



Pourshins Plc

Directors' report and financial statements

Registered number 1576522

31 May 2004



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Directors and advisors

Directors

Roy U Moëd
Adrian Barnwell
Martin F Diviney
Jacques P Delport

Secretary

C Boundy Fladgate Fielder, Solicitors

Auditors and financial advisers - UK & US

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The Lodge, Harmondsworth
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Registered number

1576522 (England and Wales)

Directors' Report

The directors present their report and audited financial statements for the year ended 31 May 2004.

PRINCIPAL ACTIVITIES

Pourshins provide Business Process Outsourcing (BPO) and Fourth Party Logistics (4PL) services and solutions to the international travel market, including airlines, airline caterers, brokers, food, beverage and equipment manufacturers.

BUSINESS REVIEW

Outlook for 2004/5

The first quarter of 2004/5 has reflected the continued industry recovery and strong growth resulting from the introduction, in the last half of 2003/4, of several new international contracts and business streams.

Overview of 2003/4

The company has returned to profitability during 2003/4. The directors are satisfied with the results for the year showing a turnaround of £667,000 in retained profits. This provides a good basis for future growth and business development.

Operating and retained profits

Operating profit increased to £136,000 from £25,000 before exceptional losses in the previous year. There were no exceptional costs or losses in the year to 31 May 2004. This, together with a beneficial tax position, has resulted in retained profits of £160,000 in the year compared with losses of £506,000 in the previous year.

Turnover

Turnover increased by 13% to £32.6 million compared with the previous year and has continued to grow after the year-end.

Customer service

Pourshins has continued to take an industry lead in measuring service accurately and making this information available to customers in an auditable form. Service levels for the year averaged over 99%, maintaining the excellent performance of the previous year. For an industry which relies on road transport and sea freight to transport high volume goods to many locations around the world, this is self evidently an excellent performance that the company is proud of.

DIVIDEND

No dividend have been paid during the period (2003 £nil) and no dividends are proposed. All profits have been re-invested in the business.

DIRECTORS AND DIRECTORS' INTERESTS

The directors who held office during and after the period were:

Current Directors

Roy U Moëd
Adrian Barnwell
Martin F Diviney
Jacques P Delport (appointed 13 August 2003)

Former directors

RD Yeomans (retired 22 April 2004)

David Yeomans, having reached retirement age, retired from his role as Non-executive chairman during the year. Jacques Delport was promoted to Group Finance Director in July 2004 having joined the board as Finance Director on 13 August 2003.

The directors who held office at the end of the year had the following interests in the ordinary shares of the company, as recorded in the register of directors' interests:

Director	Class of share	Interest at end of period	Interest at start of period
MF Diviney	'A' Ordinary shares of 10p each	47,500	47,500
MF Diviney	'B' Ordinary shares of EURO 15 cent each	380,000	380,000

RU Moëd is a beneficiary of a discretionary trust that has an interest in 870,000 'A' Ordinary shares of 10p each and 6,840,000 'B' Ordinary shares of EURO 15 cent each. No other directors held any interests in shares of the company during the period.

The directors who held office at the end of the year were granted the following rights to subscribe for shares in the company:

Director	Number of options during the year				Exercise price	Date from which exercisable
	At start of year	Granted	Exercised	At end of year		
MF Diviney	-	591,234	-	591,234	3p	2 July 2004

On 2 April 2004 A Barnwell was granted options over 2,034,375 shares at an exercise price of 3p each. Since then the directors have received legal advice stating that it was probable that A Barnwell was not an "eligible employee" for the purpose of being granted options under the company's enterprise management incentive scheme 2004. Accordingly, the directors are of the opinion that the grant of options to A Barnwell was ineffective.

No other directors held, or were granted rights to subscribe for shares in or debentures of the company during the period.

POLITICAL AND CHARITABLE CONTRIBUTIONS

The company made no charitable contributions during the year (2003 £nil). The company supports a number of charities in a non-monetary manner.

No political contributions were made (2003 £nil).

EMPLOYEES

The company's policy is to provide a working environment that complies with health and safety legislation. The directors value the involvement of employees and recognise the importance of communicating effectively on matters that affect employees' interests. This is achieved through regular group and individual meetings at the local operating level and through informal briefing sessions.

The company continues to give full and fair consideration to applications for employment from disabled persons, having regard to their particular aptitudes and abilities. If an employee becomes disabled, the company endeavours to continue his or her own employment if this is practicable and, in appropriate cases, special training may be given.

WORKING CAPITAL - POLICY AND PRACTICE

	March to May 2004	31 May 2004	31 May 2003
Inventory Days	13	15	15
Trade Debtor Days	48	53	43
Trade Creditor Days	48	53	54

During the last 3 months before year-end a number of new contracts were won. These new contracts resulted in a substantial increase in sales and purchases during the last quarter. The above table reflects working capital days calculated for both the last quarter and the full year to highlight the impact of these new contracts.

The company's policy for suppliers is to fix terms of payment when agreeing the terms of each contract or business transaction. The terms can take account of seasonal factors, the source of products (some of which have up to a 42 day delivery lead time) and the distribution method.

At 31 May 2004, trade creditors represented 53 days (2003: 54 days) of purchases. Creditor days can be subject to seasonal variation of both supplier and product mix.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial period that give a true and fair view of the state of affairs of the company and of the profit or loss 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
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

STATEMENT OF 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

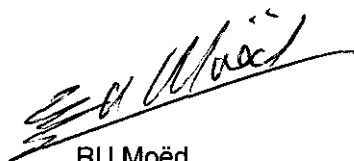
AUDITORS

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

ANNUAL GENERAL MEETING

The accounts for the year ended 31 May 2004, will be considered at the next annual general meeting, which will be held before 31 December 2004. Shareholders will be notified of the date in due course in accordance with Companies Act requirements.

On behalf of the board



RU Moëd
Director

2 November 2004

Pourshins plc
The Lodge
Harmondsworth
West Drayton
Greater London
United Kingdom
UB7 0AB



PO Box 695
8 Salisbury Square
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Report of the independent auditors to the members of Pourshins Plc

We have audited the financial statements on pages 7 to 23.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 4, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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 other information accompanying the financial statements and consider whether it is consistent with those statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with 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 31 May 2004 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.


KPMG LLP
Chartered Accountants
Registered Auditor

2 November 2004

Profit and loss account

for the year ended 31 May 2004

	Note	Year ended 31 May 2004	Year ended 31 May 2003		
		Total Activities	Ordinary Activities	Exceptional Items (Note 7)	Total Activities
		£000	£000	£000	£000
Turnover	2	32,570	28,882	-	28,882
Cost of sales		(27,790)	(24,292)	-	(24,292)
Gross profit		4,780	4,590	-	4,590
Distribution expenses		(2,080)	(1,979)	-	(1,979)
Administrative expenses		(2,607)	(2,679)	(345)	(3,024)
Other operating income		43	93	-	93
Operating profit / (loss)	3	136	25	(345)	(320)
Interest payable	6	(114)	(194)	-	(194)
Profit / (loss) on ordinary activities before taxation		22	(169)	(345)	(514)
Tax on profit	8	138			7
Retained profit / (loss) for the year	18	160			(507)

All amounts relate to continuing activities. All recognised gains and losses are included in the profit and loss account. There is no difference between the company's historical cost profit and loss and the results shown in the financial statements.

Balance sheet

at 31 May 2004

	Note	31 May 2004		31 May 2003	
		£000	£000	£000	£000
Fixed assets					
Tangible assets	9		938		960
Investments	10		14		13
			<hr/>		<hr/>
			952		973
Current assets					
Inventory	11	1,128		1,025	
Debtors	12	5,420		4,347	
Investments	13	544		-	
		<hr/>		<hr/>	
		7,092		5,372	
Creditors: amounts falling due within one year	14	(7,754)		(6,251)	
		<hr/>		<hr/>	
Net current assets			(662)		(879)
			<hr/>		<hr/>
Total assets less current liabilities			290		94
			<hr/>		<hr/>
Creditors: amounts falling due after more than one year	15		(102)		(66)
			<hr/>		<hr/>
			188		28
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	17		849		849
Share premium	18		6		6
Capital redemption reserve	18		5		5
Profit and loss account	18		(672)		(832)
			<hr/>		<hr/>
Equity shareholders' funds			188		28
			<hr/>		<hr/>

These financial statements were approved by the Board of Directors on 2 November 2004 and were signed on behalf of the Board by:



JP Delport
Director

Cash flow statement

for the year ended 31 May 2004

	Note	12 months ended 31 May 2004		12 months ended 31 May 2003	
		£000	£000	£000	£000
Net cash outflow / (inflow) from operating activities	20		(756)		1,106
Returns on investments and servicing of finance					
Interest paid		(113)		(169)	
Interest element of finance lease		(1)		(25)	
			(114)		(194)
Taxation					
UK corporation tax received					5
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(269)		(416)	
Proceeds on disposal of fixed assets		1		27	
Payments to acquire an investment		-		(13)	
			(268)		(402)
Net cash (outflow) / inflow before financing			(1,138)		515
Financing activities					
Movement on debt		206		(99)	
Capital element of finance lease rental payments		(47)		(117)	
			159		(216)
Net cash inflow / (outflow) from financing					
(Decrease) / increase in cash in the year	21,22		(979)		299

Reconciliation of movements in shareholders' funds
for the year ended 31 May 2004

	12 months ended 31 May 2004 £000	12 months ended 31 May 2003 £000
Profit / (loss) for the financial year	160	(507)
Net increase / (reduction) in shareholders' funds	160	(507)
Opening shareholders' funds	28	500
Share issue	-	35
Closing shareholders' funds	188	28

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Fixed assets and depreciation

Tangible fixed assets are stated at their cost price, together with any incidental expense of acquisition. Software under development is depreciated when development is completed and the software is brought fully into use. Depreciation is provided to write off the cost of tangible fixed assets on a straight-line basis over their expected useful economic lives at the following annual rates:

Leasehold improvements	-	10%
Motor vehicles	-	25% to 33.3%
Plant and machinery	-	10% to 20%
Office equipment, fixture and fittings	-	10% to 20%
Computers and software	-	20% to 33.3%

Leases and hire purchase contracts

Assets acquired under finance leases and hire purchase contracts are capitalised and the outstanding future lease and hire purchase obligations are shown in creditors.

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

Notes *(continued)*

1 Accounting policies (continued)

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or, if hedged, at the rate of exchange under the related forward currency contract. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains and losses on translation are included in the profit and loss account.

Pension costs

Contributions to the defined contribution pension schemes operated by the company are charged to the profit and loss account in the period in which they become payable. The assets of the schemes are held separately from those of the company in an independently administered fund.

Inventory

Inventory is stated at the lower of cost and net realisable value. In general cost is determined on a first in first out basis. Net realisable value is the price at which inventory can be sold in the normal course of business after allowing for the costs of realisation. Provision is made where necessary for obsolete, slow moving and defective inventory. There is no work in progress.

Taxation

The average charge for taxation is based on the results for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for tax and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS19.

Turnover

Turnover represents the amounts (excluding valued added tax) derived from the provision of goods and services to third party customers. Turnover is recognised on despatch of goods and services.

Cash

Cash, for the purposes of the cash flow statement, comprise cash in hand and deposits repayable on demand, less overdrafts payable on demand.

Notes (continued)

2 Analysis of Turnover

All of the turnover and pre-tax profit arose from the principal activities of the company.

	12 months ended 31 May 2004 £000	12 months ended 31 May 2003 £000
Geographical analysis of turnover		
Europe (including United Kingdom)	25,196	22,092
The Americas	3,470	3,378
Far East and Middle East	3,904	3,412
	<hr/>	<hr/>
	32,570	28,882
	<hr/>	<hr/>

Turnover originates from airline, caterer and broker customer relationships, principally in the United Kingdom, United States, mainland Europe, the Middle East and Far East. Pourshins has global service capability.

3 Operating profit

	12 months ended 31 May 2004 £000	12 months ended 31 May 2003 £000
Operating profit is stated after charging		
Auditors' remuneration:		
Audit	42	51
Other services	28	10
Depreciation of tangible fixed assets:		
Own assets	285	375
Impaired assets (prior year only)	-	130
Assets held under finance lease	6	13
Directors' emoluments (note 5)	342	308
Bad debt	-	52
Operating lease rentals for land and buildings	199	424
(Profit) / loss on disposal of fixed assets	(1)	2
	<hr/>	<hr/>

Notes (continued)

4 Staff numbers and costs

Pourshins is principally a Business Process Outsource manager and provides specialist service management skills to its customers. It utilises "best of breed" outsourced suppliers to provide warehousing, product selection, transportation and other services. This gives Pourshins ready access to a range of skilled personnel resources without incurring the cost of these numerous additional personnel itself. This enables Pourshins to achieve substantial flexibility in its direct costs of operating.

The average number of persons employed by the company (including directors) during the accounting period was as follows:

	Number of employees	
	12 months ended 31 May 2004	12 months ended 31 May 2003
Sales and Operational	25	23
Administration and Finance	10	9
	<hr/>	<hr/>
	35	32
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	12 months ended 31 May 2004 £000	12 months ended 31 May 2003 £000
Wages and salaries	1,117	1,077
Social security costs	132	114
Other pension costs	43	42
	<hr/>	<hr/>
	1,292	1,233
	<hr/>	<hr/>

5 Remuneration of directors

	12 months ended 31 May 2004 £000	12 months ended 31 May 2003 £000
Director's emoluments	323	297
Pension contributions	19	11
	<hr/>	<hr/>
	342	308
	<hr/>	<hr/>
Highest paid director: Emoluments	133	133
	<hr/>	<hr/>

There was 1 director (MF Diviney) in the company's defined contribution pension scheme during the period (2003: 1).

Notes (continued)

6 Interest payable and similar charges

	12 months ended 31 May 2004 £000	12 months ended 31 May 2003 £000
On bank loans and overdrafts	113	169
Finance charges in respect of finance leases and hire purchase contracts	1	25
	<hr/> 114 <hr/>	<hr/> 194 <hr/>

By April 2005 all liabilities in respect of finance leases and hire purchase contracts are expected to have been paid in full.

7 Exceptional items in prior period

There have been no exceptional costs or losses during the period to 31 May 2004.

During the previous year the company incurred exceptional costs as analysed below and set out in the profit and loss account. These costs related to the under recovery of rent and legal fees following fire damage to a subleased warehouse and office property. As a result of the settlement of litigation instigated by Pourshins relating to the property during the previous financial year, a rent recovery was achieved and certain fixed assets were subject to an impairment adjustment.

The settlement of legal action and the sublease of the property brought to an end these exceptional expenses during the previous financial year.

	12 months ended 31 May 2004 £000	12 months ended 31 May 2003 £000
Fire damaged property:		
Under recovery of rent and legal fees	-	215
Impairment loss on fixed assets	-	130
	<hr/> - <hr/>	<hr/> 345 <hr/>

Notes (continued)

8 Tax on profit on ordinary activities

Analysis of charges / (credits) in the period

	12 months ended 31 May 2004 £000	12 months ended 31 May 2003 £000
<i>UK corporation tax</i>		
Total current tax	-	-
Deferred tax (see note 12)	(138)	-
Adjustment in respect of prior periods	-	(7)
	<hr/>	<hr/>
Tax on profit on ordinary activities	(138)	(7)
	<hr/>	<hr/>

Factors affecting the tax charge for the current period

The current tax charge for the period is lower (2003: lower) than the standard rate of corporation tax in the UK (20%, 2003: 20%). The differences are explained below.

	12 months ended 31 May 2004 £000	12 months ended 31 May 2003 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	22	(514)
	<hr/>	<hr/>
Current tax at 20% (2003: 20%)	4	(103)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	2	4
Depreciation in excess of capital allowances	20	101
Prior year adjustment	-	(7)
Utilised prior period losses in the year	(26)	(2)
	<hr/>	<hr/>
Total current tax charge (see above)	-	(7)
	<hr/>	<hr/>

Factors that may affect future tax charges

There is no tax charge for the year since prior year tax losses were utilised against current year profits. The company has tax losses to be carried forward amounting to £347,000 (2003: £437,000)

During the year a deferred tax asset of £138,000 (2003: nil) was recognised out of a total deferred tax asset of £205,000 (2003: £112,000). This element of the total deferred tax asset was recognised because it is regarded that there be will more likely than not, suitable profits earned in the foreseeable future from which the future reversal of this element of tax timing differences can be deducted.

This leaves a further deferred tax asset of £67,000 which has not been recognised in the year to 31 May 2004 but which may be capable of being recognised in a future period.

Notes (continued)

9 Tangible fixed assets

	Leasehold improvements	Motor vehicles, plant and machinery	IT & office equipment, fixtures and fittings	Total
	£000	£000	£000	£000
Cost				
At the beginning of the year	1,439	35	2,393	3,867
Additions	-	-	269	269
Disposals	(1,218)	(17)	(186)	(1,421)
At the end of the year	221	18	2,476	2,715
Depreciation				
At the beginning of the year	1,297	31	1,579	2,907
Charge for the year	22	4	265	291
On disposals during the year	(1,218)	(17)	(186)	(1,421)
At the end of the year	101	18	1,658	1,777
Net book value				
At 31 May 2004	120	-	818	938
At 31 May 2003	142	4	814	960

The net book value of assets held under hire purchase and finance leases at 31 May 2004 was £19,000 (2003: £27,000). The depreciation charge for the year on these assets amounted to £6,000 (2003: £13,000)

10 Investments

	31 May 2004	31 May 2003
	£000	£000
Investments in subsidiaries held at cost		
At beginning of year:		
Pourshins Logistics Limited	13	13
Additions:		
Pourshins Inc	1	-
At end of year	14	13

Pourshins Logistics Limited and Pourshins Inc are 100% subsidiaries of Pourshins PLC. Pourshins Inc is incorporated in the United States of America with US dollar denominated share capital and Pourshins Logistics Limited is incorporated in the United Kingdom.

Consolidated accounts have not been prepared because neither subsidiary traded during the year. Pourshins Inc commenced trading in the United States of America after the period end.

Notes (continued)

11 Inventory

	31 May 2004	31 May 2003
	£000	£000
Finished goods for resale	1,128	1,025

12 Debtors

	31 May 2004	31 May 2003
	£000	£000
Trade debtors	4,694	3,460
Other debtors	123	64
Amounts owed by group undertakings	84	-
Deferred tax assets	138	-
Prepayments and accrued income	346	201
Unpaid share capital	35	35
	<u>5,420</u>	<u>3,760</u>

All debtors are due within one year.

13 Investments (held under current assets)

	31 May 2004	31 May 2003
	£000	£000
Cost		
Shares in group undertakings	544	588

During the year Pourshins PLC acquired 100% of the shares of Executive Lounge Services PLC after exercising rights related to secured loans made to Executive Lounge Services PLC. Pourshins PLC recognises its investment in Executive Lounge Services PLC as a current asset, held with a view to realise its investment.

14 Creditors: amounts falling due within one year

	31 May 2004	31 May 2003
	£000	£000
Trade creditors	4,007	3,651
Bank loans and overdrafts	3,329	2,198
Hire purchase and finance leases	10	47
Other taxes and social security	43	35
Other creditors	247	208
Accruals and deferred income	118	112
	<u>7,754</u>	<u>6,251</u>

Notes (continued)

15 Creditors: amounts falling due after more than one year

	31 May 2004	31 May 2003
	£000	£000
Bank loans	102	56
Hire purchase and finance leases	-	10
	<u>102</u>	<u>66</u>

Analysis of bank loans and overdrafts:

	31 May 2004	31 May 2003
	£000	£000
Debt is analysed as falling due		
In one year or less on demand	3,329	2,198
Between one and two years	102	56
Between two and five years	-	-
	<u>3,431</u>	<u>2,254</u>

The bank loans and overdrafts are secured by a fixed and floating charge over the assets of the company. Interest on bank loans and overdrafts is payable at various rates between 1.8% and 3% above the base rate.

16 Obligations under hire purchase and finance leases

	31 May 2004	31 May 2003
	£000	£000
These comprise		
Due within one year	11	51
Due in second to fifth years	-	11
	<u>11</u>	<u>62</u>
Less: Finance charges allocated to future years	(1)	(5)
	<u>10</u>	<u>57</u>

All amounts due under hire purchase contracts are repayable by instalments within one year of the balance sheet date. Interest on these contracts is payable at various rates depending on the respective finance company and when the contract was first entered into.

By April 2005 all liabilities in respect of finance leases and hire purchase contracts are expected to have been paid in full.

Notes (continued)

17 Called up share capital

	31 May 2004	31 May 2003
	£000	£000
Authorised:		
20,000,000 'A' ordinary shares of 10p each	2,000	2,000
7,220,000 'B' ordinary shares of EURO 15 cent each	722	722
	<hr/>	<hr/>
	2,722	2,722
	<hr/>	<hr/>
Allotted, called up and fully paid		
917,500 'A' ordinary shares of 10p each	92	92
7,220,000 'B' ordinary shares of EURO 15 cent each	722	722
	<hr/>	<hr/>
Called up and unpaid		
350,000 'A' ordinary shares of 10p each	35	35
	<hr/>	<hr/>
	849	849
	<hr/>	<hr/>

Each 'B' ordinary share of EURO 15 cent has the same rights, privileges and restrictions as each 'A' ordinary share of 10p each to the intent that each 'A' ordinary shares and each 'B' ordinary share shall rank equally in all respects notwithstanding any change in exchange rates between Sterling and the EURO or any other factor.

The 'B' ordinary shares of EURO 15 cents each were previously denominated in French Francs and were re-denominated upon the introduction of the single currency in participating countries.

The directors held the following options to subscribe for shares in the company:

	Class of Share	At end of Year	At beginning of year or date of appointment
Martin Diviney	'A' Ordinary	401,234	-
Martin Diviney	'B' Ordinary	190,000	-

The above are held under an enterprise management incentive scheme exercisable by 30 June 2005 at a price of 3p per share.

18 Share premium and reserves

	Share Premium account £000	Capital Redemption Reserve £000	Profit and Loss account £000
At 31 May 2003	6	5	(832)
Retained profit / (loss) for the period	-	-	160
	<hr/>	<hr/>	<hr/>
At 31 May 2004	6	5	672
	<hr/>	<hr/>	<hr/>

Notes (continued)

19 Commitments under operating leases

As at 31 May 2004, the company's annual commitments under operating leases were as follows:

	31 May 2004	31 May 2003
	Land and Buildings	Land and Buildings
	£000	£000
Operating leases which expire		
Within one year	-	250
In the second to fifth years inclusive	-	-
Over five years	218	218
	<hr/>	<hr/>
	218	468
	<hr/>	<hr/>

20 Reconciliation of operating profit to net cash (outflow) / inflow from operating activities

	12 months ended 31 May 2004	12 months ended 31 May 2003
	£000	£000
Operating profit / (loss)	136	(320)
Depreciation charges and prior year impairment of fixed assets	291	520
Foreign exchange (profit) / loss on bank loans	(8)	21
Profit on disposal of fixed assets	(1)	(2)
(Increase) / decrease inventory	(103)	460
(Increase) / decrease in debtors	(1,480)	892
Increase / (decrease) in creditors	409	(465)
	<hr/>	<hr/>
Net cash (outflow) / inflow from operating activities	(756)	1,106
	<hr/>	<hr/>

Notes (continued)

21 Reconciliation of net cash (outflow) / inflow to movement in net debt

	12 months ended 31 May 2004	12 months ended 31 May 2003
	£000	£000
(Decrease) / increase in cash in the year	(979)	299
Cash (inflow) / outflow from financing	(159)	216
Change in net debt resulting from cash flows	(1,138)	515
Translation differences	8	(21)
Movement in net debt in the year	(1,130)	494
Opening net debt	(2,311)	(2,805)
Closing net debt	(3,441)	(2,311)

22 Analysis of net debt

	At 31 May 2003	Cash flow	Non Cash	Foreign Exchange	At 31 May 2004
	£000	£000	£000	£000	£000
Overdrafts	(2,085)	(979)	-	-	(3,064)
Debt due within 1 year	(113)	(104)	(56)	8	(265)
Debt due after 1 year	(56)	(102)	56	-	(102)
Finance leases	(57)	47	-	-	(10)
Total	(2,311)	(1,138)	-	8	(3,441)

23 Pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the fund and amounted to £43,000 (2003: £77,000).

There were no outstanding or prepaid contributions at either the beginning or end of the accounting period.

Notes (continued)

24 Contingent Liability

At 31 December 2003 the company's lease of an office and production facility expired. These premises had been sublet by the company to a tenant. During 2003 the head landlord changed. At the end of the lease the new landlord issued a dilapidations claim. The landlord failed to disclose the material fact that it had renewed the lease with Pourshins' former sub-tenant.

On the basis of advice from its expert surveyors and its lawyers Pourshins immediately disputed the dilapidations claim on this basis and others and the landlord withdrew the majority of its claim. The landlord maintained a claim for £150,000 which, having taken expert advice, Pourshins has further disputed on the basis that it is not properly quantified or substantiated, is not in accordance with the lease, is not in accordance with an agreed schedule of condition and that the claim represents betterment for which the landlord is not entitled to claim.

Since the period end the landlord has made further concessions. Pourshins will continue to defend vigorously any claim for liability.

25 Related party disclosures

- a) At the period end Executive Lounge Services plc was a related party due to Pourshins plc owning 100% of the issued share capital of Executive Lounge Services plc. Executive Lounge Services plc is held as current asset investment by Pourshins plc as set out in note 13. During the year transactions between Pourshins and Executive Lounge Services plc were purchases of £367,000 (2003: £157,000) and sales of £84,000 (2003: £nil). At 31 May 2004 an amount of £655,000 (2003: £588,000) was due from Executive Lounge Services plc.
- b) At the year end Pourshins Inc was a related party due to Pourshins plc owning 100% of the issued share capital of Pourshins Inc. Pourshins Inc was incorporated during the year but commenced trading after the year-end. During the year Pourshins plc advanced £84,000 to Pourshins Inc that is repayable on demand.
- c) At the period end Temple Developments Limited was a related party because A Barnwell was a director of Pourshins plc and Temple Developments Limited. During the period the company made payments of £48,000 (2003: £82,000) to Temple Developments Limited for products, consulting and other services provided by the company. At 31 May 2004 there were no amounts outstanding to Temple Developments limited.

26 Ultimate controlling party

The company is controlled by the independent trustees of the Legis Trust by virtue of their shareholding.