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REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2002
FOR
AUCTIONAIR LIMITED



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COMPANIES HOUSE		12/01/04
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COMPANIES HOUSE		31/12/03

AUCTIONAIR LIMITED

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for the Year ended 31 December 2002

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AUCTIONAIR LIMITED

COMPANY INFORMATION
for the Year ended 31 December 2002

DIRECTORS:

Albert Scardino
Duncan Hilleary
Neil Worgan
Alexander Morrison
Charles Alasdair MacLeod

SECRETARY:

Giles Elliott

REGISTERED OFFICE:

PO Box 2531
Kineton
Warwickshire
CV35 0YX

REGISTERED NUMBER:

4146549 (England & Wales)

AUCTIONAIR LIMITED

REPORT OF THE DIRECTORS for the Year ended 31 December 2002

The directors present their report with the financial statements of the company for the year ended 31 December 2002. Comparative figures shown as "2001" are for the period from incorporation on 24 January to 31 December 2001.

PRINCIPAL ACTIVITY

The principal activity of the company in the period under review was the operation of sealed bid, non-binding auctions.

DIRECTORS

The directors during the period under review were:

Albert Scardino	- appointed 7 March 2001
Duncan Hilleary	- appointed 2 February 2001
Neil Worgan	- appointed 7 March 2001
Alexander Morrison	- appointed 7 March 2001
Charles Alasdair MacLeod	- appointed 26 September 2001
	- resigned 25 February 2003

The beneficial interests of the directors holding office on 31 December 2002 in the issued share capital of the company were as follows at 31 December 2002 and 31 December 2001:

	Ordinary Shares of 1p each
Albert Scardino - personally	1,995
- as owner of 25% of Blue Planet Management Limited	750
	<u>2,745</u>
Duncan Hilleary - personally	3,500
- as owner of 75% of Blue Planet Management Limited	2,250
- as owner of 100% of Fairlow Limited	5,738
	<u>11,488</u>
Neil Worgan	3,121
Alexander Morrison	500
Charles Alasdair MacLeod	560

At 31 December 2002 the directors holding office on that date held options to acquire ordinary shares of 1p each as follows:

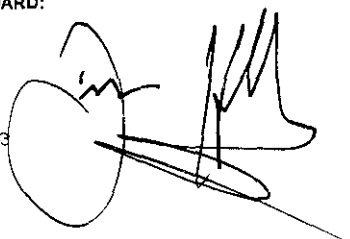
	Number	Nominal Value £	Unit Price £	Total Price £	Exercisable	
					From	To
Albert Scardino	658	6.58	7.00	4,606	1 May 2002	31 May 2007
	90	0.90	20.00	1,800	1 May 2003	31 May 2012
Duncan Hilleary	2,683	26.83	7.00	18,781	1 May 2002	31 May 2007
	1,117	11.17	20.00	22,340	1 May 2003	31 May 2012
Neil Worgan	759	7.59	7.00	5,313	1 May 2002	31 May 2007
	150	1.50	20.00	3,000	1 May 2003	31 May 2012
Alexander Morrison	506	5.06	7.00	3,542	1 May 2002	31 May 2007
	45	0.45	20.00	900	1 May 2003	31 May 2012
Charles Alasdair MacLeod	45	0.45	20.00	900	1 May 2002	31 May 2012

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies

ON BEHALF OF THE BOARD:

Original signed by
Duncan Hilleary (Director)

Dated: 22 December 2003



AUCTIONAIR LIMITED

PROFIT & LOSS ACCOUNT
for the Year ended 31 December 2002

	Notes	2002 £	2001 £
TURNOVER		600,872	217,564
Cost of sales		467,320	163,228
GROSS PROFIT		<u>133,551</u>	<u>54,336</u>
Administrative expenses		439,788	464,578
		<u>-306,237</u>	<u>-410,242</u>
Other operating income		2,250	-
OPERATING LOSS		-303,987	-410,242
Interest payable and similar charges		2,332	-
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	2	-306,319	-410,242
Tax on loss on ordinary activities		-	-
LOSS FOR THE FINANCIAL PERIOD AFTER TAXATION	3	<u>-306,319</u>	<u>-410,242</u>
DEFICIT CARRIED FORWARD		<u>(£306,319)</u>	<u>(£410,242)</u>

The notes form part of these financial statements

AUCTIONAIR LIMITED

**BALANCE SHEET
31 December 2002**

	Notes	£	2002 £	£	2001 £
FIXED ASSETS:					
Tangible Assets	4		10,037		12,500
CURRENT ASSETS:					
Stocks		0		777	
Debtors	5	59,159		110,709	
Deposits		50,416		65,758	
Cash at Bank and in hand		33,788		71,253	
			<u>143,363</u>	<u>248,497</u>	
CREDITORS: Amounts falling due within one year			243,211		220,710
NET CURRENT ASSETS / (LIABILITIES):			<u>-99,848</u>		27,786
TOTAL ASSETS LESS CURRENT LIABILITIES:			<u>(£89,812)</u>		<u>£40,286</u>
CREDITORS: Amounts falling due after more than one year	6		125,000		
			<u>(£214,812)</u>		<u>£40,286</u>
CAPITAL AND RESERVES:					
Called up Share Capital	7		257		231
Share Premium			501,491		450,297
Profit & Loss Account	8		-716,561		-410,242
SHAREHOLDERS' FUNDS:			<u>(£214,812)</u>		<u>£40,286</u>

The company is entitled to exemption from audit under Section 249A(1) of the Companies Act 1985 for the period ended 31 December 2002.

The members have not required the company to obtain an audit of its financial statements for the period ended 31 December 2002 in accordance with Section 249B(2) of the Companies Act 1985.

The directors acknowledge their responsibilities for:

- (a) ensuring that the company keeps accounting records which comply with Section 221 of the Companies Act 1985
- (b) and preparing financial statements which give a true and fair view of the state of affairs of the company as at the end of each financial year and of its profit or loss for each financial year in accordance with the requirements of Section 226 and which otherwise comply with the requirements of the Companies Act 1985 relating to financial statements, so far as applicable to the company.

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective June 2002).

ON BEHALF OF THE BOARD:

Original signed by
Duncan Hilleary (Director)

Approved by the Board on 22 December 2003

The notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS
for the Year ended 31 December 2002

1 ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002).

Turnover

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

Tangible Fixed Assets

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

Office Furniture and Equipment	- 25% on cost
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Deferred Tax

Deferred Tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

2. **OPERATING LOSS**

The operating loss is stated after charging:

	2002	2001
Depreciation - owned assets	<u>£3,941</u>	<u>£1,786</u>

3. TAXATION

No liability to UK corporation tax arose on ordinary activities for the period.

4. TANGIBLE FIXED ASSETS

	Office Furniture and Equipment
	£
COST:	
At 1 January 2002	14,286
Additions in the year	1,478
At 31 December 2002	<u>15,764</u>
DEPRECIATION:	
At 1 January 2002	<u>1,786</u>
Charge for the year	3,941
At 31 December 2002	<u>5,727</u>
NET BOOK VALUE:	
At 31 December 2002	<u>£10,037</u>
At 31 December 2001	<u>£12,500</u>

AUCTIONAIR LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
for the Year ended 31 December 2002**

5. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002	2001
	£	£
Called up share capital and premium not paid	491	79,982
Other Debtors and Prepayments	58,668	30,727
	<u>£59,159</u>	<u>£110,709</u>

Called up share capital and premium was subsequently paid as follows:	14 March 2002	49,996
	3 May 2002	29,500
	2 October 2003	491

6. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

£125,000 of Loan Notes were issued during the year, which are repayable on 1 September 2004 or convertible into 3,575 ordinary shares of 1p each. Interest is payable on the Loan Notes quarterly in arrears at the rate of 4 percentage points above the UK base rate.

7. CALLED UP SHARE CAPITAL

Ordinary Shares of 1p each:	<u>Number</u>	<u>Nominal Value</u> £	<u>Cash Received</u> £
Authorised as at December 31, 2001:	100,000	1,000	
Authorised in the year:	0	0	
Authorised as at December 31, 2002:	<u>100,000</u>	<u>1,000</u>	
Allotted as at December 31, 2001:	23,102	231	450,528
Allotted in the year to provide funds to develop the business:	2,561	26	51,220
Allotted as at December 31, 2002:	<u>25,663</u>	<u>£257</u>	<u>£501,748</u>
Issued and fully paid as at December 31, 2001:	20,112	201	370,546
Issued and fully paid in the year:	5,551	56	131,202
Issued and fully paid as at December 31, 2002:	<u>25,663</u>	<u>£257</u>	<u>£501,748</u>

Options have been granted to acquire Ordinary Shares of 1p each as follows:

<u>Exercisable Period</u>	<u>Year Granted</u>	<u>Number</u>	<u>Nominal Value</u> £	<u>Unit Price</u> £	<u>Total Price</u> £
21 June 2002 to 20 June 2007	2001	151	1.51	7.00	1,057
1 May 2002 to 31 May 2007	2001	4,909	49.09	7.00	34,363
1 May 2003 to 30 April 2012	2002	1,370	13.70	20.00	27,400
1 May 2003 to 30 April 2006	2002	200	2.00	20.00	4,000
1 May 2003 to 30 April 2006	2002	105	1.05	26.75	2,809
1 May 2003 to 31 May 2008	2002	390	3.90	26.75	10,433
1 May 2003 to 31 May 2012	2002	<u>1,673</u>	<u>16.73</u>	20.00	<u>33,460</u>
		<u>8,798</u>	<u>£87.98</u>		<u>£113,521</u>

8. RESERVES

	Profit and Loss Account
	£
At 1 January 2002	-410,242
Loss for the year	-306,319
At December 31, 2002	<u>(£716,561)</u>