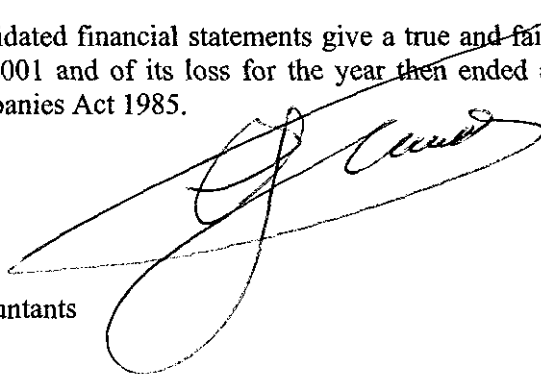
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the consolidated financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the consolidated 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 consolidated 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 consolidated financial statements.

**Opinion**

In our opinion the consolidated financial statements give a true and fair view of the state of the company's affairs as at 31st March 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

E.J. Clouder & Co.  
Chartered Certified Accountants  
Charter House  
105 Leigh Road  
Leigh-on-Sea  
Essex  
SS9 1JL



Dated: 25<sup>th</sup> October 2001

**STERLING RESOURCES PLC**

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31ST MARCH 2001**

|                                                                   |       | <b>Year Ended</b><br><b>31.3.01</b> |                          | <b>Period</b><br><b>1.1.99 to 31.3.00</b> |                          |
|-------------------------------------------------------------------|-------|-------------------------------------|--------------------------|-------------------------------------------|--------------------------|
|                                                                   | Notes | £                                   | £                        | £                                         | £                        |
| <b>TURNOVER</b>                                                   | 2     |                                     | <b>27,046,626</b>        |                                           | <b>27,724,542</b>        |
| Cost of sales                                                     |       |                                     | <u><b>21,589,997</b></u> |                                           | <u><b>21,526,366</b></u> |
| <b>GROSS PROFIT</b>                                               |       |                                     | <b>5,456,629</b>         |                                           | <b>6,198,176</b>         |
| Distribution costs                                                |       | <b>669,294</b>                      |                          | <b>729,651</b>                            |                          |
| Administrative expenses                                           |       | <u><b>4,151,378</b></u>             |                          | <u><b>4,861,710</b></u>                   |                          |
|                                                                   |       |                                     | <u><b>4,820,672</b></u>  |                                           | <u><b>5,591,361</b></u>  |
|                                                                   |       |                                     | <b>635,957</b>           |                                           | <b>606,815</b>           |
| Other operating income                                            |       |                                     | <u><b>-</b></u>          |                                           | <u><b>15,000</b></u>     |
| <b>OPERATING PROFIT</b>                                           | 4     |                                     | <b>635,957</b>           |                                           | <b>621,815</b>           |
| Income from investments                                           |       | <b>9,465</b>                        |                          | <b>6,518</b>                              |                          |
| Interest receivable and similar income                            |       | <u><b>7,686</b></u>                 |                          | <u><b>39</b></u>                          |                          |
|                                                                   |       |                                     | <u><b>17,151</b></u>     |                                           | <u><b>6,557</b></u>      |
|                                                                   |       |                                     | <b>653,108</b>           |                                           | <b>628,372</b>           |
| Amounts written off investments                                   | 5     |                                     | <u><b>146,913</b></u>    |                                           | <u><b>2,000</b></u>      |
|                                                                   |       |                                     | <b>506,195</b>           |                                           | <b>626,372</b>           |
| Interest payable and similar charges                              | 6     |                                     | <u><b>563,438</b></u>    |                                           | <u><b>503,831</b></u>    |
| <b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>       |       |                                     | <b>(57,243)</b>          |                                           | <b>122,541</b>           |
| Share of associated companies profits before taxation             |       |                                     | <u><b>20,569</b></u>     |                                           | <u><b>46,225</b></u>     |
| <b>GROUP (LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b> |       |                                     | <b>(36,674)</b>          |                                           | <b>168,766</b>           |

The notes form part of these financial statements

**STERLING RESOURCES PLC**

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31ST MARCH 2001**

|                                                                                                | Year Ended<br>31.3.01    | Period<br>1.1.99 to 31.3.00 |
|------------------------------------------------------------------------------------------------|--------------------------|-----------------------------|
|                                                                                                | £                        | £                           |
| Tax on (loss)/profit on ordinary activities                                                    | 7                        | 32,411                      |
|                                                                                                | <u>47,815</u>            | <u>32,411</u>               |
| <b>(LOSS)/PROFIT ON ORDINARY ACTIVITIES<br/>BEFORE MINORITY INTERESTS</b>                      | <b>(84,489)</b>          | <b>136,355</b>              |
| Minority interests                                                                             | <u>(11,833)</u>          | <u>(21,987)</u>             |
| <b>(LOSS)/PROFIT FOR THE FINANCIAL YEAR<br/>ATTRIBUTABLE TO MEMBERS OF<br/>HOLDING COMPANY</b> | <b>(96,322)</b>          | <b>114,368</b>              |
| Retained profit brought forward                                                                | <u>1,807,744</u>         | <u>1,693,376</u>            |
| <b>RETAINED PROFIT CARRIED FORWARD</b>                                                         | <b><u>£1,711,422</u></b> | <b><u>£1,807,744</u></b>    |

**CONTINUING OPERATIONS**

None of the company's activities were acquired or discontinued during the current year or previous period.

**STERLING RESOURCES PLC**

**CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**FOR THE YEAR ENDED 31ST MARCH 2001**

|                                                                   | <b>Year Ended</b><br><b><u>31.3.01</u></b> | <b>Period</b><br><b>1.1.99</b><br><b>to</b><br><b><u>31.3.00</u></b> |
|-------------------------------------------------------------------|--------------------------------------------|----------------------------------------------------------------------|
|                                                                   | <b>£</b>                                   | <b>£</b>                                                             |
| <b>(LOSS)/PROFIT FOR THE FINANCIAL YEAR</b>                       | <b>(96,322)</b>                            | <b>114,368</b>                                                       |
| Unrealised surplus on<br>revaluation of property                  | <b><u>778,822</u></b>                      | <b><u>-</u></b>                                                      |
| <b>TOTAL RECOGNISED GAINS AND LOSSES<br/>RELATING TO THE YEAR</b> | <b><u>£682,500</u></b>                     | <b><u>£114,368</u></b>                                               |

The notes form part of these financial statements

**STERLING RESOURCES PLC**  
**CONSOLIDATED BALANCE SHEET**  
**31ST MARCH 2001**

|                                                                |       | <u>2001</u>      |                   | <u>2000</u>      |                   |
|----------------------------------------------------------------|-------|------------------|-------------------|------------------|-------------------|
|                                                                | Notes | £                | £                 | £                | £                 |
| <b>FIXED ASSETS:</b>                                           |       |                  |                   |                  |                   |
| Intangible assets                                              | 8     |                  | 8,000             |                  | 9,000             |
| Tangible assets                                                | 9     |                  | 4,071,007         |                  | 3,280,415         |
| Investments                                                    | 10    |                  | <u>623,642</u>    |                  | <u>753,947</u>    |
|                                                                |       |                  | 4,702,649         |                  | 4,043,362         |
| <b>CURRENT ASSETS:</b>                                         |       |                  |                   |                  |                   |
| Stocks                                                         | 11    | 2,441,664        |                   | 2,085,532        |                   |
| Debtors                                                        | 12    | 3,739,229        |                   | 2,360,150        |                   |
| Cash in hand                                                   |       | <u>2,895</u>     |                   | <u>2,132</u>     |                   |
|                                                                |       | 6,183,788        |                   | 4,447,814        |                   |
| <b>CREDITORS:</b> Amounts falling due within one year          | 13    | <u>5,879,849</u> |                   | <u>4,090,865</u> |                   |
| <b>NET CURRENT ASSETS:</b>                                     |       |                  | <u>303,939</u>    |                  | <u>356,949</u>    |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES:</b>                  |       |                  | 5,006,588         |                  | 4,400,311         |
| <b>CREDITORS:</b> Amounts falling due after more than one year | 14    |                  | (1,629,161)       |                  | (1,698,728)       |
| <b>PROVISIONS FOR LIABILITIES AND CHARGES:</b>                 | 17    |                  | <u>(59,580)</u>   |                  | <u>-</u>          |
|                                                                |       |                  | <u>£3,317,847</u> |                  | <u>£2,701,583</u> |
| <b>CAPITAL AND RESERVES:</b>                                   |       |                  |                   |                  |                   |
| Called up share capital                                        | 18    |                  | 100,000           |                  | 100,000           |
| Revaluation reserve                                            | 19    |                  | 584,116           |                  | 78,069            |
| Non distributable reserves                                     | 20    |                  | 112,500           |                  | 112,500           |
| Profit and loss account                                        |       |                  | <u>1,711,422</u>  |                  | <u>1,807,744</u>  |
| <b>SHAREHOLDERS' FUNDS:</b>                                    | 23    |                  | 2,508,038         |                  | 2,098,313         |
| Minority interests                                             | 20    |                  | <u>809,809</u>    |                  | <u>603,270</u>    |
|                                                                |       |                  | <u>£3,317,847</u> |                  | <u>£2,701,583</u> |

ON BEHALF OF THE BOARD:

  
D M Markscheffel - DIRECTOR

Approved by the Board on 25<sup>th</sup> October 2001

The notes form part of these financial statements

**STERLING RESOURCES PLC**

**BALANCE SHEET**  
**31ST MARCH 2001**

|                                                          |       | 2001           |                  | 2000           |                  |
|----------------------------------------------------------|-------|----------------|------------------|----------------|------------------|
|                                                          | Notes | £              | £                | £              | £                |
| <b>FIXED ASSETS:</b>                                     |       |                |                  |                |                  |
| Investments                                              | 5     |                | 281,050          |                | 243,051          |
| <b>CURRENT ASSETS:</b>                                   |       |                |                  |                |                  |
| Debtors                                                  | 6     | 32,391         |                  | 32,391         |                  |
| <b>CREDITORS:</b> Amounts falling<br>due within one year | 7     | <u>253,442</u> |                  | <u>175,442</u> |                  |
| <b>NET CURRENT LIABILITIES:</b>                          |       |                | <u>(221,051)</u> |                | <u>(143,051)</u> |
| <b>TOTAL ASSETS LESS CURRENT<br/>LIABILITIES:</b>        |       |                | <u>£59,999</u>   |                | <u>£100,000</u>  |
| <b>CAPITAL AND RESERVES:</b>                             |       |                |                  |                |                  |
| Called up share capital                                  | 8     |                | 100,000          |                | 100,000          |
| Profit and loss account                                  |       |                | <u>(40,001)</u>  |                | <u>-</u>         |
| <b>SHAREHOLDERS' FUNDS:</b>                              | 10    |                | <u>£59,999</u>   |                | <u>£100,000</u>  |

**ON BEHALF OF THE BOARD:**



D M Markscheffel - DIRECTOR

Approved by the Board on 25th October 2001

The notes form part of these financial statements

**STERLING RESOURCES PLC**

**CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31ST MARCH 2001**

|                                                         |       | <u>Year Ended</u><br><u>31.3.01</u> |                     | <u>Period</u><br><u>1.1.99 to 31.3.00</u> |                    |
|---------------------------------------------------------|-------|-------------------------------------|---------------------|-------------------------------------------|--------------------|
|                                                         | Notes | £                                   | £                   | £                                         | £                  |
| Net cash (outflow)/inflow from operating activities     | 1     |                                     | (403,001)           |                                           | 2,363,844          |
| Returns on investments and servicing of finance         | 2     |                                     | (546,287)           |                                           | (497,274)          |
| Taxation                                                |       |                                     | (5,766)             |                                           | (25,015)           |
| Capital expenditure and financial investment            | 2     |                                     | <u>(247,690)</u>    |                                           | <u>(3,220,091)</u> |
|                                                         |       |                                     | (1,202,744)         |                                           | (1,378,536)        |
| Financing                                               | 2     |                                     | <u>265,046</u>      |                                           | <u>969,920</u>     |
| Decrease in cash in the period                          |       |                                     | <u>£(937,698)</u>   |                                           | <u>£(408,616)</u>  |
| <hr/>                                                   |       |                                     |                     |                                           |                    |
| Reconciliation of net cash flow to movement in net debt | 3     |                                     |                     |                                           |                    |
| Decrease in cash in the period                          |       |                                     | (937,698)           | (408,616)                                 |                    |
| Cash inflow from increase in debt and lease financing   |       |                                     | <u>(265,047)</u>    | <u>(3,337,627)</u>                        |                    |
| Change in net debt resulting from cash flows            |       |                                     | <u>(1,202,745)</u>  | <u>(3,746,243)</u>                        |                    |
| Movement in net debt in the period                      |       |                                     | (1,202,745)         | (3,746,243)                               |                    |
| Net debt at 1st April                                   |       |                                     | <u>(4,160,712)</u>  | <u>(414,469)</u>                          |                    |
| Net debt at 31st March                                  |       |                                     | <u>£(5,363,457)</u> | <u>£(4,160,712)</u>                       |                    |

The notes form part of these financial statements



**STERLING RESOURCES PLC**

**NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31ST MARCH 2001**

**1. RECONCILIATION OF OPERATING PROFIT TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES**

|                                                            | Year Ended<br>31.3.01<br>£ | Period<br>1.1.99<br>to<br>31.3.00<br>£ |
|------------------------------------------------------------|----------------------------|----------------------------------------|
| Operating profit                                           | 635,957                    | 621,815                                |
| Depreciation charges                                       | 155,674                    | 128,282                                |
| Loss on sale of fixed assets                               | 1,661                      | 9,216                                  |
| (Increase)/Decrease in stocks                              | (356,132)                  | 122,481                                |
| (Increase)/Decrease in debtors                             | (1,379,079)                | 1,950,356                              |
| Increase/(Decrease) in creditors                           | <u>538,918</u>             | <u>(468,306)</u>                       |
| <b>Net cash (outflow)/inflow from operating activities</b> | <b><u>(403,001)</u></b>    | <b><u>2,363,844</u></b>                |

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

|                                                                             | Year Ended<br>31.3.01<br>£ | Period<br>1.1.99<br>to<br>31.3.00<br>£ |
|-----------------------------------------------------------------------------|----------------------------|----------------------------------------|
| <b>Returns on investments and servicing of finance</b>                      |                            |                                        |
| Interest received                                                           | 7,686                      | 39                                     |
| Interest paid                                                               | (563,438)                  | (501,333)                              |
| Interest element of hire purchase or finance lease rentals payments         | -                          | (2,498)                                |
| Dividends received                                                          | <u>9,465</u>               | <u>6,518</u>                           |
| <b>Net cash outflow for returns on investments and servicing of finance</b> | <b><u>(546,287)</u></b>    | <b><u>(497,274)</u></b>                |
| <b>Capital expenditure and financial investment</b>                         |                            |                                        |
| Purchase of intangible fixed assets                                         | -                          | (10,000)                               |
| Purchase of tangible fixed assets                                           | (173,604)                  | (3,108,113)                            |
| Cash payments - investmt purch                                              | (79,586)                   | (221,127)                              |
| Sale of tangible fixed assets                                               | 5,500                      | 19,150                                 |
| Cash receipts - investmt sales                                              | <u>-</u>                   | <u>99,999</u>                          |
| <b>Net cash outflow for capital expenditure</b>                             | <b><u>(247,690)</u></b>    | <b><u>(3,220,091)</u></b>              |

The notes form part of these financial statements

**STERLING RESOURCES PLC**

**NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 31ST MARCH 2001**

2. **ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT**  
**- continued**

|                                | Year Ended<br>31.3.01<br>£ | Period<br>1.1.99<br>to<br>31.3.00<br>£ |
|--------------------------------|----------------------------|----------------------------------------|
| <b>Financing</b>               |                            |                                        |
| New loan taken out in year     | 321,150                    | 1,698,728                              |
| Loan repayments in year        | (56,104)                   | (717,273)                              |
| Capital element of HP          | <u>-</u>                   | <u>(11,535)</u>                        |
| Net cash inflow from financing | <u>265,046</u>             | <u>969,920</u>                         |

3. **ANALYSIS OF CHANGES IN NET DEBT**

|                                   | At 1.4.00<br>£     | Cash flow<br>£     | At 31.3.01<br>£    |
|-----------------------------------|--------------------|--------------------|--------------------|
| Net cash:                         |                    |                    |                    |
| Cash at bank and in hand          | 2,132              | 763                | 2,895              |
| Bank overdraft                    | <u>(813,682)</u>   | <u>(938,461)</u>   | <u>(1,752,143)</u> |
|                                   | <u>(811,550)</u>   | <u>(937,698)</u>   | <u>(1,749,248)</u> |
| Debt:                             |                    |                    |                    |
| Debts falling due within one year | (1,650,434)        | (334,614)          | (1,985,048)        |
| Debts falling due after one year  | <u>(1,698,728)</u> | <u>69,567</u>      | <u>(1,629,161)</u> |
|                                   | <u>(3,349,162)</u> | <u>(265,047)</u>   | <u>(3,614,209)</u> |
| Total                             | <u>(4,160,712)</u> | <u>(1,202,745)</u> | <u>(5,363,457)</u> |

**Analysed in Balance Sheet**

|                                   |                    |                    |
|-----------------------------------|--------------------|--------------------|
| Cash at bank and in hand          | 2,132              | 2,895              |
| Bank overdraft                    | (813,682)          | (1,752,143)        |
| Debts falling due within one year | (1,650,434)        | (1,985,048)        |
| Debts falling due after one year  | <u>(1,698,728)</u> | <u>(1,629,161)</u> |
|                                   | <u>(4,160,712)</u> | <u>(5,363,457)</u> |

The notes form part of these financial statements

## STERLING RESOURCES PLC

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2001

#### 1. ACCOUNTING POLICIES

##### **Accounting convention**

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets.

##### **Turnover**

Turnover represents net invoiced sales of goods, excluding value added tax.

##### **Goodwill**

Goodwill, being the amount paid in connection with the acquisition of a business in 2000, is being written off evenly over its estimated useful life of ten years.

##### **Tangible fixed assets**

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

|                       |                                   |
|-----------------------|-----------------------------------|
| Freehold property     | - in accordance with the property |
| Plant and machinery   | - 25% on reducing balance         |
| Fixtures and fittings | - 25% on reducing balance         |
| Motor vehicles        | - 25% on reducing balance         |

##### **Stocks**

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

##### **Deferred taxation**

Provision is made at current rates for taxation deferred in respect of all material timing differences except to the extent that, in the opinion of the directors, there is reasonable probability that the liability will not arise in the foreseeable future.

##### **Foreign currencies**

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

##### **Hire purchase and leasing commitments**

Rentals paid under operating leases are charged to the profit and loss account as incurred.

##### **Pensions**

The company operates a defined contribution pension scheme. Contributions payable for the year are charged in the profit and loss account.

##### **Warranty**

No provision has been made for any liability which might arise in the future for claims under the terms of the warranty the company gives on its products. The amount of any potential liability is considered to be immaterial.

**STERLING RESOURCES PLC**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31ST MARCH 2001**

**1. ACCOUNTING POLICIES - continued**

**Investments**

Investments held as fixed assets are stated at cost. Any investments held as current assets will be stated at the lower of cost and net realisable value.

**Basis of consolidation**

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings made up to 31st March 2001 and its share of the results and post acquisition reserves of associated undertakings

**Associated companies**

All companies in which the group owns at least 20% of the equity on a long term basis and in which, in the opinion of the directors, it also exercises a significant influence in the management, are treated as associated companies. Accordingly the groups share of the profits or losses of those companies are included in the profit and loss account, and investments are stated at the value of the groups share of the underlying net assets.

**2. TURNOVER**

The turnover and loss (2000 - profit) before taxation are attributable to the one principal activity of the company.

An analysis of turnover by geographical market is given below:

|                        | Year Ended<br>31.3.01<br>£ | Period<br>1.1.99<br>to<br>31.3.00<br>£ |
|------------------------|----------------------------|----------------------------------------|
| United Kingdom         | 23,343,497                 | 26,756,531                             |
| Other E.E.C. countries | 237,619                    | 80,304                                 |
| Rest of the world      | <u>3,465,510</u>           | <u>887,707</u>                         |
|                        | <u>27,046,626</u>          | <u>27,724,542</u>                      |

**3. STAFF COSTS**

|                       | Year Ended<br>31.3.01<br>£ | Period<br>1.1.99<br>to<br>31.3.00<br>£ |
|-----------------------|----------------------------|----------------------------------------|
| Wages and salaries    | 1,971,209                  | 2,013,750                              |
| Social security costs | 185,356                    | 184,400                                |
| Other pension costs   | <u>92,569</u>              | <u>108,493</u>                         |
|                       | <u>2,249,134</u>           | <u>2,306,643</u>                       |

**STERLING RESOURCES PLC**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31ST MARCH 2001**

**3. STAFF COSTS - continued**

The average monthly number of employees during the year was as follows:

|                      | Year Ended<br>31.3.01 | Period<br>1.1.99<br>to<br>31.3.00 |
|----------------------|-----------------------|-----------------------------------|
| Office & management  | 71                    | 70                                |
| Administration staff | <u>17</u>             | <u>18</u>                         |
|                      | <u>88</u>             | <u>88</u>                         |

**4. OPERATING PROFIT**

The operating profit is stated after charging:

|                                  | Year Ended<br>31.3.01<br>£ | Period<br>1.1.99<br>to<br>31.3.00<br>£ |
|----------------------------------|----------------------------|----------------------------------------|
| Hire of plant and machinery      | 12,745                     | 17,243                                 |
| Leasing of equipment             | 3,572                      | 6,349                                  |
| Depreciation - owned assets      | 154,674                    | 127,282                                |
| Loss on disposal of fixed assets | 1,661                      | 9,216                                  |
| Goodwill written off             | 1,000                      | 1,000                                  |
| Auditors' remuneration           | <u>21,000</u>              | <u>20,000</u>                          |
| <br>Directors' emoluments        | <br><u>603,297</u>         | <br><u>522,772</u>                     |

The number of directors to whom retirement benefits were accruing was as follows:

|                        |          |          |
|------------------------|----------|----------|
| Money purchase schemes | <u>3</u> | <u>1</u> |
|------------------------|----------|----------|

Information regarding the highest paid director is as follows:

|                                                 | Year Ended<br>31.3.01<br>£ | Period<br>1.1.99<br>to<br>31.3.00<br>£ |
|-------------------------------------------------|----------------------------|----------------------------------------|
| Emoluments etc                                  | 161,548                    | 145,379                                |
| Pension contributions to money purchase schemes | <u>36,000</u>              | <u>57,000</u>                          |

**STERLING RESOURCES PLC**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31ST MARCH 2001**

**5. AMOUNTS WRITTEN OFF INVESTMENTS**

|                                           | Year Ended<br>31.3.01<br>£ | Period<br>1.1.99<br>to<br>31.3.00<br>£ |
|-------------------------------------------|----------------------------|----------------------------------------|
| Loss on sale of fixed<br>asset investment | <u>146,913</u>             | <u>2,000</u>                           |

**6. INTEREST PAYABLE AND SIMILAR CHARGES**

|                       | Year Ended<br>31.3.01<br>£ | Period<br>1.1.99<br>to<br>31.3.00<br>£ |
|-----------------------|----------------------------|----------------------------------------|
| Bank interest         | 323,061                    | 305,383                                |
| Bank loan interest    | 140,445                    | 108,496                                |
| Other interest        | 99,932                     | 87,454                                 |
| Hire purchase charges | <u>-</u>                   | <u>2,498</u>                           |
|                       | <u>563,438</u>             | <u>503,831</u>                         |

**7. TAXATION**

The tax charge on the loss on ordinary activities for the year was as follows:

|                                            | Year Ended<br>31.3.01<br>£ | Period<br>1.1.99<br>to<br>31.3.00<br>£ |
|--------------------------------------------|----------------------------|----------------------------------------|
| UK corporation tax                         | 1,186                      | 19,170                                 |
| Adjustments in respect of<br>prior periods | (18,429)                   | 25                                     |
| Deferred taxation                          | 59,580                     | -                                      |
| Share of associated<br>companies taxation  | <u>5,478</u>               | <u>13,216</u>                          |
|                                            | <u>47,815</u>              | <u>32,411</u>                          |

**STERLING RESOURCES PLC**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31ST MARCH 2001**

**8. INTANGIBLE FIXED ASSETS**

|                        | <u>Goodwill</u> |
|------------------------|-----------------|
|                        | £               |
| <b>COST:</b>           |                 |
| At 1st April 2000      |                 |
| and 31st March 2001    | <u>10,000</u>   |
| <b>AMORTISATION:</b>   |                 |
| At 1st April 2000      | 1,000           |
| Charge for year        | <u>1,000</u>    |
| At 31st March 2001     | <u>2,000</u>    |
| <b>NET BOOK VALUE:</b> |                 |
| At 31st March 2001     | <u>8,000</u>    |
| At 31st March 2000     | <u>9,000</u>    |

**9. TANGIBLE FIXED ASSETS**

|                           | <u>Freehold<br/>property</u> | <u>Plant and<br/>machinery</u> | <u>Fixtures<br/>and<br/>fittings</u> | <u>Motor<br/>vehicles</u> | <u>Totals</u>    |
|---------------------------|------------------------------|--------------------------------|--------------------------------------|---------------------------|------------------|
|                           | £                            | £                              | £                                    | £                         | £                |
| <b>COST OR VALUATION:</b> |                              |                                |                                      |                           |                  |
| At 1st April 2000         | 2,615,542                    | 301,499                        | 432,553                              | 423,462                   | 3,773,056        |
| Additions                 | 5,635                        | 52,313                         | 92,111                               | 23,545                    | 173,604          |
| Disposals                 | -                            | -                              | -                                    | (28,975)                  | (28,975)         |
| Surplus on revaluation    | <u>778,823</u>               | <u>-</u>                       | <u>-</u>                             | <u>-</u>                  | <u>778,823</u>   |
| At 31st March 2001        | <u>3,400,000</u>             | <u>353,812</u>                 | <u>524,664</u>                       | <u>418,032</u>            | <u>4,696,508</u> |
| <b>DEPRECIATION:</b>      |                              |                                |                                      |                           |                  |
| At 1st April 2000         | -                            | 162,941                        | 160,164                              | 169,536                   | 492,641          |
| Charge for year           | -                            | 46,602                         | 42,689                               | 65,383                    | 154,674          |
| Eliminated on disposals   | <u>-</u>                     | <u>-</u>                       | <u>-</u>                             | <u>(21,814)</u>           | <u>(21,814)</u>  |
| At 31st March 2001        | <u>-</u>                     | <u>209,543</u>                 | <u>202,853</u>                       | <u>213,105</u>            | <u>625,501</u>   |
| <b>NET BOOK VALUE:</b>    |                              |                                |                                      |                           |                  |
| At 31st March 2001        | <u>3,400,000</u>             | <u>144,269</u>                 | <u>321,811</u>                       | <u>204,927</u>            | <u>4,071,007</u> |
| At 31st March 2000        | <u>2,615,542</u>             | <u>138,558</u>                 | <u>272,389</u>                       | <u>253,926</u>            | <u>3,280,415</u> |

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**9. TANGIBLE FIXED ASSETS - continued**

Cost or valuation at 31st March 2001 is represented by:

|                   | <u>Freehold<br/>property</u> | <u>Plant and<br/>machinery</u> | <u>Fixtures<br/>and<br/>fittings</u> | <u>Motor<br/>vehicles</u> | <u>Totals</u>    |
|-------------------|------------------------------|--------------------------------|--------------------------------------|---------------------------|------------------|
|                   | £                            | £                              | £                                    | £                         | £                |
| Valuation in 2001 | 778,823                      | -                              | -                                    | -                         | 778,823          |
| Cost              | <u>2,621,177</u>             | <u>353,812</u>                 | <u>524,664</u>                       | <u>418,032</u>            | <u>3,917,685</u> |
|                   | <u>3,400,000</u>             | <u>353,812</u>                 | <u>524,664</u>                       | <u>418,032</u>            | <u>4,696,508</u> |

If freehold land and buildings had not been revalued they would have been included at the following historical cost:

|                                              |                  |                  |
|----------------------------------------------|------------------|------------------|
|                                              | 2001             | 2000             |
|                                              | £                | £                |
| Cost                                         | <u>2,621,177</u> | <u>2,615,542</u> |
| Value of land in freehold land and buildings | <u>608,210</u>   | <u>608,210</u>   |

Freehold land and buildings were valued on an open market basis on 23rd May 2001 by Kemsley Whiteley and Ferris RICS.

**10. FIXED ASSET INVESTMENTS**

|                        |                  |
|------------------------|------------------|
|                        | £                |
| <b>COST:</b>           |                  |
| At 1st April 2000      | 733,947          |
| Additions              | 76,677           |
| Disposals              | <u>(204,982)</u> |
| At 31st March 2001     | <u>605,642</u>   |
| <b>NET BOOK VALUE:</b> |                  |
| At 31st March 2001     | <u>605,642</u>   |
| At 31st March 2000     | <u>733,947</u>   |
|                        |                  |
|                        | 2001             |
|                        | £                |
| Unlisted investments   | <u>605,642</u>   |

|                |
|----------------|
| 2000           |
| £              |
| <u>733,947</u> |



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**10. FIXED ASSET INVESTMENTS - continued**

The company's investments at the balance sheet date in the share capital of unlisted companies include the following:

**Cycles UK Limited**

Nature of business: Bike retail

|                  |                  |
|------------------|------------------|
| Class of shares: | %                |
| Ordinary         | holding<br>50.00 |

|                                |               |                |
|--------------------------------|---------------|----------------|
|                                | 2001          | 2000           |
|                                | £             | £              |
| Aggregate capital and reserves | 381,789       | 359,844        |
| Profit for the year/period     | <u>29,519</u> | <u>101,534</u> |

**Belle Fabrics Limited**

Nature of business: Fabric retail

|                  |                  |
|------------------|------------------|
| Class of shares: | %                |
| Ordinary         | holding<br>50.00 |

|                                |               |
|--------------------------------|---------------|
|                                | 2001          |
|                                | £             |
| Aggregate capital and reserves | 128,235       |
| Profit for the year            | <u>11,617</u> |

Investments (neither listed nor unlisted) were as follows:

|       |               |               |
|-------|---------------|---------------|
|       | 2001          | 2000          |
|       | £             | £             |
| Loans | <u>18,000</u> | <u>20,000</u> |

The above loan outstanding at the end of the year was to Belle Fabrics Limited, and is being repaid by instalments.

**11. STOCKS**

|                  |                  |                  |
|------------------|------------------|------------------|
|                  | 2001             | 2000             |
|                  | £                | £                |
| Goods for resale | <u>2,441,664</u> | <u>2,085,532</u> |

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**12. DEBTORS: AMOUNTS FALLING  
DUE WITHIN ONE YEAR**

|               | <b>2001</b>             | <b>2000</b>             |
|---------------|-------------------------|-------------------------|
|               | <b>£</b>                | <b>£</b>                |
| Trade debtors | 2,890,698               | 2,198,491               |
| Other debtors | 713,906                 | 54,387                  |
| Prepayments   | <u>134,625</u>          | <u>107,272</u>          |
|               | <u><b>3,739,229</b></u> | <u><b>2,360,150</b></u> |

Other debtors include prepaid pension contributions of £15,253.

**13. CREDITORS: AMOUNTS FALLING  
DUE WITHIN ONE YEAR**

|                                            | <b>2001</b>             | <b>2000</b>             |
|--------------------------------------------|-------------------------|-------------------------|
|                                            | <b>£</b>                | <b>£</b>                |
| Bank loans and overdrafts<br>(see note 17) | 3,737,191               | 2,464,116               |
| Trade creditors                            | 1,767,566               | 1,410,380               |
| Other creditors                            | 102,754                 | 36,201                  |
| Social security & other taxes              | 140,350                 | 78,539                  |
| Corporation tax                            | 1,186                   | 24,195                  |
| Accrued expenses                           | <u>130,802</u>          | <u>77,434</u>           |
|                                            | <u><b>5,879,849</b></u> | <u><b>4,090,865</b></u> |

**14. CREDITORS: AMOUNTS FALLING  
DUE AFTER MORE THAN ONE YEAR**

|                             | <b>2001</b>             | <b>2000</b>             |
|-----------------------------|-------------------------|-------------------------|
|                             | <b>£</b>                | <b>£</b>                |
| Bank loans<br>(see note 17) | <u><b>1,629,161</b></u> | <u><b>1,698,728</b></u> |

**STERLING RESOURCES PLC**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**15. LOANS AND OVERDRAFTS**

An analysis of the maturity of loans and overdrafts is given below:

|                                                   | 2001<br>£        | 2000<br>£        |
|---------------------------------------------------|------------------|------------------|
| Amounts falling due within one year or on demand: |                  |                  |
| Bank overdrafts                                   | 1,752,143        | 813,682          |
| Bank loans                                        | <u>1,985,048</u> | <u>1,650,434</u> |
|                                                   | <u>3,737,191</u> | <u>2,464,116</u> |
| Amounts falling due between one and two years:    |                  |                  |
| Bank loans                                        | <u>72,839</u>    | <u>58,585</u>    |
| Amounts falling due between two and five years:   |                  |                  |
| Bank loans                                        | <u>255,537</u>   | <u>207,636</u>   |
| Amounts falling due in more than five years:      |                  |                  |
| Repayable by instalments                          |                  |                  |
| Bank loans                                        | <u>1,300,785</u> | <u>1,432,507</u> |

The bank loan is repayable in monthly instalments by 2014. Interest is charged at a rate of 2.25% above base rate.

**16. SECURED DEBTS**

The following secured debts are included within creditors:

|                 | 2001<br>£        | 2000<br>£        |
|-----------------|------------------|------------------|
| Bank overdrafts | 1,752,143        | 813,682          |
| Bank loans      | <u>3,614,209</u> | <u>3,349,162</u> |
|                 | <u>5,366,352</u> | <u>4,162,844</u> |

The bank overdrafts and loans are secured by a fixed and floating charge over the assets of the company subject to the first charge to Bank of Wales plc over the company's premises, the second charge to Lloyds TSB Bank plc and the third charge to Royal Bank Invoice Finance Limited over all debts of the company.

**STERLING RESOURCES PLC**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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**17. PROVISIONS FOR LIABILITIES AND CHARGES**

|                                | <b>2001</b>              | <b>2000</b>     |
|--------------------------------|--------------------------|-----------------|
|                                | <b>£</b>                 | <b>£</b>        |
| Deferred taxation              | <u><b>59,580</b></u>     | <u><b>-</b></u> |
|                                | <b>Deferred taxation</b> |                 |
|                                | <b>£</b>                 |                 |
| Accelerated capital allowances | <u><b>59,580</b></u>     |                 |
| Balance at 31st March 2001     | <u><b>59,580</b></u>     |                 |

Deferred taxation for which provision has been made in the financial statements and the amounts for which no provision has been made, are as follows:

|                                | <b>Provided</b>      |                 | <b>Not provided</b> |                      |
|--------------------------------|----------------------|-----------------|---------------------|----------------------|
|                                | <b>2001</b>          | <b>2000</b>     | <b>2001</b>         | <b>2000</b>          |
|                                | <b>£</b>             | <b>£</b>        | <b>£</b>            | <b>£</b>             |
| Accelerated capital allowances | <u><b>59,580</b></u> | <u><b>-</b></u> | <u><b>-</b></u>     | <u><b>31,561</b></u> |

**18. CALLED UP SHARE CAPITAL**

Authorised:

| Number:   | Class:   | Nominal value: | <b>2001</b>             | <b>2000</b>             |
|-----------|----------|----------------|-------------------------|-------------------------|
|           |          |                | <b>£</b>                | <b>£</b>                |
| 1,000,000 | Ordinary | £1             | <u><b>1,000,000</b></u> | <u><b>1,000,000</b></u> |

Allotted, issued and fully paid:

| Number: | Class:   | Nominal value: | <b>2001</b>           | <b>2000</b>           |
|---------|----------|----------------|-----------------------|-----------------------|
|         |          |                | <b>£</b>              | <b>£</b>              |
| 100,000 | Ordinary | £1             | <u><b>100,000</b></u> | <u><b>100,000</b></u> |

**19. REVALUATION RESERVE**

|                                    | <b>2001</b>           | <b>2000</b>          |
|------------------------------------|-----------------------|----------------------|
|                                    | <b>£</b>              | <b>£</b>             |
| Surplus on revaluation of property | <u><b>584,116</b></u> | <u><b>78,069</b></u> |

**STERLING RESOURCES PLC**

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**FOR THE YEAR ENDED 31ST MARCH 2001**

**20. OTHER RESERVES**

|                           | 2001<br>£      | 2000<br>£      |
|---------------------------|----------------|----------------|
| Non distributable reserve | 112,500        | 112,500        |
| Minority interests        | <u>809,809</u> | <u>603,270</u> |
|                           | <u>922,309</u> | <u>715,770</u> |

**21. RELATED PARTY DISCLOSURES**

On 12<sup>th</sup> July 2001 Administrative Receivers were appointed at Merlin (Colour Printers) Limited, following two of its major customers entering liquidation and the related substantial bad debts. It is anticipated that there will be insufficient funds to meet the unsecured creditors of the company in full and therefore the investment has been written off.

In the Summer of 2000 Bonanza House Limited ceased trading following recurring losses. The investment and the loan of £20,000 have therefore been written off.

Both B.D. Markscheffel and D.M. Markscheffel were directors of Merlin (Colour Printers) Limited throughout the year. D.G. Markscheffel was a director of Bonanza House Limited until his resignation on 14<sup>th</sup> October 2000, and the managing director was his brother.

The group also has an associated interest in Cycles UK Limited, with D.G. Markscheffel being a director.

During the year the company made sales of £689,840 and purchases of £26,666 from Cycles U.K. Limited, and sales of £27,470 were made to Bonanza House Limited. These sales were made under normal business terms and at list price. At the year end trade debtors include £177,545 due from Cycles U.K. Limited. The company has made provision against doubtful debts of £25,383 due from Bonanza House Limited.

**22. POST BALANCE SHEET EVENTS**

In April 2001 the company acquired the stock and other assets of Muddyfox Limited for a consideration of £700,000. Interim payments of £569,859 had been made to the solicitors prior to the deal becoming binding, and these are shown in other debtors in the financial statements.

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**23. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

|                                                              | <b>2001</b>             | <b>2000</b>             |
|--------------------------------------------------------------|-------------------------|-------------------------|
|                                                              | <b>£</b>                | <b>£</b>                |
| (Loss)/Profit for the financial year                         | <b>(96,322)</b>         | <b>114,368</b>          |
| Capital reserve on consolidation                             | <b>(78,069)</b>         | <b>-</b>                |
| (Increase)/decrease in minority interest share of associates | <b>(194,706)</b>        | <b>46,515</b>           |
| Other recognised gains and losses relating to the year (net) | <u><b>778,822</b></u>   | <u><b>-</b></u>         |
| Net addition to shareholders' funds                          | <b>409,725</b>          | <b>160,883</b>          |
| Opening shareholders' funds                                  | <u><b>2,098,313</b></u> | <u><b>1,937,430</b></u> |
| Closing shareholders' funds                                  | <u><b>2,508,038</b></u> | <u><b>2,098,313</b></u> |
| Equity interests                                             | <u><b>2,508,038</b></u> | <u><b>2,098,313</b></u> |

**24. OBLIGATIONS UNDER LEASING AGREEMENTS**

The following payments are committed to be paid within one year:

|                            | <b>Operating leases</b>   |                      |                     |                     |
|----------------------------|---------------------------|----------------------|---------------------|---------------------|
|                            | <b>Land and buildings</b> |                      | <b>Other</b>        |                     |
|                            | <b>2001</b>               | <b>2000</b>          | <b>2001</b>         | <b>2000</b>         |
|                            | <b>£</b>                  | <b>£</b>             | <b>£</b>            | <b>£</b>            |
| Expiring:                  |                           |                      |                     |                     |
| Within one year            | <b>37,775</b>             | <b>-</b>             | <b>-</b>            | <b>-</b>            |
| Between one and five years | <u><b>-</b></u>           | <u><b>37,775</b></u> | <u><b>3,469</b></u> | <u><b>3,469</b></u> |
|                            | <u><b>37,775</b></u>      | <u><b>37,775</b></u> | <u><b>3,469</b></u> | <u><b>3,469</b></u> |