

REGISTERED NUMBER: NI 36744



Audited Abbreviated Accounts
for the year ended 31 December 2004
for
Chain Reaction Cycles Limited



Chain Reaction Cycles Limited

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for the year ended 31 December 2004**

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Chain Reaction Cycles Limited
Company Information
for the year ended 31 December 2004

DIRECTORS: Mr. W G B Watson
Mrs. M J E Watson
Mr. C W G Watson

SECRETARY: Mrs. M J E Watson

REGISTERED OFFICE: 184 Rashee Road
Ballyclare
Co. Antrim
BT39 9JB

REGISTERED NUMBER: NI 36744

AUDITORS: Agnew Mitchell & Cairns
184 Rashee Road
Ballyclare
Co. Antrim
BT39 9JB

BANKERS: Ulster Bank
49 Main Street
Ballyclare
Co. Antrim
BT39 9AA

SOLICITORS: J W McNinch & Son
5 The Square
Ballyclare
Co. Antrim
BT39 9BB

Chain Reaction Cycles Limited
Report of the Directors
for the year ended 31 December 2004

The directors present their report with the accounts of the company for the year ended 31 December 2004.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of the retail of cycle parts and accessories utilising its telephone processing centre and its website. The Company continues to expand into wider geographical markets with the increased use of its website by customers to generate orders accounting for the most significant growth.

REVIEW OF BUSINESS

The results for the year and financial position of the company are as shown in the annexed accounts.

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2004.

DIRECTORS

The directors during the year under review were:

Mr. W G B Watson
Mrs. M J E Watson
Mr. C W G Watson

The beneficial interests of the directors holding office on 31 December 2004 in the issued share capital of the company were as follows:

	31.12.04	1.1.04
Ordinary £1 shares		
Mr. W G B Watson	1	1
Mrs. M J E Watson	1	1
Mr. C W G Watson	1	1

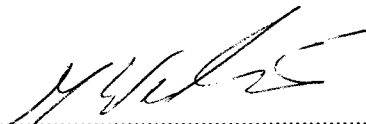
STATEMENT OF DIRECTORS' RESPONSIBILITIES

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;
- 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 (Northern Ireland) Order 1986. 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.

ON BEHALF OF THE BOARD:


.....
Director

Date: 21-10-05

**Report of the Independent Auditors to
Chain Reaction Cycles Limited
Under Article 255B of the Companies (Northern Ireland) Order 1986**

We have examined the abbreviated accounts on pages four to seventeen, together with the full financial statements of the company for the year ended 31 December 2004 prepared under Article 234 of the Companies (Northern Ireland) Order 1986.

This report is made solely to the company, in accordance with Article 255B of the Companies (Northern Ireland) Order 1986. Our work has been undertaken so that we might state to the company those matters we are required to state to it in a special 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, for our work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the abbreviated accounts in accordance with Article 254A of the Companies (Northern Ireland) Order 1986. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts prepared in accordance with Article 254A(3) of the Order to the Registrar of Companies and whether the accounts to be delivered are properly prepared in accordance with that provision and to report our opinion to you.

Basis of opinion

We have carried out the procedures we consider necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts to be delivered are properly prepared. The scope of our work for the purpose of this report did not include examining or dealing with events after the date of our report on the full financial statements.

Opinion

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with Article 254A(3) of the Companies (Northern Ireland) Order 1986, and the abbreviated accounts on pages four to seventeen are properly prepared in accordance with that provision.



Agnew Mitchell & Cairns
184 Rashee Road
Ballyclare
Co. Antrim
BT39 9JB

Date: 21-10-05

Chain Reaction Cycles Limited

**Abbreviated Profit and Loss Account
for the year ended 31 December 2004**

	Notes	2004		2003	
		£	£	£	£
GROSS PROFIT			2,868,837		1,837,187
Distribution costs		1,422,951		946,240	
Administrative expenses		357,355		214,335	
		<u>1,780,306</u>		<u>1,160,575</u>	
OPERATING PROFIT	3		1,088,531		676,612
Interest payable and similar charges	4		31,818		16,409
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			1,056,713		660,203
Tax on profit on ordinary activities	5		320,671		173,839
PROFIT FOR THE FINANCIAL YEAR AFTER TAXATION			736,042		486,364
Dividends	6		-		60,000
RETAINED PROFIT FOR THE YEAR			<u>736,042</u>		<u>426,364</u>

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current and previous years.

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the profits for the current and previous years.

The notes form part of these abbreviated accounts

Chain Reaction Cycles Limited

**Abbreviated Balance Sheet
31 December 2004**

		2004		2003	
	Notes	£	£	£	£
FIXED ASSETS					
Tangible assets	7		840,832		336,540
CURRENT ASSETS					
Stocks	8	3,299,108		1,975,268	
Debtors	9	38,809		250	
Cash at bank and in hand		539		2,361	
		<u>3,338,456</u>		<u>1,977,879</u>	
CREDITORS					
Amounts falling due within one year	10	<u>1,986,609</u>		<u>1,355,003</u>	
NET CURRENT ASSETS			<u>1,351,847</u>		<u>622,876</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>2,192,679</u>		<u>959,416</u>
CREDITORS					
Amounts falling due after more than one year	11		(626,206)		(124,559)
PROVISIONS FOR LIABILITIES AND CHARGES	15		<u>(11,394)</u>		<u>(15,820)</u>
			<u>1,555,079</u>		<u>819,037</u>
CAPITAL AND RESERVES					
Called up share capital	16		3		3
Profit and loss account	17		<u>1,555,076</u>		<u>819,034</u>
SHAREHOLDERS' FUNDS	20		<u>1,555,079</u>		<u>819,037</u>

These abbreviated accounts have been prepared in accordance with the special provisions of Part VIII of the Companies (Northern Ireland) Order 1986 relating to medium-sized companies.

ON BEHALF OF THE BOARD:

.....
Director

.....
Director

Approved by the Board on 21-10-05.....

The notes form part of these abbreviated accounts

Chain Reaction Cycles Limited
Cash Flow Statement
for the year ended 31 December 2004

		2004	2003
	Notes	£	£
Net cash inflow from operating activities	1	113,106	48,401
Returns on investments and servicing of finance	2	(31,556)	(13,406)
Taxation		(172,709)	(49,490)
Capital expenditure	2	(582,918)	(248,472)
Equity dividends paid		-	(60,000)
		<u>(674,077)</u>	<u>(322,967)</u>
Financing	2	524,738	292,759
Decrease in cash in the period		<u>(149,339)</u>	<u>(30,208)</u>
Reconciliation of net cash flow to movement in net debt	3		
Decrease in cash in the period		(149,339)	(30,208)
Cash inflow from increase in debt and lease financing		<u>(581,498)</u>	<u>(276,139)</u>
Change in net debt resulting from cash flows		(730,837)	(306,347)
New finance leases		-	(12,190)
Movement in net debt in the period		<u>(730,837)</u>	<u>(318,537)</u>
Net debt at 1 January		<u>(760,540)</u>	<u>(442,003)</u>
Net debt at 31 December		<u>(1,491,377)</u>	<u>(760,540)</u>

The notes form part of these abbreviated accounts

Chain Reaction Cycles Limited

**Notes to the Cash Flow Statement
for the year ended 31 December 2004**

1. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2004 £	2003 £
Operating profit	1,088,531	676,612
Depreciation charges	21,266	29,128
Loss on disposal of fixed assets	57,360	695
Increase in stocks	(1,323,840)	(789,665)
(Increase)/Decrease in debtors	(7,003)	2,817
Increase in creditors	276,792	128,814
Net cash inflow from operating activities	113,106	48,401

2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2004 £	2003 £
Returns on investments and servicing of finance		
Interest paid	(29,312)	(11,714)
Interest element of hire purchase and finance lease rental payments	(2,244)	(1,692)
Net cash outflow for returns on investments and servicing of finance	(31,556)	(13,406)
Capital expenditure		
Purchase of tangible fixed assets	(582,918)	(248,752)
Sale of tangible fixed assets	-	280
Net cash outflow for capital expenditure	(582,918)	(248,472)
Financing		
New loans in year	687,000	248,580
Loan repayments in year	(86,266)	(7,350)
Capital repayments in year	(13,195)	34,909
Amount introduced by directors	206,805	23,525
Amount withdrawn by directors	(269,606)	(6,905)
Net cash inflow from financing	524,738	292,759

Chain Reaction Cycles Limited

Notes to the Cash Flow Statement
for the year ended 31 December 2004

3. ANALYSIS OF CHANGES IN NET DEBT

	At 1/1/04 £	Cash flow £	At 31/12/04 £
Net cash:			
Cash at bank and in hand	2,361	(1,822)	539
Bank overdrafts	(474,572)	(147,517)	(622,089)
	<u>(472,211)</u>	<u>(149,339)</u>	<u>(621,550)</u>
Debt:			
Hire purchase and finance leases	(47,099)	13,195	(33,904)
Debts falling due within one year	(150,576)	(79,851)	(230,427)
Debts falling due after one year	(90,654)	(514,842)	(605,496)
	<u>(288,329)</u>	<u>(581,498)</u>	<u>(869,827)</u>
Total	<u>(760,540)</u>	<u>(730,837)</u>	<u>(1,491,377)</u>

The notes form part of these abbreviated accounts

Chain Reaction Cycles Limited

Notes to the Abbreviated Accounts for the year ended 31 December 2004

1. ACCOUNTING POLICIES

Accounting convention

The financial statements have been prepared under the historical cost convention.

Turnover

Turnover represents the net invoiced sales of goods despatched, excluding value added tax. For website sales, turnover is recognised when payment is processed and goods are awaiting despatch or despatched.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Freehold property	- not provided
Tenant's improvements	- 10% on cost
Plant and machinery	- 20% on cost
Fixtures and fittings	- 15% on reducing balance
Motor vehicles	- 25% on reducing balance

Land and buildings at Whitepark, Ballyclare purchased in November 2003, costing £232,458 and at Kilbride, Doagh, November 2004 £526,797 for development are not depreciated on the grounds that they have yet been utilised by the Company..

Stocks

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

Stocks are valued at the lower of average cost (with stock removed from the calculation on a first in first out basis) or net realisable value. Net realisable value is the actual or estimated selling price, net of trade but before settlement discounts, less all further costs to completion and all costs to be incurred in marketing, selling and distributing.

Deferred tax

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

Hire purchase and leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability.

Pensions

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions payable for the year are charged in the profit and loss account.

The assets of the pension scheme are held separately from that of the Company.

Chain Reaction Cycles Limited

Notes to the Abbreviated Accounts - continued for the year ended 31 December 2004

2. STAFF COSTS

	2004	2003
	£	£
Wages and salaries	607,081	351,047
Social security costs	53,911	29,736
Other pension costs	4,800	4,800
	<u>665,792</u>	<u>385,583</u>

The average monthly number of employees during the year was as follows:

	2004	2003
Selling & Distribution	39	28
Administration	4	3
	<u>43</u>	<u>31</u>

3. OPERATING PROFIT

The operating profit is stated after charging:

	2004	2003
	£	£
Depreciation - owned assets	9,786	15,162
Depreciation - assets on hire purchase contracts and finance leases	11,480	13,966
Loss on disposal of fixed assets	57,360	695
Auditors remuneration	32,697	11,972
	<u>79,034</u>	<u>50,926</u>
Directors' emoluments	<u>79,034</u>	<u>50,926</u>

The number of directors to whom retirement benefits were accruing was as follows:

	1	1
Money purchase schemes	<u>1</u>	<u>1</u>

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2004	2003
	£	£
Bank interest	9,260	9,695
Bank loan interest	17,081	2,060
SupplyLine Interest	3,233	2,962
Hire purchase	748	196
Leasing	1,496	1,496
	<u>31,818</u>	<u>16,409</u>

Chain Reaction Cycles Limited

Notes to the Abbreviated Accounts - continued for the year ended 31 December 2004

5. TAXATION

Analysis of the tax charge

The tax charge on the profit on ordinary activities for the year was as follows:

	2004 £	2003 £
Current tax:		
UK corporation tax	325,097	172,709
Deferred tax	(4,426)	1,130
Tax on profit on ordinary activities	<u>320,671</u>	<u>173,839</u>

Factors affecting the tax charge

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	2004 £	2003 £
Profit on ordinary activities before tax	<u>1,056,713</u>	<u>660,203</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2003 - 30%)	317,014	198,061
Effects of:		
Depreciation / loss on disposal in excess of capital allowances	18,356	-
Capital allowances in excess of depreciation / loss on disposal	-	(2,068)
Expenditure disallowed for tax purposes	215	-
Marginal relief	(10,488)	(23,284)
Current tax charge	<u>325,097</u>	<u>172,709</u>

6. DIVIDENDS

	2004 £	2003 £
Equity shares:		
Final	-	60,000

Chain Reaction Cycles Limited

**Notes to the Abbreviated Accounts - continued
for the year ended 31 December 2004**

7. TANGIBLE FIXED ASSETS

	Freehold property £	Tenant's improvements £	Plant and machinery £
COST			
At 1 January 2004	199,203	57,067	45,971
Additions	560,052	11,877	4,255
Disposals	-	(68,944)	-
At 31 December 2004	<u>759,255</u>	<u>-</u>	<u>50,226</u>
DEPRECIATION			
At 1 January 2004	-	11,584	16,090
Charge for year	-	-	10,045
Eliminated on disposal	-	(11,584)	-
At 31 December 2004	<u>-</u>	<u>-</u>	<u>26,135</u>
NET BOOK VALUE			
At 31 December 2004	<u>759,255</u>	<u>-</u>	<u>24,091</u>
At 31 December 2003	<u>199,203</u>	<u>45,483</u>	<u>29,881</u>
	Fixtures and fittings £	Motor vehicles £	Totals £
COST			
At 1 January 2004	75,450	12,190	389,881
Additions	6,734	-	582,918
Disposals	-	-	(68,944)
At 31 December 2004	<u>82,184</u>	<u>12,190</u>	<u>903,855</u>
DEPRECIATION			
At 1 January 2004	22,619	3,048	53,341
Charge for year	8,935	2,286	21,266
Eliminated on disposal	-	-	(11,584)
At 31 December 2004	<u>31,554</u>	<u>5,334</u>	<u>63,023</u>
NET BOOK VALUE			
At 31 December 2004	<u>50,630</u>	<u>6,856</u>	<u>840,832</u>
At 31 December 2003	<u>52,831</u>	<u>9,142</u>	<u>336,540</u>

Included in cost of land and buildings is freehold land of £759,255 (2003 - £199,203) which is not depreciated.

The amounts not depreciated related to property at Whitepark, Ballyclare (£232,458 - a site with planning approval for a warehouse) and at Kilbride, Doagh (at a cost of £526,797 a site with warehouse and office facilities under construction completed in June 2005).

Chain Reaction Cycles Limited

**Notes to the Abbreviated Accounts - continued
for the year ended 31 December 2004**

7. TANGIBLE FIXED ASSETS - continued

Fixed assets, included in the above, which are held under hire purchase contracts and finance leases are as follows:

	Plant and machinery £	Motor vehicles £	Totals £
COST			
At 1 January 2004 and 31 December 2004	<u>45,971</u>	<u>12,190</u>	<u>58,161</u>
DEPRECIATION			
At 1 January 2004	16,090	3,048	19,138
Charge for year	<u>9,194</u>	<u>2,286</u>	<u>11,480</u>
At 31 December 2004	<u>25,284</u>	<u>5,334</u>	<u>30,618</u>
NET BOOK VALUE			
At 31 December 2004	<u>20,687</u>	<u>6,856</u>	<u>27,543</u>
At 31 December 2003	<u>29,881</u>	<u>9,142</u>	<u>39,023</u>

8. STOCKS

	2004 £	2003 £
Stocks	<u>3,299,108</u>	<u>1,975,268</u>

9. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2004 £	2003 £
Staff loans	8,900	-
Directors' current accounts	22,656	-
Prepayments	<u>7,253</u>	<u>250</u>
	<u>38,809</u>	<u>250</u>

Chain Reaction Cycles Limited

**Notes to the Abbreviated Accounts - continued
for the year ended 31 December 2004**

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2004	2003
	£	£
Bank loans and overdrafts (see note 12)	852,516	625,148
Hire purchase contracts and finance leases (see note 13)	13,194	13,194
Trade creditors	478,081	302,338
Tax	325,097	172,709
Social security and other taxes	17,007	9,910
VAT	97,054	12,542
Other creditors	80,232	68,157
Wages creditor	-	8,024
Credit Card	2,974	-
VAT provision account	79,477	68,577
Directors' current accounts	-	40,145
Accrued expenses	40,977	34,259
	<u>1,986,609</u>	<u>1,355,003</u>

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

	2004	2003
	£	£
Bank loans (see note 12)	605,496	90,654
Hire purchase contracts and finance leases (see note 13)	20,710	33,905
	<u>626,206</u>	<u>124,559</u>

12. LOANS

An analysis of the maturity of loans is given below:

	2004	2003
	£	£
Amounts falling due within one year or on demand:		
Bank overdrafts	622,089	474,572
Bank loans	141,079	51,996
Ulster Bank SupplyLine	89,348	98,580
	<u>852,516</u>	<u>625,148</u>
Amounts falling due between two and five years:		
Bank loans - 2-5 years	<u>367,421</u>	<u>90,654</u>
Amounts falling due in more than five years:		
Repayable by instalments		
Bank loans more 5 yr by instal	<u>238,075</u>	<u>-</u>

Chain Reaction Cycles Limited

**Notes to the Abbreviated Accounts - continued
for the year ended 31 December 2004**

12. LOANS - continued

One of the loans advanced in the year from Ulster Bank for the purchase and development of the Kilbride site has a payment period in excess of 5 years. The amount advanced at 31/12/04 was £437,000 at a rate of 2% over base. Repayments of this loan will commence in September 2005 on completion of all works when the entire facility of £900,000 will be drawn down. Repayments are expected to be in the region of £10,000 per month including interest.

13. OBLIGATIONS UNDER HIRE PURCHASE CONTRACTS AND LEASES

	Hire purchase contracts		Finance leases	
	2004	2003	2004	2003
	£	£	£	£
Net obligations repayable:				
Within one year	4,008	4,008	9,186	9,186
Between one and five years	2,337	6,346	18,373	27,559
	<u>6,345</u>	<u>10,354</u>	<u>27,559</u>	<u>36,745</u>

14. SECURED DEBTS

The following secured debts are included within creditors:

	2004	2003
	£	£
Bank overdrafts	622,089	474,572
Bank loans	835,923	241,230
	<u>1,458,012</u>	<u>715,802</u>

Ulster Bank Limited hold the following securities in relation to overdraft facilities and loans advanced;

- a) An all monies charge over the Company comprising of a fixed and floating charge over the Company's assets.
- b) A legal mortgage over both of company's properties(Whitepark and Kilbride).
- c) A letter of guarantee for £350,000 from Mr WGB Watson, Mrs MJE Watson, Mr CWG Watson and Mrs A Watson

This security is held for all the company's liabilities to Ulster Bank apart from the Supplyline facility, included in loans above, which is secured by an insurance policy taken by Ulster Bank on the outstanding amount and paid for by the company.

15. PROVISION FOR LIABILITIES AND CHARGES

	2004	2003
	£	£
Deferred tax	<u>11,394</u>	<u>15,820</u>

Chain Reaction Cycles Limited

Notes to the Abbreviated Accounts - continued for the year ended 31 December 2004

15. PROVISION FOR LIABILITIES AND CHARGES - continued

	Deferred tax £
Balance at 1 January 2004	15,820
Movement in Capital Allowances	(4,426)
Balance at 31 December 2004	<u>11,394</u>

16. CALLED UP SHARE CAPITAL

Authorised: Number:	Class:	Nominal value:	2004 £	2003 £
100,000	Ordinary	£1	<u>100,000</u>	<u>100,000</u>

Allotted, issued and fully paid: Number:	Class:	Nominal value:	2004 £	2003 £
3	Ordinary	£1	<u>3</u>	<u>3</u>

17. RESERVES

	Profit and loss account £
At 1 January 2004	819,034
Retained profit for the year	736,042
At 31 December 2004	<u>1,555,076</u>

18. TRANSACTIONS WITH DIRECTORS

The following loan to directors subsisted during the year ended 31 December 2004:

	£
Mr. W G B Watson	
Balance outstanding at start of year	-
Balance outstanding at end of year	22,656
Maximum balance outstanding during year	<u>155,339</u>

A letter of guarantee totalling £350,000 has been provided to Ulster Bank Limited as security signed by Mr WGB Watson, Mrs JEM Watson, Mr C Watson and Mrs A Watson.

19. ULTIMATE CONTROLLING PARTY

Mr WGB Watson and his wife, Mrs JEM Watson hold 2 of the 3 issued shares in the company and therefore ultimately control the company.

Chain Reaction Cycles Limited

Notes to the Abbreviated Accounts - continued
for the year ended 31 December 2004

20. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2004	2003
	£	£
Profit for the financial year	736,042	486,364
Dividends	-	(60,000)
	<hr/>	<hr/>
Net addition to shareholders' funds	736,042	426,364
Opening shareholders' funds	819,037	392,673
	<hr/>	<hr/>
Closing shareholders' funds	1,555,079	819,037
	<hr/>	<hr/>
Equity interests	1,555,079	819,037
	<hr/>	<hr/>