

**DCS GROUP HOLDINGS LIMITED
REPORTS AND FINANCIAL STATEMENTS
FOR THE 17 MONTHS ENDED
31 DECEMBER 2002**



DCS GROUP HOLDINGS LIMITED

Company Information

Directors	N R Shortt D C Shortt R M Shortt S P Shortt I A Voce (resigned 10 January 2003)
Secretary	N Shortt
Company Number	4261653
Registered Office	Timothy's Bridge Road Stratford-upon-Avon Warwickshire CV37 9YL
Auditors	Horwath Clark Whitehill Chartered Accountants and Registered Auditors Carrick House Lypiatt Road Cheltenham Gloucestershire GL50 2QJ
Bankers	National Westminster Bank PLC 31 Rother Street Stratford-upon-Avon Warwickshire CV37 6ZS

DCS GROUP HOLDINGS LIMITED

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DIRECTORS' REPORT FOR THE PERIOD ENDED 31 DECEMBER 2002

The directors present their report and the consolidated financial statements for the period ended 31 December 2002.

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;
- 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.

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.

Results and dividends

The Group profit for the 17 month period, after taxation, amounted to **£482,000** (*for the 12 months ended 31 December 2002 this was £355,000 and for the 12 months ended 31 December 2001 including a full year's trading in DCS Europe plc profit after taxation was £295,000*). There were no dividends proposed or paid during the period.

Principal activities and review of business

The Group is principally engaged in wholesale distribution to independent supermarkets and the import and brokerage of supermarket goods. The Group is also in receipt of rental income.

Incorporation

DCS Group Holdings Limited was incorporated on 30 July 2001. The company commenced trading on 27 September 2001.

DCS GROUP HOLDINGS LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 DECEMBER 2002

Directors

The directors who served during the period and their beneficial interests in group companies' issued share capital were:

	Ordinary shares of £0.10 each	
	<u>2002</u>	<u>2001</u>
<u>DCS Group Holdings Limited</u>		
N R Shortt	148,750	148,750
D C Shortt	181,250	181,250
R M Shortt	74,375	74,375
S P Shortt	74,375	74,375
I A Voce (resigned on 10 January 2003)	-	-

None of the directors held any shares in any of the other group companies during the period.
None of the directors were granted or exercised any right to subscribe for shares in group companies during the period.

Auditors

Horwath Clark Whitehill will be proposed for reappointment in accordance with section 385 of the Companies Act 1985.

This report was approved by the board on 11 July 2003 and signed on its behalf.



N R Shortt
Director

DCS GROUP HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF DCS GROUP HOLDINGS LIMITED

We have audited the financial statements of DCS Group Holdings Limited for the period ended 31 December 2002 set out on pages 4 to 19. These financial statements have been prepared under the historical cost convention and the accounting policies set out on pages 9 to 10.

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 auditors' 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

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the 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 Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

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

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.

UNQUALIFIED OPINION

In our opinion the financial statements give a true and fair view of the state affairs of the company and of the group as at 31 December 2002 and of the profit and cashflows of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants
Registered Auditors
Cheltenham
14 July 2003

Howard Clark Whitell
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DCS GROUP HOLDINGS LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the period ended 31 December 2002

		Statutory	Pro-forma	<i>Pro-forma</i>
	Note	17m to 31.12.02 £'000	12m to 31.12.02 £'000	<i>12m to 31.12.01 £'000</i>
TURNOVER	1,2	88,869	63,620	60,598
Cost of sales		<u>(80,370)</u>	<u>(57,574)</u>	<i><u>(54,710)</u></i>
GROSS PROFIT		8,499	6,046	5,888
Selling and distribution costs		(2,799)	(1,980)	<i>(1,965)</i>
Administrative expenses		(3,921)	(2,829)	<i>(2,686)</i>
Other operating income		<u>142</u>	<u>139</u>	<i><u>6</u></i>
OPERATING PROFIT	3	1,921	1,376	1,243
Interest payable	6	<u>(1,154)</u>	<u>(807)</u>	<i><u>(781)</u></i>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		767	569	462
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	7	<u>(285)</u>	<u>(214)</u>	<i><u>(167)</u></i>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u>482</u>	<u>355</u>	<i><u>295</u></i>
RETAINED PROFIT FOR THE YEAR		482	355	295
RETAINED PROFIT BROUGHT FORWARD		<u>521</u>	<u>648</u>	<i><u>353</u></i>
RETAINED PROFIT CARRIED FORWARD		<u>£ 1,003</u>	<u>£ 1,003</u>	<i><u>£ 648</u></i>

All amounts relate to continuing operations.

There were no recognised gains and losses for 2002 or 2001 other than those included in the profit and loss account.

The notes on pages 9 to 19 form part of these financial statements.

DCS GROUP HOLDINGS LIMITED

CONSOLIDATED BALANCE SHEET
As at 31 December 2002

	Note	Statutory 31.12.02 £'000	£'000	Pro-forma 31.12.01 £'000	£'000
FIXED ASSETS					
Intangible fixed assets	8		14		29
Tangible fixed assets	9		<u>5,301</u>		<u>5,528</u>
			<u>5,315</u>		<u>5,557</u>
CURRENT ASSETS					
Stocks	11	7,854		6,750	
Debtors	12	5,729		7,205	
Cash at bank and in hand		<u>19</u>		<u>-</u>	
		<u>13,602</u>		<u>13,955</u>	
CREDITORS: amounts falling due within one year	13	<u>(13,309)</u>		<u>(14,673)</u>	
NET CURRENT ASSETS/ (LIABILITIES)			<u>293</u>		<u>(718)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			5,608		4,839
CREDITORS: amounts falling due after more than one year	14		<u>(4,407)</u>		<u>(4,058)</u>
PROVISIONS FOR LIABILITIES AND CHARGES	15		<u>(148)</u>		<u>(83)</u>
NET ASSETS			<u>£ 1,053</u>		<u>£ 698</u>
CAPITAL AND RESERVES					
Called up share capital	16		50		50
Profit and loss account			<u>1,003</u>		<u>648</u>
SHAREHOLDERS' FUNDS - All equity	17		<u>£ 1,053</u>		<u>£ 698</u>

The financial statements were approved by the board on 11 July 2003 and signed on its behalf.



N R Shortt

Director

The notes on pages 9 to 19 form part of these financial statements.

DCS GROUP HOLDINGS LIMITED

COMPANY BALANCE SHEET
As at 31 December 2002

	Note	Statutory 31.12.02 £'000	£'000	Pro-forma 31.12.01 £'000	£'000
FIXED ASSETS					
Tangible fixed assets	9		4,115		4,095
Investments	10		<u>50</u>		<u>50</u>
			4,165		4,145
CURRENT ASSETS					
Debtors	12	<u>249</u>		<u>23</u>	
CREDITORS: amounts falling due within one year	13	<u>(1,682)</u>		<u>(1,422)</u>	
NET CURRENT LIABILITIES			<u>(1,433)</u>		<u>(1,399)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			2,732		2,746
CREDITORS: amounts falling due after more than one year	14		<u>(2,548)</u>		<u>(2,687)</u>
NET ASSETS			<u>£ 184</u>		<u>£ 59</u>
CAPITAL AND RESERVES					
Called up share capital	16		50		50
Profit and loss account			<u>134</u>		<u>9</u>
SHAREHOLDERS' FUNDS - All equity	17		<u>£ 184</u>		<u>£ 59</u>

The financial statements were approved by the board on 11 July 2003 and signed on its behalf.



N R Shortt

Director

The notes on pages 9 to 19 form part of these financial statements.

DCS GROUP HOLDINGS LIMITED

CONSOLIDATED CASH FLOW STATEMENT
For the period ended 31 December 2002

	Note	Statutory 17m to 31.12.02 £'000	Pro-forma 12m to 31.12.02 £'000	Pro-forma 12m to 31.12.01 £'000
Net cash inflow/(outflow) from operating activities (Page 8)		2,405	747	2,319
Returns on investments and servicing of finance	18	(1,154)	(807)	(781)
Taxation		(170)	(120)	(63)
Capital expenditure and financial investment	18	(1,215)	545	(1,719)
Equity dividends paid		<u>-</u>	<u>-</u>	<u>(79)</u>
Cash(outflow)/inflow before use of liquid resources and financing		(134)	365	(323)
Financing:	18			
(Decrease)/increase in debt		<u>(1,769)</u>	<u>(1,296)</u>	<u>(697)</u>
Decrease in cash in the period		<u>£ (1,903)</u>	<u>£ (931)</u>	<u>£ (1,020)</u>

The notes on pages 9 to 19 form part of these financial statements.

DCS GROUP HOLDINGS LIMITED

CONSOLIDATED CASH FLOW STATEMENT INFORMATION
For the period ended 31 December 2002

	Note	Statutory 17m to 31.12.02 £'000 £'000	Pro-forma 12m to 31.12.02 £'000 £'000	Pro-forma 12m to 31.12.01 £'000 £'000
RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES				
Operating profit		1,921	1,376	1,243
Amortisation of intangible assets		20	15	14
Depreciation of tangible fixed assets		451	328	279
(Profit)/Loss on disposal of tangible fixed assets		(10)	(23)	32
(Increase)/Decrease in debtors		699	1,477	(2,618)
(Increase)/Decrease in stocks		(2,717)	(1,104)	(1,718)
Increase/(Decrease) in creditors		<u>2,041</u>	<u>(1,322)</u>	<u>5,087</u>
Net cash inflow/(outflow) from operating activities		<u>£ 2,405</u>	<u>£ 747</u>	<u>£2,319</u>
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT				
	19			
Decrease in cash in the period		(1,903)	(931)	(1,020)
Cash inflow/(outflow) from decrease in debt and lease financing		<u>1,769</u>	<u>1,296</u>	<u>697</u>
Change in net debt resulting from cash flows		(134)	365	(323)
New finance leases		(177)	(177)	(154)
New mortgage		(2,800)	-	(2,800)
New finance leases on existing assets		<u>(446)</u>	<u>(446)</u>	<u>-</u>
Movement in net debt in the period		(3,557)	(258)	(3,277)
Net debt brought forward		<u>(5,078)</u>	<u>(8,377)</u>	<u>(5,100)</u>
Net debt carried forward		<u>£ (8,635)</u>	<u>£ (8,635)</u>	<u>£ (8,377)</u>

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2002

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable accounting standards in the United Kingdom.

1.1 The financial statements have been prepared under the historical cost convention and include the results of the group's operations which are described in the Directors' Report and all of which are continuing.

1.2 Basis of consolidation

The group financial statements consolidate the financial statements of DCS Group Holdings Limited and its subsidiary undertaking drawn up to 31 December 2002. Intra-group transactions are eliminated on consolidation and all figures relate to external transactions only.

In accordance with Schedule 4A to Companies Act 1985 and FRS6 a columnar layout has been adopted in these first accounts as the company was incorporated and commenced trading during the financial year of DCS Europe plc. These accounts report the results of the statutory period of 17 months to 31 December 2002 and the *pro-forma* results for the two years ended 31 December 2001 and 2002.

1.3 Turnover

Turnover comprises the invoiced value of goods and services supplied by the company, exclusive of Value Added Tax and trade discounts.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Land & buildings	-	1%	Straight line basis
Plant & machinery	-	20%	Reducing balance
Motor vehicles	-	25%	Reducing balance
Fixtures & equipment	-	15%	Reducing balance
Computer equipment	-	25%	Reducing balance

1.5 Leasing and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

1.6 Operating leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to profit and loss account as incurred.

1.7 Stocks

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

1.8 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 ruling on the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 31 December 2002

1.9 Deferred taxation

Provision is made in full for all taxation deferred in respect of timing differences that have originated but not reversed by the balance sheet date, except for timing differences arising on revaluations of fixed assets which are not intended to be sold and gains on disposal of fixed assets which will be rolled over into replacement assets. No provision is made for taxation on permanent differences.

Deferred tax assets are recognised to the extent that it is more likely than not that they will be recovered.

1.10 Pensions

The Group operates a defined contribution pension scheme for the benefit of its directors. The assets of the scheme are administered by trustees in a fund independent from those of the company. The pension charge represents the amounts payable by the company to the fund in respect of the year.

1.11 Goodwill

Purchased goodwill is amortised on a straight-line basis over its estimated useful economic life of 10 years.

2. TURNOVER

The whole of the turnover is attributable to the one principal activity of the company. The company is principally engaged in wholesale distribution to independent supermarkets and the import and brokerage of supermarket goods.

A geographical analysis of turnover is as follows:

	Statutory 17m to 31.12.02 £'000	Pro-forma 12m to 31.12.02 £'000	Pro-forma 12m to 31.12.01 £'000
United Kingdom	85,386	61,341	57,707
Europe	691	441	601
Rest of world	<u>2,792</u>	<u>1,838</u>	<u>2,290</u>
	<u>£ 88,869</u>	<u>£ 63,620</u>	<u>£ 60,598</u>

3. OPERATING PROFIT

The operating profit is stated after charging:

	Statutory 17m to 31.12.02 £'000	Pro-forma 12m to 31.12.02 £'000	Pro-forma 12m to 31.12.01 £'000
Amortisation of intangible assets	20	15	15
Depreciation of tangible fixed assets			
- owned by the company	227	152	163
- held under finance leases and hire purchase contracts	224	176	116
Profit/(loss) on disposal of fixed assets	10	23	(32)
Audit fees	12	9	6
Auditors' remuneration - non-audit services	7	2	12
Operating lease rentals			
- other	<u>-</u>	<u>-</u>	<u>93</u>

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2002

4. STAFF COSTS

Staff costs, including directors' remuneration, were as follows:

	Statutory 17m to 31.12.02 £'000	Pro-forma 12m to 31.12.02 £'000	<i>Pro-forma 12m to 31.12.01 £'000</i>
Wages and salaries	2,995	2,156	2,015
Social security costs	306	218	216
Other pension costs	27	18	18
	<u>£ 3,328</u>	<u>£ 2,392</u>	<u><i>£ 2,249</i></u>

The average monthly number of employees, including directors, during the period was as follows:

	Statutory 17m to 31.12.02	Pro-forma 12m to 31.12.02	<i>Pro-forma 12m to 31.12.01</i>
Selling and distribution	52	57	48
Administration	12	13	11
Management	5	5	5
	<u>69</u>	<u>75</u>	<u><i>64</i></u>

5. DIRECTORS' REMUNERATION

	Statutory 17m to 31.12.02 £'000	Pro-forma 12m to 31.12.02 £'000	<i>Pro-forma 12m to 31.12.01 £'000</i>
Aggregate emoluments	1,675	1,193	1,158
Company pension contributions to money purchase schemes	27	18	18
	<u>£ 1,702</u>	<u>£ 1,211</u>	<u><i>£ 1,176</i></u>

Included in the above are emoluments, excluding pension contributions, paid to:

Highest paid director	<u>£ 498</u>	<u>£ 346</u>	<u><i>£ 365</i></u>
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The accrued retirement benefits to the highest

paid director are	<u>£ 8</u>	<u>£ 6</u>	<u><i>£ 5</i></u>
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During the period retirement benefits were accruing to 5 directors (2001 - 5) in respect of money purchase pension schemes.

DCS GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2002

6. INTEREST PAYABLE	Statutory 17m to 31.12.02 £'000	Pro-forma 12m to 31.12.02 £'000	Pro-forma 12m to 31.12.01 £'000
On bank loans and overdrafts	358	276	142
On other loans	383	238	349
On factoring advances	<u>372</u>	<u>267</u>	<u>253</u>
	1,113	781	744
On finance leases and hire purchase contracts	<u>41</u>	<u>26</u>	<u>37</u>
	<u><u>£ 1,154</u></u>	<u><u>£ 807</u></u>	<u><u>£ 781</u></u>

7. TAXATION	Statutory 17m to 31.12.02 £'000	Pro-forma 12m to 31.12.02 £'000	Pro-forma 12m to 31.12.01 £'000
Analysis of tax charge in year			
Current tax (see note below)			
UK corporation tax on profits of the period	<u>208</u>	<u>149</u>	<u>125</u>
Total current tax	<u><u>208</u></u>	<u><u>149</u></u>	<u><u>125</u></u>
Deferred tax			
Origination and reversal of timing differences	<u>77</u>	<u>65</u>	<u>42</u>
Total deferred tax (see note 15)	<u><u>77</u></u>	<u><u>65</u></u>	<u><u>42</u></u>
Tax on profit on ordinary activities	<u><u>285</u></u>	<u><u>214</u></u>	<u><u>167</u></u>

Factors affecting tax charge for period

The tax assessed for the period is lower than the standard rate of corporation tax in the UK (30%).
The differences are explained below:

	Statutory 17m to 31.12.02 £'000	Pro-forma 12m to 31.12.02 £'000	Pro-forma 12m to 31.12.01 £'000
Profit on ordinary activities before tax	<u>767</u>	<u>569</u>	<u>462</u>
Profit on ordinary activities multiplied by standard rate of Corporation tax in the UK of 30% (2001-30%)	230	170	139
Effects of:			
Expenses not deductible for tax purposes	9	6	3
Capital allowances for the period in excess of depreciation	(8)	(8)	(11)
Marginal Relief	(23)	(19)	(10)
Adjustment to tax charge in respect of prior periods	<u>-</u>	<u>-</u>	<u>4</u>
Current tax charge for year (see note above)	<u><u>208</u></u>	<u><u>149</u></u>	<u><u>125</u></u>

DCS GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2002

8. INTANGIBLE FIXED ASSETS

Group

	Goodwill £'000
Cost	
At 1 January 2002	143
At 31 December 2002	143
Amortisation	
At 1 January 2002	114
Charge for year	15
At 31 December 2002	129
Net Book Value	
At 31 December 2002	£ 14
At 31 December 2001	£ 29

9. TANGIBLE FIXED ASSETS

Group

	Plant & Machinery £'000	Fixtures & Equipment £'000	Motor Vehicles £'000	Computer Equipment £'000	Land & Buildings £'000	Total £'000
Cost or valuation						
At 1 January 2002	1,140	207	305	424	4,106	6,182
Additions	75	42	115	21	62	315
Disposals	(165)	-	(189)	-	-	(354)
At 31 December 2002	1,050	249	231	445	4,168	6,143
Depreciation						
At 1 January 2002	311	66	118	148	11	654
Charge for year	160	29	27	70	42	328
On disposals	(63)	-	(77)	-	-	(140)
At 31 December 2002	408	95	68	218	53	842
Net Book Value						
At 31 December 2002	£ 642	£ 154	£ 163	£ 227	£ 4,115	£ 5,301
At 31 December 2001	£ 829	£ 141	£ 187	£ 276	£ 4,095	£ 5,528

Included above are assets held under finance leases or hire purchase contracts as follows:

	2002 £'000	2001 £'000
Plant and machinery	388	210
Motor vehicles	151	74
Fixtures and equipment	42	50
Computer equipment	139	136
	£ 720	£ 470

DCS GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2002

Note 9 continued.

<u>Company</u>	Land & Buildings £'000
Cost or valuation	
Additions in the period	<u>4,106</u>
At 31 December 2001	<u>4,106</u>
Additions during the year	<u>62</u>
At 31 December 2002	<u>4,168</u>
Depreciation	
Charge for period	<u>11</u>
At 31 December 2001	<u>11</u>
Charge for year	<u>42</u>
At 31 December 2002	<u>53</u>
Net Book Value	
At 31 December 2002	<u>£ 4,115</u>
At 31 December 2001	<u>£ 4,095</u>

10. FIXED ASSET INVESTMENTS

<u>Company</u>	Shares in group undertakings £'000
Cost	
Share Exchange on 28 September 2001	<u>50</u>
At 31 December 2001 and 2002	<u>50</u>
Net Book Value	
At 31 December 2002	<u>£ 50</u>
At 31 December 2001	<u>£ 50</u>

The company holds an investment of 100% of the issued share capital in DCS Europe plc.

11. STOCKS

	Statutory 2002 £'000	Pro-forma 2001 £'000
<u>Group</u>		
Goods for resale	<u>£ 7,854</u>	<u>£ 6,750</u>

DCS GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2002

12. DEBTORS	Statutory 2002 £'000	Pro-forma 2001 £'000
<u>Group</u>		
Due within one year		
Trade debtors	5,456	6,746
Amounts due from Group Undertakings in which the company has a participating interest	-	26
Other debtors	19	335
Prepayments and accrued income	254	98
	<u>£ 5,729</u>	<u>£ 7,205</u>
<u>Company</u>		
Due within one year		
Amounts due from Group Undertakings in which the company has a participating interest	<u>£ 249</u>	<u>£ 23</u>
 13. CREDITORS:		
Amounts falling due within one year	Statutory 2002 £'000	Pro-forma 2001 £'000
<u>Group</u>		
Bank overdrafts	3,897	2,947
Payments received on account	4,085	4,878
Net obligations under finance lease and hire purchase contracts	334	196
Trade creditors	3,117	3,502
Corporation tax	149	120
Social security and other taxes	411	503
Other creditors	56	1,176
Accruals and deferred income	1,260	1,351
	<u>£ 13,309</u>	<u>£ 14,673</u>
<u>Company</u>		
Bank Overdrafts and Loans	247	140
Corporation Tax	53	-
Other Taxes	2	-
Other Creditors	13	12
Amounts owed to Group Undertakings	1,367	1,270
	<u>£ 1,682</u>	<u>£ 1,422</u>

There is a cross guarantee dated 28 September 2001 between DCS Group Holdings Limited and DCS Europe plc.

The bank overdraft is secured by a fixed and floating charge over all of the company's assets, dated 22 February 1994.

The payments received on account relate to amounts advanced under an invoice discounting arrangement. They are secured by a fixed charge on purchased debts which fail to vest and other debts and a floating charge on banked proceeds of other debts, dated 25 January 2001.

DCS GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2002

14. CREDITORS:			
Amounts falling due after more than one year		Statutory	Pro-forma
		2002	2001
		£'000	£'000
Group			
Other creditors (see note 22)		1,550	1,215
Bank Loan		2,548	2,687
Net obligations under finance lease and hire purchase contracts		309	156
		<u>£ 4,407</u>	<u>£ 4,058</u>
Company			
Bank Loan		<u>£ 2,548</u>	<u>£ 2,687</u>
Group			
Included within the above are amounts falling due as follows:			
In 1 - 2 years:			
Loan instalments		1,550	1,215
Bank Loan		112	112
Finance lease and hire purchase obligations		<u>217</u>	<u>156</u>
In 2 - 5 years:			
Bank Loan		336	336
Finance lease and hire purchase obligations		<u>92</u>	<u>-</u>
In more than 5 years:			
Bank Loan		<u>2,100</u>	<u>2,239</u>
Company			
In 1 - 2 years:			
Bank Loan		112	112
In 2 - 5 years:			
Bank Loan		336	336
In more than 5 years:			
Bank Loan		<u>2,100</u>	<u>2,239</u>
15. PROVISIONS FOR LIABILITIES AND CHARGES			
		Statutory	Pro-forma
		2002	2001
		£'000	£'000
Group			
Deferred Tax			
At 1 January 2002		83	41
Charge for the year		<u>65</u>	<u>42</u>
At 31 December 2002		<u>£ 148</u>	<u>£ 83</u>

Deferred taxation provided in the financial statements and the amounts not provided are as follows:

	2002		2001	
	Amount provided	Amount not provided	Amount provided	Amount not provided
	£'000	£'000	£'000	£'000
Accelerated capital allowances	<u>£ 148</u>	<u>£ -</u>	<u>£ 83</u>	<u>£ -</u>

DCS GROUP HOLDINGS LIMITED

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For the period ended 31 December 2002

16. CALLED UP SHARE CAPITAL	Statutory 2002 £'000	Pro-forma 2001 £'000	
Authorised			
500,000 ordinary shares of £0.10 each	<u>50</u>	<u>50</u>	
Authorised, allotted, called up and fully paid			
500,000 ordinary shares of £0.10 each	<u>50</u>	<u>50</u>	
17. SHAREHOLDERS' FUNDS			
Reconciliation of movements on shareholders' funds	Statutory 2002 £'000	Pro-forma 2001 £'000	
Group			
Profit for the period	355	295	
Opening shareholders' funds	<u>698</u>	<u>403</u>	
Closing shareholders' funds	<u>£ 1,053</u>	<u>£ 698</u>	
Company			
Profit for the period	125	9	
Shares issued during the period	-	50	
Opening shareholders' funds	<u>59</u>	<u>-</u>	
Closing shareholders' funds	<u>184</u>	<u>59</u>	
18. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT	Statutory 17m to 31.12.02 £'000	Pro-forma 12m to 31.12.02 £'000	Pro-forma 12m to 31.12.01 £'000
Returns on investments and servicing of finance			
Interest paid	(1,113)	(781)	(744)
Interest element of finance lease rentals	(41)	(26)	(37)
Net cash outflow for returns on investments and servicing of finance	<u>£ (1,154)</u>	<u>£ (807)</u>	<u>£ (781)</u>
Capital expenditure and financial investment			
Purchase of tangible fixed assets	(1,898)	(138)	(1,810)
Fixed assets purchased in prior year re-financed	446	446	-
Sale of tangible fixed assets	237	237	91
Net cash outflow for capital expenditure	<u>£ (1,215)</u>	<u>£ 545</u>	<u>£ (1,719)</u>
Financing			
Repayment of loans	(1,151)	(964)	(145)
Capital element of finance lease rentals	(618)	(332)	(552)
(Decrease)/Increase in debt	<u>(1,769)</u>	<u>(1,296)</u>	<u>(697)</u>
Net cash (outflow)/inflow from financing	<u>£ (1,769)</u>	<u>£ (1,296)</u>	<u>£ (697)</u>

DCS GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
For the period ended 31 December 2002

19. ANALYSIS OF NET DEBT

	At 1 Jan 2002 £'000	Cash flow £'000	Other changes £'000	At 31 Dec 2002 £'000
Net cash:				
Cash at bank and in hand	-	19	-	19
Bank overdrafts	(2,947)	(950)	-	(3,897)
	<u>(2,947)</u>	<u>(931)</u>	<u>-</u>	<u>(3,878)</u>
Debt:				
Finance leases	(352)	332	(623)	(643)
Mortgage	(2,687)	139	-	(2,548)
Debt due within 1 year	(1,176)	1,160	-	(16)
Debt due after 1 year	(1,215)	(335)	-	(1,550)
	<u>(5,430)</u>	<u>1,296</u>	<u>(623)</u>	<u>(4,757)</u>
Net debt	<u>£ (8,377)</u>	<u>£ 365</u>	<u>£ (623)</u>	<u>£ (8,635)</u>

20. CONTINGENT LIABILITIES

The company is party to a cross guarantee given to the group's bankers and as such there is a contingent liability at the balance sheet date for the bank borrowing of all group undertakings.

21. CAPITAL COMMITMENTS

GROUP

At 31 December 2002 the company had capital commitments as follows:

	Statutory 2002 £'000	Pro-forma 2001 £'000
Contracted for but not provided in these financial statements	<u>£ -</u>	<u>£ 32</u>

DCS GROUP HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS For the period ended 31 December 2002

22. RELATED PARTIES

Loans due to the directors and other related parties at 31 December 2002 and the interest paid on those loans during the period are as set out below.

All other related party loans are unsecured. All loans are repayable on demand, however the directors and other related parties have confirmed that £1,550,000 of the amounts due will not be demanded for at least one year from the date of signing the financial statements. Interest is charged, where applicable, at 8% over National Westminster Bank plc base rate.

	Statutory Amount due at 31 Dec 2002	<i>Pro-forma Amount due at 31 Dec 2001</i>	Statutory Interest paid during 17m to 31.12.02	<i>Pro-forma Interest paid during 12m to 31.12.02</i>	<i>Pro-forma Interest paid during 12m to 31.12.01</i>
	£'000	£'000	£'000	£'000	£'000
N R Shortt (director)	225	260	46	31	37
D C Shortt (director)	265	663	90	48	104
R M Shortt (director)	123	252	42	28	34
S P Shortt (director)	123	146	29	16	32
I A Voce (director)	80	320	38	20	44
P R Shortt Discretionary & Life Settlement Trusts	750	750	126	95	31
PR Shortt (shareholder)	-	-	12	-	67
	<u>1,566</u>	<u>2,391</u>	<u>383</u>	<u>238</u>	<u>349</u>

In addition to the above loans, the company also paid Consultancy fees of £120,000 (2001: £142,100) to P R Shortt.

During the period the company sold a motor vehicle to DC Shortt, a director of the company, at market value. The sale proceeds were £24,000.

The company also sold a motor vehicle to N R Shortt, a director of the company, at market value. The sale proceeds were £20,000.

23. PROFIT FOR THE FINANCIAL PERIOD

As permitted by Section 230 of the Companies Act 1985, the profit and loss of the company is not presented as part of these financial statements.

The consolidated profit for the financial period of **£482,000** (*pro-forma for 12 months ended 31 December 2002 - £355,000 and 31 December 2001 - £295,000*) includes **£134,000** (*pro-forma for the 12 months ended 31 December 2002 - £126,000 and 31 December 2001 - £8,000*) which is dealt with in the financial statements of the company.

24. SHARE EXCHANGE

Under a share exchange agreement dated 28 September 2001 the shareholders in DCS Europe plc exchanged their shareholding for an equal number of shares in DCS Group Holdings Limited.