dabs.com plc

Annual report and accounts

for the year ended 31 March 2002

Registered Number 2621728

dabs.com plc

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for the year ended 31 March 2002

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Directors and Advisors

Directors
A D Atherton (Chairman)
J F Wall
D Dillon
S M T Brayshaw

Secretary
D Monks

Auditors
PricewaterhouseCoopers
101 Barbirolli Square
Lower Mosley Street
Manchester
M2 3PW

Solicitors
Addleshaw Booth & Co.
Sovereign House
PO Box 8
Sovereign Street
Leeds
LS1 1HQ

Bankers
The Royal Bank of Scotland
46-48 Deansgate
Bolton
Lancashire
BL1 1BH

Registered Office
Direct House
30 Wingates Industrial Park
Westhoughton
Bolton
BL5 3XD

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Chairman's report

I am delighted to report operating profit up 237% to £2,547,000 (2001: £755,000). Turnover also increased by 11.6% to £116.5m (2001: £104.4m). This is particularly pleasing in a year when the Company has seen significant operational change in order to continue delivering our e-business strategy. This has been achieved in a relatively flat UK market for IT and consumer electronic goods.

Already one of the UK's most successful on-line retailers, our long-term objective now is to become one of Europe's leading Internet companies and, during the last year, we have completed the first stage of our strategy to achieve this. The dot com 'boom' is now over and those that remain in the e-business world are well placed to concentrate on delivering the real benefits that the Internet brings to both business and consumer customers. We do this in the knowledge that our business reorganisation is complete and that firm financial foundations have been laid down.

In the coming year we will commence the next stage of our strategy that will provide both new revenue opportunities and accelerated growth of our core business. Our experience of customer behaviour confirms that the markets in which we operate are both extremely price conscious and that customers demand a fault-free shopping experience.

We have worked hard to deliver these apparently dichotomous objectives. We anticipate this trend will continue for the foreseeable future and therefore profit margins will remain tight and competition fierce. However, our continued ability to generate improvements and efficiencies through the application of e-processes will, I am sure, continue to afford us success in markets where margins are unattractive to less efficient businesses. It is through this ability that I am confident we can achieve our objectives.

In closing, I would like to take this opportunity to express my gratitude to the entire dabs.com team who have adapted well to the new economy and resulting internal changes. They have been, and will remain, critical to our future success.

A D Atherton
Chairman

29 May 2002

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Directors' report

The Directors present their report and the audited financial statements of the Company for the year ended 31 March 2002.

Principal activities
The principal activity of the Company is the retailing of technology equipment.

Review of business and future developments
A review of business and future developments is included in the Chairman's report on page 2.

Results and dividends
In the year ended 31 March 2002 the Company made a retained profit of £1,540,000 (2001: £587,000). A final dividend of £250,000 has been proposed (2001: £190,000 paid).

Directors and their interests
The Directors who held office during the year are given below:

A D Atherton (Chairman)
J F Wall
D Dillon
S M T Brayshaw

The following Directors' interests in the shares of the Company at the beginning and end of the year were:

	Ordinary shares of £1 each	
	2002	2001
A D Atherton	**249,999**	249,999

Employees
The Company's policy is to involve employees by way of appropriate consultation and discussion with staff in matters likely to affect employees' interests.

Information on matters of concern to employees is given through team briefings that seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the Company's performance.

The Company's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, wherever possible, for retraining employees who become disabled to enable them to perform work identified as appropriate to their aptitudes and abilities.

Directors' report (continued)

Policy and practice on payment of creditors
The Company's current policy concerning the payment of creditors is to:

(a) meet the terms of payment agreed with suppliers in respect of each transaction;

(b) pay in accordance with contractual and other legal obligations.

The payment policy applies to all payments to creditors for revenue and capital supplies of goods and services without exception.

The number of days credit taken by the Company at the end of the year was 48 days (2001: 43 days).

Contributions
The Company has made charitable contributions in the year of £15,600 (2001: £5,600)

Statement of directors' responsibilities
Company law requires the Directors to prepare financial statements for each financial year that 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. The Directors are required to prepare financial statements on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The Directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 March 2002 and that applicable accounting standards have been followed.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and 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.

The Directors are responsible for the maintenance and integrity of the dabs.com plc website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditors
The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the Board

A D Atherton
Director
29 May 2002

Independent auditors' report to the members of dabs.com plc

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes, which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors
The Directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board.

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 is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Directors' report and the Chairman's report.

Basis of audit 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 at 31 March 2002 and of its profit and cash flow for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Manchester
29 May 2002

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Profit and loss account for the year ended 31 March 2002

	Note	**2002 £'000**	2001 £'000
Continuing operations			
Turnover	1	**116,543**	104,393
Cost of sales		**(100,085)**	(91,749)
Gross profit		**16,458**	12,644
Net operating expenses	2	**(13,911)**	(11,889)
Operating profit	3	**2,547**	755
Interest receivable	7	**158**	80
Interest payable	7	**(169)**	(17)
Profit on ordinary activities before taxation		**2,536**	818
Tax on profit on ordinary activities	8	**(746)**	(41)
Profit for the financial year		**1,790**	777
Dividends	9	**(250)**	(190)
Retained profit for the financial year	18	**1,540**	587

The Company has no recognised gains and losses other than the profits above and therefore no separate statement of total recognised gains and losses has been presented.

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Balance sheet as at 31 March 2002

	Note	**2002 £'000**	2001 £'000
Fixed assets			
Tangible assets	10	**5,730**	5,914
Investments	11	**70**	70
		5,800	5,984
Current assets			
Stocks	12	**2,544**	1,272
Debtors	13	**4,328**	4,081
Cash at bank and in hand		**10,480**	4,696
		17,352	10,049
Creditors: amounts falling due within one year	14	**(20,925)**	(12,973)
Net current liabilities		**(3,573)**	(2,924)
Total assets less current liabilities		**2,227**	3,060
Creditors: amounts falling due after more than one year	15	**-**	(2,257)
Provisions for liabilities and charges	16	**90**	(26)
Net assets		**2,317**	777
Capital and reserves			
Called up share capital	17	**250**	250
Profit and loss account	18	**2,067**	527
Total equity shareholders' funds	19	**2,317**	777

The financial statements on pages 6 to 17 were approved by the Board of Directors on 29 May 2002 and signed on their behalf by:

A D Atherton
S M T Brayshaw
Directors

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Cash flow statement for the year ended 31 March 2002

	Note	**2002 £'000**	2001 £'000
Net cash inflow from operating activities	20	**8,669**	4,281
Returns on investments and servicing of finance			
Interest received		**158**	80
Interest paid		**(169)**	(17)
Net cash (outflow)/ inflow from returns on investments and servicing of finance		**(11)**	63
Tax received		**125**	-
Capital expenditure and financial investment			
Purchase of tangible fixed assets		**(492)**	(3,882)
Sale of tangible fixed assets		**-**	33
Net cash outflow from capital expenditure and financial investment		**(492)**	(3,849)
Equity dividends paid		**-**	(190)
Net cash flow before use of liquid resources and financing		**8,291**	305
Financing			
Increase in debt due within one year		-	250
Increase in debt due beyond one year		-	2,257
Repayment of bank loan		**(2,507)**	-
Increase in net cash	21	**5,784**	2,812

Statement of accounting policies

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

The financial statements have been prepared on the going concern basis. At the year end the balance sheet showed that current liabilities exceeded current assets by £3,438,000 (2001: £2,924,000). The Directors believe that sufficient funds are available for the Company to meet its requirements through the next phase of its development. For this reason they are happy that the going concern basis is appropriate.

Turnover
Turnover represents the total sales value of goods despatched, less all credit notes issued and allowances and trading discounts given in the year and is stated net of value added tax.

Net operating expenses
Net operating expenses are split between distribution costs and administration costs on the basis of allocating all expenses other than wages and salaries to the appropriate cost heading. Wages and salaries are included within administration costs.

Deferred taxation
Deferred taxation is provided on the liability method except where there is reasonable probability that no liability will arise in the foreseeable future.

Fixed assets and depreciation
Depreciation is provided on a straight-line basis to write off the cost of fixed assets over their estimated useful lives as follows:

Computer equipment	33%
Motor vehicles	25%
Fixtures and fittings	10%
Buildings	2%
Plant and machinery	10%

Leases
Costs in respect of operating leases are charged on a straight-line basis over the lease term.

Research and development
Expenditure on research and development is charged in the year in which it is incurred.

Stocks
Stocks are valued at the lower of cost and net realisable value. Where necessary, provision is made for slow-moving and obsolete stocks.

Investments
Investments are stated at cost, less any provision for permanent diminution in value.

Foreign currencies
Assets and liabilities expressed in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Differences arising on translation and on the conversion of foreign currency translations during the year are taken to the profit and loss account.

Notes to the financial statements for the year ended 31 March 2002

1 Turnover

Geographical analysis of turnover by destination:

	2002 £'000	2001 £'000
UK	**116,130**	103,950
Europe excluding UK	**376**	438
Rest of world	**37**	5
	116,543	104,393

All turnover originates entirely in the UK.

2 Net operating expenses

	2002 £'000	2001 £'000
Continuing operations		
Distribution costs	**6,792**	5,625
Administrative expenses	**7,119**	6,264
	13,911	11,889

3 Operating profit

	2002 £'000	2001 £'000
Operating profit is stated after charging		
Depreciation of tangible fixed assets:		
Owned assets	**676**	439
Loss on disposal of fixed assets	**-**	5
Other operating lease rentals	**296**	304
Auditors' fees	**30**	40

Fees paid to PricewaterhouseCoopers for non-audit services in the UK were £51,000 (2001: £123,000).

Notes to the financial statements for the year ended 31 March 2002 (continued)

4 Directors' emoluments

	2002 £'000	2001 £'000
Aggregate emoluments	**891**	212
Highest paid director	**451**	81

None of the Directors have any Company funded retirement benefits accruing.

5 Employee information

The average monthly number of persons (including executive directors) employed by the Company during the year was:

By activity	**2002 Number**	2001 Number
Selling and distribution	**97**	98
Administration	**99**	94
Total employees	**196**	192

6 Employment costs

	2002 £'000	2001 £'000
Wages and salaries	**4,237**	3,404
Social security costs	**342**	316
Employment costs	**4,579**	3,720

7 Interest receivable/payable

	2002 £'000	2001 £'000
Interest receivable – bank balances	**158**	80
Interest payable – bank loans and overdrafts	**(169)**	(17)

Notes to the financial statements for the year ended 31 March 2002 (continued)

8 Tax on profit on ordinary activities

	2002 £'000	2001 £'000
Taxation on the profit for the year		
UK corporation tax payable at 30% (2001: 20%):		
Current		
- UK corporation tax on profit for the year	**885**	15
- Adjustment in respect of previous years	**(23)**	-
Deferred	**(116)**	26
	746	41

9 Dividends

	2002 £'000	2001 £'000
Equity – ordinary		
Interim paid: nil (2001: 76p) per £1 share	**-**	190
Final proposed: 100p (2001: nil) per £1 share	**250**	-
	250	190

10 Tangible assets

	Land and buildings £'000	**Office equipment £'000**	**Fixtures and fittings £'000**	**Motor vehicles £'000**	**Plant and machinery £'000**	**Total £'000**
Cost						
At 1 April 2001	4,556	1,591	253	51	840	7,291
Additions	-	236	-	2	254	492
At 31 March 2002	**4,556**	**1,827**	**253**	**53**	**1,094**	**7,783**
Accumulated depreciation						
At 1 April 2001	85	1,181	92	10	9	1,377
Charge for the year	91	443	26	13	103	676
At 31 March 2002	**176**	**1,624**	**118**	**23**	**112**	**2,053**
Net book value						
At 31 March 2002	**4,380**	**203**	**135**	**30**	**982**	**5,730**
At 31 March 2001	4,471	410	161	41	831	5,914

Notes to the financial statements
for the year ended 31 March 2002 (continued)

11 Investments

	£'000
At 1 April 2001 and 31 March 2002	**70**

Investments comprise a 100% holding in playdirect.com plc. Consolidated financial statements are not prepared on grounds of immateriality.

12 Stocks

	2002 £'000	2001 £'000
Goods held for resale	**2,544**	1,272

13 Debtors

	2002 £'000	2001 £'000
Trade debtors	**3,707**	3,036
Corporation tax	**-**	80
Loans to directors	**-**	430
Other debtors	**225**	62
Prepayments and accrued income	**396**	473
	4,328	4,081

14 Creditors: amounts falling due within one year

	2002 £'000	2001 £'000
Bank loan	**-**	250
Amount due to subsidiary	**70**	70
Trade creditors	**17,072**	10,889
Corporation tax	**907**	-
Taxation and social security	**102**	124
Other creditors	**874**	986
Accruals and deferred income	**1,650**	654
Dividends payable	**250**	-
	20,925	12,973

Notes to the financial statements
for the year ended 31 March 2002 (continued)

15 Creditors: amounts falling due after more than one year

	2002 £'000	2001 £'000
Bank loan	-	2,257

The repayment profile is as follows:

	2002 £'000	2001 £'000
Falling due in less than one year	-	250
Falling due between one and two years	-	250
Falling due between two and five years	-	750
Falling due in greater than five years	-	1,257
	-	2,507

The bank loan was repaid during the year with no redemption penalties and the charge over the land and buildings of the Company has been released.

16 Provisions for liabilities and charges

Deferred taxation
Provision for deferred taxation has been made as follows:

	2002 £'000	2001 £'000
Balance at 1 April 2001	**26**	-
Profit and loss account (credit)/charge	**(116)**	26
Balance at 31 March 2002	**(90)**	26

Deferred taxation provided in the financial statements and the amount unprovided of the total potential liability are as follows:

	Amount provided		**Amount unprovided**	
	2002 £'000	2001 £'000	**2002 £'000**	2001 £'000
Excess of capital allowances over depreciation	(38)	35	-	-
Other short term timing differences	(52)	(6)	-	-
Losses	-	(3)	-	-
	(90)	26	-	-

Notes to the financial statements for the year ended 31 March 2002 (continued)

17 Called up share capital

	2002 £'000	2001 £'000
Authorised		
500,000 ordinary shares of £1 each	**500**	500
Allotted and fully paid		
250,000 ordinary shares of £1 each	**250**	250

18 Retained profit for the financial year

	Profit and loss account £'000
At 1 April 2001	527
Retained profit for the financial year	1,540
At 31 March 2002	**2,067**

19 Reconciliation of movements in shareholders' funds

	2002 £'000	2001 £'000
Profit attributable to shareholders	**1,790**	777
Dividends	**(250)**	(190)
Net change in shareholders' funds	**1,540**	587
Opening shareholders' funds	**777**	190
Closing shareholders' funds	**2,317**	777

Notes to the financial statements
for the year ended 31 March 2002 (continued)

20 Reconciliation of operating profit to net cash flow from operating activities

	2002 £'000	2001 £'000
Operating profit	**2,547**	755
Depreciation	**676**	439
Profit on sale of fixed assets	**-**	5
Impairment of investment	**-**	30
(Increase) / decrease in stocks	**(1,272)**	1,474
(Increase) / decrease in debtors	**(327)**	426
Increase in creditors	**7,045**	1,152
Net cash flow from continuing operations	**8,669**	4,281

21 Analysis of changes in net cash

	At 1 April 2001 £'000	Cash flow £'000	**At 31 March 2002 £'000**
Cash at bank and in hand	4,696	5,784	**10,480**

22 Other related party disclosures

On 7 October 1999 the Company entered into an arrangement to lend £220,000 to P R Sharrock, a Director, for the purpose of purchasing a house. On 3 December 1999 the Company entered into a similar arrangement to lend J F Wall, a Director, £210,000 to purchase a house. Both these loans are secured by charges over the property purchased with the loan and incur interest charges at the LIBOR rate. The loan in respect of J F Wall was repaid on 27 April 2001. P R Sharrock resigned as a Director on 23 March 2001.

During the year A D Atherton, a Director, provided a loan to the Company. The maximum amount this account reached was £450,000 (2001: Nil). At 31 March 2002 the net balance on this account was £450,000 (2001: £nil), comprising £200,000 bonus and £250,000 dividend.

23 Capital and other commitments

	2002 £'000	2001 £'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	**-**	60

Notes to the financial statements for the year ended 31 March 2002 (continued)

24 Financial commitments

At 31 March 2002 the group had annual commitments under non-cancellable operating leases as follows:

	2002		2001	
	Land and Buildings £'000	**Other £'000**	Land and Buildings £'000	Other £'000
Expiring within one year	**-**	**10**	-	10
Expiring between two and five years	**-**	**185**	-	215
Expiring in over five years	**-**	**-**	104	-
	-	**195**	104	225