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BLUE CHIP CUSTOMER ENGINEERING LIMITED

DRAFT FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2001


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BLUE CHIP CUSTOMER ENGINEERING LIMITED

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BLUE CHIP CUSTOMER ENGINEERING LIMITED

COMPANY INFORMATION

DIRECTORS:

B MEREDITH
M MEREDITH
R BURKE
V HENRY
K TRUSCOTT

SECRETARY:

B MEREDITH

COMPANY NUMBER:

02146732

REGISTERED OFFICE:

ENGINEERING HOUSE
BEDFORD BUSINESS CENTRE
MILE ROAD
BEDFORD
BEDFORDSHIRE
MK42 9TW

BANKERS:

NATIONAL WESTMINSTER BANK PLC
42 CHESHIRE STREET
MARKET DRAYTON
SHROPSHIRE
TF9 1PG

SOLICITORS:

BORNEO LINNELLS
79-83 HARPUR STREET
BEDFORD
BEDFORDSHIRE
MK40 2SY

AUDITORS:

MAZARS NEVILLE RUSSELL
NEVILLE RUSSELL HOUSE
1 TELFORD WAY
LUTON
BEDFORDSHIRE
LU1 1HT

BLUE CHIP CUSTOMER ENGINEERING LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2001.

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 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; 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 enable them to ensure that the financial statements comply with 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.

PRINCIPAL ACTIVITY

The principal activity of the company is that of maintenance of computer systems and sale of computer hardware.

BUSINESS REVIEW

The results for the year show a significant increase in turnover. The directors are confident that this growth will be repeated in 2002.

The directors are pleased to report that the company returned to profitability as a result of the extensive restructuring exercise that took place in 2000 and the large uplift in new maintenance contracts in 2001.

At the signing date of the accounts the results of the overseas subsidiaries were not completed. The directors are confident however that both companies will sustain their profitability from earlier years. Both companies continued to be financially independent.

The directors are pleased with the performance of all group companies with the exception of Blue Chip Parts. The directors are confident however that all group companies will be profitable in 2002.

BLUE CHIP CUSTOMER ENGINEERING LIMITED

DIRECTORS' REPORT (continued)

RESULTS AND DIVIDENDS

The results for the year are shown in the profit and loss account on page 6. The directors do not propose payment of an ordinary dividend.

DIRECTORS

The directors set out in the table below have held office during the whole of the year from 1 January 2001 to the date of this report unless otherwise stated.

The interests of the directors holding office on 31 December 2001 in the shares of the company, according to the register of directors' interests, were as shown below:

	Ordinary shares	
	31 December 2001	31 December 2000
B Meredith	4,580	4,580
M Meredith	4,580	4,580
R Burke	750	750
K Truscott	-	-
V Henry	-	-
B Cornish (resigned 21 August 2001)	-	-

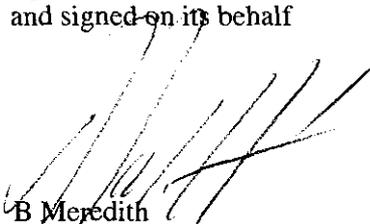
CHARITABLE AND POLITICAL DONATIONS

There were no charitable or political donations made during the year ended 31 December 2001.

AUDITORS

The company's auditors, Mazars Neville Russell, have signified their willingness to continue in office and a resolution to re-appoint them as auditors will be proposed at the forthcoming annual general meeting.

Approved by the Board on 31 JANUARY 2002
and signed on its behalf


B Meredith
Secretary

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
BLUE CHIP CUSTOMER ENGINEERING LIMITED**

We have audited the financial statements on pages 6 to 19. These financial statements have been prepared under the historical cost convention and the accounting policies set out on pages 9 and 10.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of 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. 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 other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. Our responsibilities do not extend to any other information.

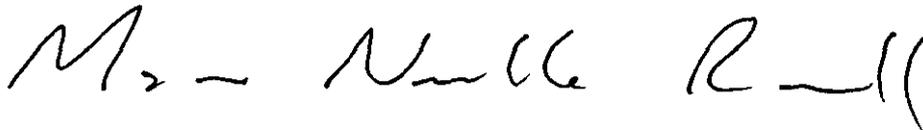
Basis of opinion

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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



MAZARS NEVILLE RUSSELL
CHARTERED ACCOUNTANTS
and Registered Auditors
Neville Russell House
1 Telford Way
Luton
Bedfordshire LU1 1HT

Date: 31 JANUARY 2002

BLUE CHIP CUSTOMER ENGINEERING LIMITED**PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 31 DECEMBER 2001**

	Notes	2001 £	2000 £
TURNOVER	2	3,608,094	3,174,253
Cost of sales		<u>(605,405)</u>	<u>(635,660)</u>
GROSS PROFIT		3,002,689	2,538,593
Net operating expenses			
Administrative expenses		(3,238,533)	(3,007,237)
Other operating income		<u>395,952</u>	<u>522,635</u>
OPERATING PROFIT	3	160,108	53,991
Restructuring costs	4	-	(91,585)
Interest payable	6	<u>(16,224)</u>	<u>(34,839)</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		143,884	(72,433)
Taxation	7	<u>(9,168)</u>	<u>-</u>
RETAINED PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION	14	<u><u>134,716</u></u>	<u><u>(72,433)</u></u>

The company's turnover and expenses all relate to continuing group operations.

The company has no recognised gains or losses other than the profit/(loss) for the year.

The profit/(loss) for the year has been calculated on the historical cost basis.

BLUE CHIP CUSTOMER ENGINEERING LIMITED

BALANCE SHEET

AT 31 DECEMBER 2001

	Notes	£	2001 £	£	2000 £
FIXED ASSETS					
Intangible assets	8		82,640		85,500
Tangible assets	9		211,727		241,626
Investments	10		203,829		203,656
			<u>498,196</u>		<u>530,782</u>
CURRENT ASSETS					
Stocks	11	178,083		157,856	
Debtors (amounts falling due within one year)	12	1,879,645		1,242,247	
Debtors (amounts falling due after more than one year)	12	600,000		700,000	
Cash at bank and in hand		75		648	
			<u>2,657,803</u>	<u>2,100,751</u>	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	13	(2,676,331)		(2,286,581)	
NET CURRENT LIABILITIES			(18,528)		(185,830)
TOTAL ASSETS LESS CURRENT LIABILITIES			479,668		344,952
CAPITAL AND RESERVES					
Called up share capital	15		10,000		10,000
Profit and loss account	14		469,668		334,952
TOTAL SHAREHOLDERS' FUNDS	14		479,668		344,952

Approved by the Board on 31 JANUARY 2002
and signed on its behalf by


B. Meredith
Director

BLUE CHIP CUSTOMER ENGINEERING LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2001

	Notes	£	2001 £	£	2000 £
Cash inflow from operating activities					
Net cash inflow before exceptional items	18		106,865		445,564
Outflow related to exceptional items	19		-		(91,585)
Net cash inflow from operating activities			<u>106,865</u>		<u>353,979</u>
Returns on investments and servicing of finance					
Interest paid		(16,224)		(34,838)	
			<u>(16,224)</u>		<u>(34,838)</u>
Taxation					
Corporation tax paid			-		(85,357)
Capital expenditure and financial investment					
Purchase of intangible fixed assets		(16,000)		(36,000)	
Purchase of tangible fixed assets		(89,140)		(60,780)	
Purchase of fixed asset investments		(173)		(17,002)	
Sale of tangible fixed assets		500		-	
			<u>(104,813)</u>		<u>(113,782)</u>
(Decrease)/increase in cash			<u><u>(14,172)</u></u>		<u><u>120,002</u></u>

BLUE CHIP CUSTOMER ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2001

1 ACCOUNTING POLICIES

a) **Basis of accounting**

The financial statements have been prepared on a going concern basis and in accordance with applicable accounting standards and under the historical cost accounting rules.

The company has taken advantage of the exemption from preparing consolidated financial statements on the grounds that it is entitled to the exemptions available in section 248 of the Companies Act 1985.

b) **Turnover**

Turnover represents the amounts invoiced, excluding value added tax, in respect of the sale of goods and services to customers.

c) **Depreciation**

Depreciation of fixed assets is calculated to write off their cost or valuation less any residual value over their estimated useful lives as follows:

Leasehold land and buildings	straight line over lease term
Computer equipment	20% straight line
Motor vehicles	25% straight line
Fixtures and fittings	20% reducing balance

d) **Stocks**

Stocks are valued at the lower of cost and directors best estimate of net realisable value. Net realisable value is based on estimated selling price less the estimated cost of disposal.

e) **Deferred taxation**

Deferred tax is provided in respect of the tax effect of all timing differences, to the extent that it is probable that a liability or asset will crystallise in the foreseeable future, at the rates of tax expected to apply when the timing differences reverse.

f) **Intangible fixed assets**

Intangible assets are amortised through the profit and loss account in equal instalments over the estimated useful life of the assets.

g) **Investments**

Investments held as fixed assets are stated at cost less provision for any permanent diminution in value.

h) **Foreign currencies**

Transactions expressed in foreign currencies are translated into sterling and recorded at rates of exchange approximating to those ruling at the date of the transaction. Monetary assets and liabilities are translated at rates ruling at the balance sheet date. All differences are taken to the profit and loss account.

BLUE CHIP CUSTOMER ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2001

1 ACCOUNTING POLICIES (continued)

i) Research and development expenditure

Research and development expenditure is written off in the profit and loss account in the year in which it is incurred except development expenditure incurred on individual projects. Where the recoverability of this development expenditure can be foreseen with reasonable assurance it is capitalised and amortised in line with sales from the relevant projects

j) Leases

Finance leases

Assets held under finance leases and the related lease obligations are included at the fair value of the leased assets at the inception of the lease. Depreciation on leased assets is calculated to write off this amount on a straight line basis over the shorter of the lease term and the useful life of the asset.

Rentals payable are apportioned between the finance charge and a reduction of the outstanding obligation for future amounts payable so that the charge for each accounting period is a constant percentage of the remaining balance of the capital sum outstanding.

Operating leases

Rentals payable under operating leases are charged on a straight-line basis over the term of the lease.

k) Pensions

Contributions payable to the company's pension scheme are charged to the profit and loss account in the period to which they relate.

2 TURNOVER

The turnover for the year was derived from the company's principal activity.

The analysis of turnover by geographical area is as follows:

	2001	2000
	£	£
Geographically		
United Kingdom	3,573,799	3,147,670
Other EEC countries	34,295	26,583
	<hr/>	<hr/>
	3,608,094	3,174,253
	<hr/> <hr/>	<hr/> <hr/>

BLUE CHIP CUSTOMER ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2001

3 OPERATING PROFIT	2001	2000
	£	£
Operating profit is stated after crediting:		
Loss/(profit) on foreign exchange	780	(9,763)
	<u> </u>	<u> </u>
and after charging:		
Staff costs (note 5)	2,140,471	1,938,078
Auditors' remuneration	8,500	8,000
Profit on sale of assets	366	-
Equipment leasing	29,906	28,866
Depreciation of intangible fixed assets (note 8)	18,860	-
Depreciation of tangible fixed assets (note 9)	114,187	131,657
	<u> </u>	<u> </u>

4 EXCEPTIONAL ITEMS	2001	2000
	£	£
Restructuring costs	-	91,585
	<u> </u>	<u> </u>

Restructuring costs are in relation to staff redundancy costs as a result of streamlining operations.

5 DIRECTORS AND EMPLOYEES	2001	2000
	£	£
Staff costs including directors' emoluments		
Wages and salaries	1,871,754	1,693,532
Social security costs	190,620	167,365
Pension costs	78,097	77,181
	<u> </u>	<u> </u>
	<u>2,140,471</u>	<u>1,938,078</u>
Average monthly number employed	Number	Number
(including executive directors)	<u>59</u>	<u>54</u>

BLUE CHIP CUSTOMER ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2001

5	DIRECTORS AND EMPLOYEES (continued)	2001 £	2000 £
	Directors		
	Emoluments	298,244	191,018
	Company contributions to money purchase pension schemes	19,706	24,762
		<u>317,950</u>	<u>215,780</u>
	Highest paid director (included above)		
	Emoluments	72,000	72,877
	Company contributions to a money purchase pension scheme	6,528	6,648
		<u>78,528</u>	<u>79,525</u>
	During the period the following number of directors accrued benefits under the defined contribution pension scheme:	Number	Number
		6	6
		<u>6</u>	<u>6</u>
6	INTEREST PAYABLE	2001 £	2000 £
	Bank interest	16,224	31,430
	Interest on late payment of taxation	-	3,409
		<u>16,224</u>	<u>34,839</u>
7	TAXATION	2001 £	2000 £
	Corporation tax on profit on ordinary activities at 20% (2000: 0%)	9,168	-
		<u>9,168</u>	<u>-</u>

BLUE CHIP CUSTOMER ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2001

8 INTANGIBLE FIXED ASSETS

	Development Costs £	Total £
Cost		
At 1 January 2001	85,500	85,500
Additions	16,000	16,000
At 31 December 2001	<u>101,500</u>	<u>101,500</u>
Amortisation		
At 1 January 2001	-	-
Charge for the year	18,860	18,860
At 31 December 2001	<u>18,860</u>	<u>18,860</u>
Net book amount		
At 31 December 2001	<u>82,640</u>	<u>82,640</u>
At 31 December 2000	<u>85,500</u>	<u>85,500</u>

Development costs represent expenditure on individual projects which is carried forward where its future recoverability can be foreseen with reasonable assurance and is amortised in line with sales from the related projects.

9 TANGIBLE FIXED ASSETS

	Motor Vehicles £	Computer Equipment £	Fixtures and Fittings £	Improv's to Leasehold £	Total £
Cost					
At 1 January 2001	46,789	451,488	105,826	130,540	734,643
Additions	-	81,616	2,706	-	84,322
Disposals	(8,700)	-	-	-	(8,700)
At 31 December 2001	<u>38,089</u>	<u>533,104</u>	<u>108,532</u>	<u>130,540</u>	<u>810,265</u>
Depreciation					
At 1 January 2001	41,832	259,703	77,585	113,897	493,017
Disposals	(8,666)	-	-	-	(8,666)
Charge for the year	2,817	89,447	7,065	14,858	114,187
At 31 December 2001	<u>35,983</u>	<u>349,150</u>	<u>84,650</u>	<u>128,755</u>	<u>598,538</u>
Net book amount					
At 31 December 2001	<u>2,106</u>	<u>183,954</u>	<u>23,882</u>	<u>1,785</u>	<u>211,727</u>
At 31 December 2000	<u>4,957</u>	<u>191,785</u>	<u>28,241</u>	<u>16,643</u>	<u>241,626</u>

BLUE CHIP CUSTOMER ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2001

10 FIXED ASSET INVESTMENTS

	Loans £	Shares in subsidiary undertakings £	Total £
Cost			
At 1 January 2001	49,815	153,841	203,656
Additions	-	173	173
	<u>49,815</u>	<u>154,014</u>	<u>203,829</u>
At 31 December 2001			
	<u>49,815</u>	<u>154,014</u>	<u>203,829</u>
Net book amount			
At 31 December 2001	<u>49,815</u>	<u>154,014</u>	<u>203,829</u>
At 31 December 2000	<u>49,815</u>	<u>153,841</u>	<u>203,656</u>

The loans represent amounts lent to the company's subsidiaries, with no fixed repayment terms and they bear no interest. The balance of these investment loans as at the year end date are as follows:

	2001 £	2000 £
Blue Chip Customer Engineering Lanka (Private) Ltd	49,815	49,815
	<u>49,815</u>	<u>49,815</u>

BLUE CHIP CUSTOMER ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2001

10 FIXED ASSET INVESTMENTS (continued)

Subsidiary undertakings

The company's investments in subsidiary undertakings are as follows:

	Country of Incorporation	Holding	Value £
Blue Chip Software Engineering Ltd	England	100%	6,000
Blue Chip Global Solutions Ltd	England	100%	2
Blue Chip Parts Ltd	England	87.5%	17,175
Blue Chip Customer Engineering (Portugal) Lda	Portugal	87%	19,120
Asia 400 (Private) Ltd	Sri Lanka	100%	111,717
* Blue Chip Customer Engineering Lanka (Private) Ltd	Sri Lanka	100%	22,222

* Blue Chip Customer Engineering Lanka (Private) Ltd became an effective 100% subsidiary in the prior year, when the company acquired the remaining 45% of the issued share capital in its parent undertaking, Asia 400 (Private) Limited. At 31 December 2001 the aggregate share capital and reserves and the profit/(loss) for the year to that date of the subsidiary undertakings amounted to:

	Share Capital and Reserves £	Profit/ (Loss) £
Blue Chip Software Engineering Ltd	-	-
Blue Chip Customer Engineering (Portugal) Lda	-	-
Asia 400 (Private) Ltd	-	-
Blue Chip Customer Engineering Lanka (Private) Ltd	(556,850)	124,172
Blue Chip Global Solutions Ltd	(161,089)	(107,884)
Blue Chip Parts Ltd		

At the date of signing the accounts the results of the Overseas subsidiaries were not available.

11 STOCKS

	2001 £	2000 £
Stocks	178,083	157,856
	<u>178,083</u>	<u>157,856</u>

The stock figure of £178,083 (2000: £157,856) is representative of components and parts used in the performance of the company's principal activity. Due to its nature, the stock is incapable of being valued separately in relation to its original cost. The value of £178,083 (2000: £157,856) has been arrived at by reliance upon the directors' estimates of net realisable values.

BLUE CHIP CUSTOMER ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2001

12 DEBTORS	2001	2000
	£	£
Amounts falling due within one year		
Trade debtors	894,599	533,579
Amounts owed by group undertakings	506,965	408,983
Directors' current accounts	251,952	146,230
Other debtors	57,281	76,964
Prepayments and accrued income	151,637	56,708
ACT recoverable	17,211	19,783
	<u>1,879,645</u>	<u>1,242,247</u>
Amounts falling due after more than one year		
Amounts owed by group undertakings	600,000	700,000
	<u>2,479,645</u>	<u>1,942,249</u>
13 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2001	2000
	£	£
Bank overdrafts and loans	207,169	193,570
Maintenance in advance	1,782,706	1,223,094
Trade creditors	324,398	459,164
Amounts owed to group undertakings	83,768	83,768
Corporation tax	9,168	-
Other taxation and social security	206,717	233,537
Other creditors	14,130	24,972
Accruals and deferred income	48,275	68,476
	<u>2,676,331</u>	<u>2,286,581</u>

The bank overdraft is secured by way of a cross guarantee with Blue Chip Software Engineering Limited. The bank also holds a mortgage debenture given by the company. The directors, Mr B Meredith and Mrs M Meredith have jointly given a limited guarantee of £30,000.

Additional bank guarantees have been granted by Blue Chip Parts Limited and Blue Chip Global Solutions Limited, both of which are group companies.

BLUE CHIP CUSTOMER ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2001

14 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Share capital £	Profit & loss account account £	Total shareholders' funds £
Balance at 31 December 1999	10,000	407,385	417,385
Profit for the year	-	(72,433)	(72,433)
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2000	10,000	334,952	344,952
Profit for the year	-	134,716	134,716
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2001	<u>10,000</u>	<u>469,668</u>	<u>479,668</u>

15 SHARE CAPITAL

	2001 £	2000 £
Authorised		
10,000 ordinary shares of £1	10,000	10,000
	<hr/>	<hr/>
Allotted, called up and fully paid		
1,000 ordinary shares of £1	1,000	1,000
9,000 ordinary shares of £1 bonus issue	9,000	9,000
	<hr/>	<hr/>
	<u>10,000</u>	<u>10,000</u>

16 GUARANTEES AND OTHER FINANCIAL COMMITMENTS

As at 31 December 2001, Blue Chip Customer Engineering Limited is committed to repurchasing the 4,580 ordinary shares currently owned by M Meredith.

M Meredith is a director of Blue Chip Customer Engineering Limited.

Financial commitments under non-cancellable operating leases will result in the following payments falling due in the year to 31 December 2001:

	2001 Land and Buildings £	2000 Land and buildings £
Operating leases which expire:		
Within one year	37,480	64,250
Within two to five years	-	37,480
	<hr/>	<hr/>
	<u>37,480</u>	<u>101,730</u>

BLUE CHIP CUSTOMER ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2001

17 DIRECTORS' INTERESTS AND LOANS

Loans to directors

During the year, Mr B Meredith, Mrs M Meredith and Mr R Burke had overdrawn directors' current accounts with the company. Indebtedness on the loans were as follows:

	As at 1 January 2001 £	Maximum liability during the year £	As at 31 December 2001 £
Mr B Meredith	94,434	156,635	156,635
Mrs M Meredith	29,056	72,579	72,579
R Burke	22,740	22,738	22,738
	<u> </u>	<u> </u>	<u> </u>

18 NOTES TO THE CASH FLOW STATEMENT

**Reconciliation of operating profit to net cash flows
from operating activities**

	2001 £	2000 £
Operating profit	160,108	53,991
Depreciation charges	133,047	131,567
(Profit)/loss on sale of fixed assets	(366)	-
(Increase)/decrease in stocks	(20,227)	46,929
Increase in debtors	(532,680)	(182,616)
Increase in creditors	366,983	395,693
	<u> </u>	<u> </u>
Net cash inflow from operating activities	106,865	445,564
	<u> </u>	<u> </u>

Analysis of changes in net debt

	At 1 January 2001 £	Cash flows £	At 31 December 2001 £
Cash at bank and in hand	648	(573)	75
Bank overdrafts	(193,570)	(13,599)	(207,169)
	<u> </u>	<u> </u>	<u> </u>
Total	(192,922)	(14,172)	(207,094)
	<u> </u>	<u> </u>	<u> </u>

Reconciliation of net cash flow to movement in net debt

	2001 £	2000 £
(Decrease)/increase in cash in the year	(14,172)	120,002
	<u> </u>	<u> </u>
Change in net debt resulting from cash flows	(14,172)	120,002
Net debt at 1 January 2001	(192,922)	(312,924)
	<u> </u>	<u> </u>
Net debt at 31 December 2001	(207,094)	(192,922)
	<u> </u>	<u> </u>

BLUE CHIP CUSTOMER ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2001

19 OUTFLOW RELATED TO EXCEPTIONAL ITEMS

This includes expenditure on restructuring costs in relation to staff redundancy as a result of streamlining operations.

20 DISCLOSURE OF CONTROL

There was no ultimate controlling party during the financial year.

21 PENSION COMMITMENTS

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. The pension cost charge represents contributions payable by the company to the fund and amounted to £78,097 (2000: £75,509).

22 RELATED PARTIES

Transactions with subsidiary companies during the year ended 31 December 2001 were as follows:

	Management income £	Purchases £
Blue Chip Customer Engineering (Portugal) Lda	47,883	21,487
Blue Chip Customer Engineering (Ireland) Ltd	-	-
Blue Chip Customer Engineering Lanka (Private) Ltd	-	-
Asia 400 (Private) Ltd	-	-
Blue Chip Global Solutions Ltd	225,882	-
Blue Chip Parts Ltd	177,474	-