

Gs. Hark

Sangson Limited
Financial Statements
Year Ended 30th September 2003

Company Registration Number 01221723
Incorporated England & Wales



JAVED & CO
Chartered Accountants
109 Hagley Road
Birmingham
B16 8LA

Sangson Limited
Financial Statements
For the Year Ended 30th September 2003

| Contents | Page |
|--|-------------|
| Company information | 1 |
| The directors' report | 2 |
| Statement of directors' responsibilities | 4 |
| Auditors' report to the shareholders | 5 |
| Profit and loss account | 7 |
| Balance sheet | 8 |
| Cash flow statement | 9 |
| Notes to the financial statements | 10 |

The following pages do not form part of the financial statements

| | |
|----------------------------------|------------|
| Detailed profit and loss account | Appendix 1 |
|----------------------------------|------------|

Sangson Limited
Company Information
For the Year Ended 30th September 2003

| | |
|-------------------------------|---|
| The board of directors | Mr Gurbax Singh Sangha Mr Jetinder Singh Sangha |
| Company secretary | Mr Manjinder Singh Sangha |
| Registered office | Sangha House Unit 1 5-7 South Road Hockley Birmingham B18 5NA |
| Bankers | Barclays Bank Plc 38 Hagley Road Edgbaston Birmingham B16 8NY |
| Auditors | Javed & Co Chartered Accountants 109 Hagley Road Birmingham B16 8LA |

Sangson Limited
The Directors' Report
For the Year Ended 30th September 2003

The directors present their report and the audited financial statements of the company for the year ended 30th September 2003.

Principal activities

The principal activity of the company is that of supplying cloth to the textile industry.

Business review

The company's balance sheet as detailed on page 8 shows a satisfactory position, shareholders' funds amounting to £684,551.

Results and dividends

The trading results for the year, and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have recommended the following dividends:

| | 2003 | 2002 |
|-----------------------------------|---------------|---------------|
| | £ | £ |
| Dividends paid on ordinary shares | <u>12,000</u> | <u>40,000</u> |

Directors

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

| | Ordinary Shares of £1 each at | |
|--------------------------|--------------------------------------|-----------------------|
| | 30 September 2003 | 1 October 2002 |
| Mr Gurbax Singh Sangha | 237 | 237 |
| Mr Jetinder Singh Sangha | <u>138</u> | <u>138</u> |

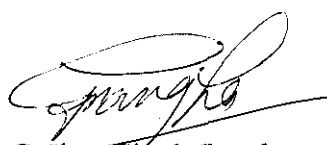
Sangson Limited
The Directors' Report *(continued)*
For the Year Ended 30th September 2003

Auditors

Javed & Co have agreed to offer themselves for re-appointment as auditors of the company.

On behalf of the board

Sangha House
Unit 1
5-7 South Road
Hockley
Birmingham
B18 5NA


Mr Gurbax Singh Sangha
Director

Dated: 26th January 2004

Sangson Limited
Statement of Directors' Responsibilities
For the Year Ended 30th September 2003

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 10, then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- 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.

On behalf of the board

Sangha House
Unit 1
5-7 South Road
Hockley
Birmingham
B18 5NA



Mr Gurbax Singh Sangha
Director

Dated: 26th January 2004

Sangson Limited
Independent Auditors' Report to the Shareholders
For the Year Ended 30th September 2003

We have audited the financial statements of Sangson Limited for the year ended 30th September 2003 on pages 7 to 16. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

Respective responsibilities of the directors and the 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.

Sangson Limited
Independent Auditors' Report to the Shareholders (Continued)
For the Year Ended 30th September 2003

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30th September 2003 and of its profit for the year then ended, and have been properly prepared in accordance with the Companies Act 1985.

109 Hagley Road
Birmingham
B16 8LA



JAVED & CO
Chartered Accountants
& Registered Auditors

Dated: 26th January 2004

Sangson Limited
Profit and Loss Account
For the Year Ended 30th September 2003

| | Note | 2003 £ | 2002 £ |
|--|-------------|------------------|------------------|
| Turnover | 2 | 4,798,149 | 5,336,507 |
| Cost of sales | | (4,401,423) | (4,967,435) |
| Gross profit | | 396,726 | 369,072 |
| Administrative expenses | | (222,389) | (173,721) |
| Operating profit | 3 | 174,337 | 195,351 |
| Interest payable | 6 | (15,106) | (14,133) |
| Profit on ordinary activities before taxation | | 159,231 | 181,218 |
| Tax on profit on ordinary activities | 7 | (33,397) | (34,943) |
| Profit on ordinary activities after taxation | | 125,834 | 146,275 |
| Dividends | 8 | (12,000) | (40,000) |
| Retained profit for the financial year | | 113,834 | 106,275 |

Movements in reserves are shown in the notes.

The company has no recognised gains or losses other than the results for the year as set out above.

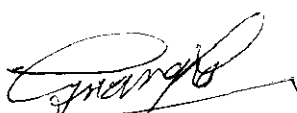
None of the company's activities were acquired or discontinued during the above financial period.

The notes on pages 10 to 16 form part of these financial statements.

Sangson Limited
Balance Sheet
As at 30th September 2003

| | Note | 2003 | 2002 |
|--|------|--------------------|--------------------|
| | | £ | £ |
| Fixed assets | | | |
| Tangible assets | 9 | 53,740 | 61,660 |
| Current assets | | | |
| Stocks | 10 | 363,358 | 583,769 |
| Debtors | 11 | 2,448,495 | 1,658,251 |
| Cash at bank and in hand | | 73,581 | 390 |
| | | <u>2,885,434</u> | <u>2,242,410</u> |
| Creditors: Amounts falling due within one year | 12 | <u>(2,242,153)</u> | <u>(1,710,158)</u> |
| Net current assets | | 643,281 | 532,252 |
| Total assets less current liabilities | | 697,021 | 593,912 |
| Creditors: Amounts falling due after more than one year | 13 | <u>(12,025)</u> | <u>(22,200)</u> |
| | | 684,996 | 571,712 |
| Provisions for liabilities and charges | | | |
| Deferred taxation | 14 | <u>(445)</u> | <u>(995)</u> |
| | | <u>684,551</u> | <u>570,717</u> |
| Capital and reserves | | | |
| Called-up equity share capital | 17 | 375 | 375 |
| Other reserves | 18 | 125 | 125 |
| Profit and Loss Account | 19 | 684,051 | 570,217 |
| Shareholders' funds | 20 | <u>684,551</u> | <u>570,717</u> |

The financial statements on pages 7 to 16 were approved by the board of directors on 26th January 2004 and are signed on their behalf by:


 Mr Gurbax Singh Sangha
 Director

The notes on pages 10 to 16 form part of these financial statements.

Sangson Limited
Cash Flow Statement
For the Year Ended 30th September 2003

| | Note | 2003 | 2002 |
|--|-----------|-----------------|------------------|
| | | £ | £ |
| Net cash inflow from operating activities | 21 | 475,328 | 4,965 |
| Returns on investments and Servicing of finance | | | |
| Interest paid | | (14,061) | (14,133) |
| Interest element of hire purchase | | (1,045) | - |
| Net cash outflow from returns on investments and servicing of finance | | (15,106) | (14,133) |
| Taxation | | (33,948) | (30,703) |
| Capital expenditure | | | |
| Payments to acquire tangible fixed assets | | (15,317) | (51,666) |
| Receipts from sale of fixed assets | | 5,751 | 8,900 |
| Net cash outflow from capital expenditure | | (9,566) | (42,766) |
| Equity dividends paid | | (12,000) | (40,000) |
| Cash inflow/(outflow) before financing | | 404,708 | (122,637) |
| Financing | | | |
| Premium on purchase of own equity shares | | - | (750) |
| Capital element of hire purchase | | (10,175) | 33,300 |
| Net cash (outflow)/inflow from financing | | (10,175) | 32,550 |
| Increase/(decrease) in cash | 22 | 394,533 | (90,087) |

The notes on pages 10 to 16 form part of these financial statements.

Sangson Limited
Notes to the Financial Statements
For the Year Ended 30th September 2003

1. Accounting policies

Basis of accounting

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

Turnover

The turnover shown in the Profit and Loss Account represents amounts invoiced during the period, after deduction of trade discounts and 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:

| | |
|---------------------|------------------------|
| Plant & Machinery | - 15% Reducing balance |
| Fixtures & Fittings | - 15% Reducing balance |
| Motor Vehicles | - 25% Reducing balance |

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is computed on a first in first out basis. Net realisable value is based on estimated selling price less the estimated cost of disposal.

Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the Profit and Loss Account on a straight line basis.

Deferred taxation

Deferred taxation is provided on the liability method in respect of the taxation effect of all timing differences to the extent that tax liabilities are likely to crystallise in the foreseeable future.

2. Turnover

The turnover and profit before tax are attributable to the principal activity of the company. The company's turnover is attributable to activities carried out in the United Kingdom.

Sangson Limited
Notes to the Financial Statements
For the Year Ended 30th September 2003

3. Operating profit

Operating profit is stated after charging/(crediting):

| | 2003 | 2002 |
|---|--------------|--------------|
| | £ | £ |
| Staff costs (note 4) | 52,962 | 48,583 |
| Depreciation (note 9) | 17,060 | 8,262 |
| Loss/(Profit) on disposal of fixed assets | 426 | (1) |
| Auditors' remuneration | <u>1,500</u> | <u>1,200</u> |

4. Particulars of employees

The average number of staff including executive directors employed by the company during the financial year was as follows:

| | 2003 | 2002 |
|----------------------|-------------|-------------|
| | £ | £ |
| | Number | Number |
| Production staff | 1 | 1 |
| Administrative staff | 1 | 2 |
| Management staff | 2 | 2 |
| | <u>4</u> | <u>5</u> |

The aggregate payroll costs of the above were:

| | 2003 | 2002 |
|-----------------------|---------------|---------------|
| | £ | £ |
| Wages and salaries | 46,498 | 43,256 |
| Social security costs | 6,464 | 5,327 |
| | <u>52,962</u> | <u>48,583</u> |

5. Directors' emoluments

The directors' aggregate emoluments in respect of qualifying services were:

| | 2003 | 2002 |
|-----------------------|---------------|---------------|
| | £ | £ |
| Emoluments receivable | <u>36,400</u> | <u>30,150</u> |

6. Interest payable

| | 2003 | 2002 |
|---|---------------|---------------|
| | £ | £ |
| Interest payable on bank loans and overdrafts | 14,061 | 14,133 |
| Finance leases and hire purchase contracts | 1,045 | - |
| | <u>15,106</u> | <u>14,133</u> |

Sangson Limited
Notes to the Financial Statements
For the Year Ended 30th September 2003

7. Tax on profit on ordinary activities

| | 2003 | 2002 |
|---|---------------|---------------|
| | £ | £ |
| Corporation Tax at 20.37% (2002 - 19.50%) | 33,947 | 33,948 |
| (Decrease)/Increase in deferred tax provision | (550) | 995 |
| | <u>33,397</u> | <u>34,943</u> |

8. Dividends

| | 2003 | 2002 |
|----------------------------------|---------------|---------------|
| | £ | £ |
| Dividend paid on ordinary shares | <u>12,000</u> | <u>40,000</u> |

9. Tangible fixed assets

| | Plant & Machinery | Fixtures & Fittings | Motor Vehicles | Total |
|-------------------------------|------------------------------|--------------------------------|-----------------------|----------------|
| | £ | £ | £ | £ |
| Cost | | | | |
| At 1st October 2002 | 15,363 | 11,310 | 73,285 | 99,958 |
| Additions | - | 1,407 | 13,910 | 15,317 |
| Disposals | - | - | (14,641) | (14,641) |
| At 30th September 2003 | <u>15,363</u> | <u>12,717</u> | <u>72,554</u> | <u>100,634</u> |
| Depreciation | | | | |
| At 1st October 2002 | 14,747 | 6,935 | 16,616 | 38,298 |
| Charge for the year | 92 | 867 | 16,101 | 17,060 |
| On disposals | - | - | (8,464) | (8,464) |
| At 30th September 2003 | <u>14,839</u> | <u>7,802</u> | <u>24,253</u> | <u>46,894</u> |
| Net book value | | | | |
| At 30th September 2003 | <u>524</u> | <u>4,915</u> | <u>48,301</u> | <u>53,740</u> |
| At 30th September 2002 | <u>616</u> | <u>4,375</u> | <u>56,669</u> | <u>61,660</u> |

Hire purchase agreements

Included within the net book value of £53,740 is £31,234 (2002 - £33,300) relating to assets held under hire purchase agreements. The depreciation charged to the accounts in the year in respect of such assets amounted to £10,411 (2002 - £Nil).

Sangson Limited
Notes to the Financial Statements
For the Year Ended 30th September 2003

10. Stocks

| | 2003 | 2002 |
|------------------|----------------|----------------|
| | £ | £ |
| Goods for resale | <u>363,358</u> | <u>583,769</u> |

11. Debtors: Amounts falling due within one year

| | 2003 | 2002 |
|--------------------------------|------------------|------------------|
| | £ | £ |
| Trade debtors | 2,386,520 | 1,634,748 |
| Other debtors | 51,761 | 18,579 |
| Prepayments and accrued income | 10,214 | 4,924 |
| | <u>2,448,495</u> | <u>1,658,251</u> |

12. Creditors: Amounts falling due within one year

| | 2003 | 2002 |
|--|------------------|------------------|
| | £ | £ |
| Bank loans and overdrafts | 647 | 321,989 |
| Trade creditors | 2,036,926 | 1,332,241 |
| Obligations under finance leases and hire purchase contracts | 11,100 | 11,100 |
| Directors' loan accounts | - | 1,864 |
| Corporation Tax | 33,947 | 33,948 |
| Other taxation and social security costs | 154,633 | 4,516 |
| Accruals and deferred income | 4,900 | 4,500 |
| | <u>2,242,153</u> | <u>1,710,158</u> |

The bank overdraft is secured by a fixed charge over book debts, a floating charge over all other assets and a personal guarantee up to £ 75,000 given by My Gurbax Singh Sangha.

Included in trade creditors above is a balance of £ 1,697,799 which is to be paid by Letters of Credit.

13. Creditors: Amounts falling due after more than one year

| | 2003 | 2002 |
|--|---------------|---------------|
| | £ | £ |
| Obligations under finance leases and hire purchase contracts | <u>12,025</u> | <u>22,200</u> |

Sangson Limited
Notes to the Financial Statements
For the Year Ended 30th September 2003

14. Deferred taxation

| | 2003 | 2002 |
|--|------------|------------|
| | £ | £ |
| The movement in the deferred taxation provision during the year was: | | |
| Provision brought forward | 995 | - |
| Increase/(Decrease) in provision | (550) | 995 |
| Provision carried forward | <u>445</u> | <u>995</u> |

The provision for deferred taxation consists of the tax effect of timing differences in respect of:

| | 2003 | 2002 |
|---|------------|------------|
| | £ | £ |
| Excess of taxation allowances over depreciation on fixed assets | <u>445</u> | <u>995</u> |

15. Commitments under hire purchase agreements

Future commitments under hire purchase agreements are as follows:

| | 2003 | 2002 |
|---------------------------------------|---------------|---------------|
| | £ | £ |
| Amounts payable within 1 year | 11,100 | 11,100 |
| Amounts payable between 1 and 2 years | 12,025 | 22,200 |
| | <u>23,125</u> | <u>33,300</u> |

16. Related party transactions

Mr Gurbax Singh Sangha and Mr Jetinder Singh Sangha are also directors in S L Imports Limited. Other debtors balance includes a loan made by Sangson Limited of £46,260 to S L Imports Limited (2002 - £4,696).

Mr Gurbax Singh Sangha and his wife charged the company rent of £8,000 per annum for the use of their premises at Sangha House, Unit 1, 5-7 South Road, Hockley, Birmingham B18 5NA during the financial year 30th September 2003.

17. Share capitalAuthorised share capital

| | 2003 | 2002 |
|-----------------------------------|------------|------------|
| | £ | £ |
| 500 Ordinary shares of £1.00 each | <u>500</u> | <u>500</u> |

Allotted, called up and fully paid

| | 2003 | 2002 |
|------------------------|------------|------------|
| | £ | £ |
| Ordinary share capital | <u>375</u> | <u>375</u> |

Sangson Limited
Notes to the Financial Statements
For the Year Ended 30th September 2003

18. Other reserves

| | 2003 | 2002 |
|----------------------------|-------------|-------------|
| | £ | £ |
| Capital redemption reserve | <u>125</u> | <u>125</u> |

19. Profit and loss account

| | 2003 | 2002 |
|--|----------------|----------------|
| | £ | £ |
| Balance brought forward | 570,217 | 464,692 |
| Retained profit for the financial year | 113,834 | 106,275 |
| Purchase of own shares | - | (750) |
| Balance carried forward | <u>684,051</u> | <u>570,217</u> |

20. Reconciliation of movements in shareholders' funds

| | 2003 | 2002 |
|--|----------------|----------------|
| | £ | £ |
| Profit for the financial year | 125,834 | 146,275 |
| Dividends | (12,000) | (40,000) |
| | <u>113,834</u> | <u>106,275</u> |
| Premium on purchase of own equity shares | - | (750) |
| Net addition to funds | 113,834 | 105,525 |
| Opening shareholders' equity funds | 570,717 | 465,192 |
| Closing shareholders' equity funds | <u>684,551</u> | <u>570,717</u> |

**21. Reconciliation of operating profit to
Net cash inflow from operating activities**

| | 2003 | 2002 |
|---|----------------|--------------|
| | £ | £ |
| Operating profit | 174,337 | 195,351 |
| Depreciation | 17,060 | 8,262 |
| Loss/(Profit) on disposal of fixed assets | 426 | (1) |
| Decrease/(Increase) in stocks | 220,411 | (388,902) |
| Increase in debtors | (790,244) | (271,653) |
| Increase in creditors | 853,338 | 461,908 |
| Net cash inflow from operating activities | <u>475,328</u> | <u>4,965</u> |

Sangson Limited
Notes to the Financial Statements
For the Year Ended 30th September 2003

22. Reconciliation of net cash flow to movement in net funds

| | 2003 | | 2002 |
|---|---------------|---|------------------|
| | £ | £ | £ |
| Increase/(Decrease) in cash in the period | 394,533 | | (90,087) |
| Net cash outflow/(inflow) in respect of hire purchase | <u>10,175</u> | | <u>(33,300)</u> |
| | 404,708 | | (123,387) |
| Change in net funds | 404,708 | | (123,387) |
| Net debt at 2002 | (354,899) | | (231,512) |
| Net funds at 2003 | <u>49,809</u> | | <u>(354,899)</u> |

23. Analysis of changes in net funds

| | At 1 Oct 2002 £ | Cash flows £ | At 30 Sep 2003 £ |
|--|-----------------------|-----------------|------------------------|
| <u>Net cash</u> | | | |
| Cash in hand and at bank | 390 | 73,191 | 73,581 |
| Overdrafts | (321,989) | 321,342 | (647) |
| | (321,599) | 394,533 | 72,934 |
| Obligations under finance leases and hire purchase contracts | (33,300) | 10,175 | (23,125) |
| | <u>(354,899)</u> | <u>404,708</u> | <u>49,809</u> |
| Net funds | <u>(354,899)</u> | <u>404,708</u> | <u>49,809</u> |