

**AIRCOM DISTRIBUTION LTD.
FINANCIAL STATEMENTS
FOR
31ST DECEMBER 1999**

Company Registration Number 3386007

SHEEN STICKLAND
Chartered Accountants & Registered Auditors
7 East Pallant
Chichester
West Sussex
PO19 1TR



AIRCOM DISTRIBUTION LTD.

THE DIRECTORS' REPORT

YEAR ENDED 31ST DECEMBER 1999

The directors present their report and the financial statements of the company for the year ended 31st December 1999.

PRINCIPAL ACTIVITIES

The principal activity of the company during the year was the wholesaling of branded fragrances and toiletries.

THE DIRECTORS AND THEIR INTERESTS IN SHARES OF THE COMPANY

The directors who served the company during the year together with their beneficial interests in the shares of the company were as follows:

		Ordinary Shares of £1 each	
		At 31 December 1999	At 1 January 1999 or later date of appointment
Mr K Higson	(Appointed 23 June 1999)	-	-
Mrs B Farrow	(Retired 23 June 1999)	—	—

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 at the end of the year and of the profit or loss for the year then ended.

In preparing those financial statements, the directors are required to select suitable accounting policies, as described on page 6, and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable. The directors must also 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. The directors 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

A resolution to re-appoint Sheen Stickland as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

AIRCOM DISTRIBUTION LTD.

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31ST DECEMBER 1999

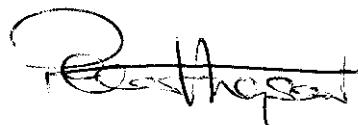
SMALL COMPANY PROVISIONS

This report has been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985.

Registered office:

Cawley End
Cawley Road
Chichester
West Sussex
PO19 1UZ

Signed by order of the directors

A handwritten signature in black ink, appearing to read 'P Higson Esq.', written over a horizontal line.

P HIGSON ESQ.
Company Secretary

Approved by the directors on **27.10.00**

AIRCOM DISTRIBUTION LTD.**AUDITORS' REPORT TO THE SHAREHOLDERS****YEAR ENDED 31ST DECEMBER 1999**

We have audited the financial statements on pages 4 to 9 which have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective March 1999), under the historical cost convention and the accounting policies set out on page 6 .

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND THE AUDITORS

As described on page 1, the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF 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 31st December 1999 and of the profit of the company for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

7 East Pallant
Chichester
West Sussex
PO19 1TR


SHEEN STICKLAND
Chartered Accountants
& Registered Auditors

27-10-00

AIRCOM DISTRIBUTION LTD.
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31ST DECEMBER 1999


	Note	Year to 31 Dec 99 £	Period from 1 Jul 98 to 31 Dec 98 £
TURNOVER		1,181,200	431,973
Cost of sales		(1,018,049)	(425,875)
GROSS PROFIT		163,151	6,098
Administrative expenses		(147,970)	(48,703)
OPERATING PROFIT/(LOSS)	2	15,181	(42,605)
Interest receivable		31	-
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		15,212	(42,605)
Tax on profit/(loss) on ordinary activities		-	-
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR		15,212	(42,605)
Balance brought forward		(42,605)	-
Balance carried forward		(27,393)	(42,605)

AIRCOM DISTRIBUTION LTD.**BALANCE SHEET****31ST DECEMBER 1999**

	Note	1999 £	1998 £
FIXED ASSETS			
Tangible assets	3	6,244	4,774
CURRENT ASSETS			
Stocks	4	428,966	5,081
Debtors	5	421,904	6,267
Cash at bank and in hand		39,688	12,489
		<u>890,558</u>	<u>23,837</u>
CREDITORS: Amounts falling due within one year	6	<u>(473,061)</u>	<u>(71,214)</u>
NET CURRENT ASSETS/(LIABILITIES)		417,497	(47,377)
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>423,741</u>	<u>(42,603)</u>
 CREDITORS: Amounts falling due after more than one year			
	7	451,132	-
 CAPITAL AND RESERVES			
Called-up equity share capital	11	2	2
Profit and loss account		(27,393)	(42,605)
DEFICIENCY		<u>423,741</u>	<u>(42,603)</u>

These financial statements have been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985 and with the Financial Reporting Standard for Smaller Entities (effective March 1999).

These financial statements were approved and signed by the directors on 27-10-00.


 MR K HIGSON

AIRCOM DISTRIBUTION LTD.
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST DECEMBER 1999

1. Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with the Financial Reporting Standard for Smaller Entities (effective March 1999).

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Office equipment	- 25% straight line
Furniture and fittings	- 25% straight line
Computers	- 25% straight line

Stocks

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

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

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 the transaction. Exchange differences are taken into account in arriving at the operating profit.

AIRCOM DISTRIBUTION LTD.**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 31ST DECEMBER 1999****2. OPERATING PROFIT/LOSS**

Operating profit/loss is stated after charging/(crediting):

	Year to 31 Dec 99 £	Period from 1 Jul 98 to 31 Dec 98 £
Directors' Emoluments	-	-
Depreciation	2,617	1,592
Auditors' fees	3,000	1,000
Net profit on foreign currency translation	<u>(1,627)</u>	<u>-</u>

3. TANGIBLE FIXED ASSETS

	Office equipment £	Furniture & Fittings £	Computers £	Total £
COST				
At 1st January 1999	1,886	3,380	1,100	6,366
Additions	-	-	4,087	4,087
At 31st December 1999	<u>1,886</u>	<u>3,380</u>	<u>5,187</u>	<u>10,453</u>
DEPRECIATION				
At 1st January 1999	472	845	275	1,592
Charge for the year	473	846	1,298	2,617
At 31st December 1999	<u>945</u>	<u>1,691</u>	<u>1,573</u>	<u>4,209</u>
NET BOOK VALUE				
At 31st December 1999	<u>941</u>	<u>1,689</u>	<u>3,614</u>	<u>6,244</u>
At 31st December 1998	<u>1,414</u>	<u>2,535</u>	<u>825</u>	<u>4,774</u>

4. STOCKS

	1999 £	1998 £
Stock	<u>428,966</u>	<u>5,081</u>

AIRCOM DISTRIBUTION LTD.**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 31ST DECEMBER 1999****5. DEBTORS**

	1999	1998
	£	£
Trade debtors	399,834	-
Former director's loan account	6,267	6,267
Prepayments and accrued income	15,803	-
	<u>421,904</u>	<u>6,267</u>

6. CREDITORS: Amounts falling due within one year

	1999	1998
	£	£
Bank loans and overdrafts	9,641	-
Trade creditors	446,962	16,414
Other creditors including:		
PAYE and social security	2,149	819
VAT	8,309	13,371
Directors current accounts	-	37,610
	<u>10,458</u>	<u>51,800</u>
Accruals and deferred income	6,000	3,000
	<u>473,061</u>	<u>71,214</u>

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

	1999	1998
	£	£
Other	<u>451,132</u>	<u>-</u>

8. COMMITMENTS UNDER OPERATING LEASES

At 31st December 1999 the company had aggregate annual commitments under non-cancellable operating leases as set out below.

	1999	1998
	£	£
Operating leases which expire:		
Within 1 year	<u>8,900</u>	<u>12,000</u>

AIRCOM DISTRIBUTION LTD.**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED 31ST DECEMBER 1999****9. CONTINGENCIES**

The 1998 accounts were qualified as the director was unable to obtain information from a previous director, Mark Lane, about certain payments made by the company while it was owned and controlled by the former director. The director has not received any further information in the current year about these payments. If further information becomes available adjustments may be required to the assets and liabilities of the company. In the opinion of the current director these adjustments would not be material.

10. RELATED PARTY TRANSACTIONS

The company was under the control of Mr P Higson from September 1998.

The current director of the company, K Higson Esq. has advanced money to the company to assist with the company's cash flow during the initial period of trading. When the cash flow of the company permitted some of this loan was repaid. As at 31 December 1999 the company owed K Higson Esq. £451,132.

11. SHARE CAPITAL**Authorised share capital:**

	1999	1998
	£	£
10,000 Ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>

Allotted, called up and fully paid:

	1999	1998
	£	£
Ordinary share capital	<u>2</u>	<u>2</u>