

BLUE CHIP CUSTOMER ENGINEERING LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1999



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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

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 MARTELL AND PARTNERS
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 1999.

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 directors are satisfied with the company's performance during the year and the company's balance sheet as detailed on page 6 shows a satisfactory position, with shareholders' funds amounting to £417,385.

The overseas subsidiaries in Portugal and Sri Lanka continued their growth within home markets whilst remaining financially independent. Blue Chip Customer Engineering Lanka (Private) Limited became a 100% subsidiary in the prior year, when Blue Chip Customer Engineering Limited acquired the remaining 45% of the issued share capital in its parent undertaking, Asia 400 (Private) Limited.

Blue Chip Customer Engineering (Ireland) Limited continued to grow during the financial year, improving profitability by increased margins. Although the directors were confident that this trend would continue it was decided to dispose of the company's 75% shareholding as detailed in note 20.

Blue Chip Global Solutions Limited commenced trading as an IBM Business Partner in June 1999, since then growth has significantly increased and the directors are confident that this growth will continue.

Prior to January 1999 the Blue Chip Global Solutions Limited activities were performed within Blue Chip Customer Engineering and consequently the level of trade within the parent company has been reduced. This is detailed in note 2.

In March 1999, Blue Chip Parts Limited was incorporated. As at 31 December 1999, this 100% subsidiary had only the subscriber shares in issue. Blue Chip Parts Limited commenced trading in March 1999 and has rapidly expanded. The directors are confident that steady growth will continue.

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.

BLUE CHIP CUSTOMER ENGINEERING LIMITED

DIRECTORS' REPORT (continued)

POST BALANCE SHEET EVENTS

On the 30 June 2000, Blue Chip Customer Engineering (Ireland) Limited was sold for £225,000 as detailed in note 20.

RESULTS AND DIVIDENDS

The results for the year are shown in the profit and loss account on page 5. 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 period from 1 January 1999 to the date of this report unless otherwise stated.

The interests of the directors holding office on 31 December 1999 in the shares of the company, according to the register of directors' interests, were as shown below:

	Ordinary shares	
	31 December 1999	31 December 1998
B Meredith	4,580	4,580
M Meredith	4,580	4,580
R Burke	750	750
A Findlay (appointed 17 February 1998, resigned 20 March 1999)	-	-
K Truscott (appointed 2 October 2000)	-	-
V Henry (appointed 2 October 2000)	-	-
B Cornish (appointed 2 October 2000)	-	-

CHARITABLE AND POLITICAL DONATIONS

There were no charitable or political donations made during the year ended 31 December 1999.

YEAR 2000

The year 2000 date problem appears to have passed without incident. The directors continue to monitor the situation to ensure that any future potential problems are identified and appropriate action is taken.

AUDITORS

The company's auditors, Mazars Neville Russell, were appointed following the resignation of Messrs Wilkinson and Company. They 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 25 October 2000
and signed on its behalf


B Meredith
Secretary

AUDITORS' REPORT TO THE MEMBERS OF BLUE CHIP CUSTOMER ENGINEERING LIMITED

We have audited the financial statements on pages 5 to 18 which have been prepared following the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described on page 2, the company's directors are responsible for the preparation of the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board, and by our profession's ethical guidance.

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. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of 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 error or other irregularity. 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 1999 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

Date: 25 October 2000

BLUE CHIP CUSTOMER ENGINEERING LIMITED**PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 31 DECEMBER 1999**

	Notes	1999 £	1998 £
TURNOVER	2	3,386,986	5,823,295
Cost of sales		<u>(723,108)</u>	<u>(2,214,756)</u>
GROSS PROFIT		2,663,878	3,608,539
Net operating expenses			
Administrative expenses		(2,782,425)	(3,549,229)
Other operating income		<u>205,689</u>	<u>156,229</u>
OPERATING PROFIT	3	87,142	215,539
Interest payable	5	<u>(18,771)</u>	<u>(14,799)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		68,371	200,740
Taxation	6	<u>-</u>	<u>(77,212)</u>
RETAINED PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	13	<u>68,371</u>	<u>123,528</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 for the year.

The profit for the year has been calculated on the historical cost basis.

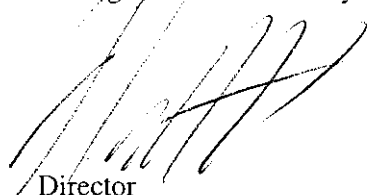
BLUE CHIP CUSTOMER ENGINEERING LIMITED

BALANCE SHEET

AT 31 DECEMBER 1999

	Notes	£	1999 £	£	1998 £
FIXED ASSETS					
Intangible assets	7		49,500		18,523
Tangible assets	8		313,424		248,597
Investments	9		186,654		361,857
			<u>549,578</u>		<u>628,977</u>
CURRENT ASSETS					
Stocks	10	204,785		242,613	
Debtors	11	1,750,492		1,466,172	
Cash at bank and in hand		637		446	
		<u>1,955,914</u>		<u>1,709,231</u>	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	12	<u>(2,088,107)</u>		<u>(1,989,194)</u>	
NET CURRENT LIABILITIES			<u>(132,193)</u>		<u>(279,963)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>417,385</u>		<u>349,014</u>
CAPITAL AND RESERVES					
Called up share capital	14		10,000		10,000
Profit and loss account	13		407,385		339,014
TOTAL SHAREHOLDERS' FUNDS	13		<u>417,385</u>		<u>349,014</u>

Approved by the Board on 25 October 2000
and signed on its behalf by



Director

BLUE CHIP CUSTOMER ENGINEERING LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 1999

	Notes	£	1999 £	£	1998 £
Net cash (outflow)/inflow from operating activities	17		(39,378)		365,599
Returns on investments and servicing of finance					
Interest paid		(18,771)		(14,799)	
			(18,771)		(14,799)
Taxation					
Corporation tax paid			(58,428)		(56,008)
Capital expenditure and financial investment					
Purchase of intangible fixed assets		(49,500)		(37,045)	
Purchase of tangible fixed assets		(140,513)		(107,639)	
Purchase of fixed asset investments		-		(81,163)	
Sale of tangible fixed assets		8,400		26,305	
Repayment in long term investment loans		-		25,554	
			(181,613)		(173,988)
(Decrease)/increase in cash			(298,190)		120,804

BLUE CHIP CUSTOMER ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1999

1 ACCOUNTING POLICIES

a) Basis of accounting

The financial statements have been prepared 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% reducing balance
Motor vehicles	25% reducing balance
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 comprise of assigned maintenance contracts shown at cost.

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 1999

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:

	1999 £	1998 £
Geographically		
United Kingdom	3,309,745	5,734,596
Other EEC countries	74,041	69,760
Sri Lanka	3,200	18,938
	<u>3,386,986</u>	<u>5,823,294</u>

The analysis of turnover by activity is as follows:

	1999 £	1998 £
Activity		
Engineering	3,386,986	4,323,592
Global Solutions	-	1,499,702
	<u>3,386,986</u>	<u>5,823,294</u>

Blue Chip Global Solutions Limited reported turnover of £1,669,168 for 1999, having been incorporated on 20 October 1998. In 1998 this trade was reported within Blue Chip Customer Engineering Limited.

BLUE CHIP CUSTOMER ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1999

3	OPERATING PROFIT	1999	1998
		£	£
	Operating profit is stated after crediting:		
	Interest receivable	-	1,074
	Profit on foreign exchange	72	-
		<u> </u>	<u> </u>
	and after charging:		
	Staff costs (note 4)	1,813,389	2,489,170
	Auditors' remuneration	16,500	14,000
	Loss on sale of assets	(2,213)	1,840
	Loss on foreign exchange	-	939
	Equipment leasing	17,203	15,202
		<u> </u>	<u> </u>
	Depreciation of tangible fixed assets (note 8)		
	Owned assets	69,499	65,740
	Amortisation of intangible fixed assets (note 7)	18,523	18,522
		<u> </u>	<u> </u>
		88,022	84,262
		<u> </u>	<u> </u>
4	DIRECTORS AND EMPLOYEES	1999	1998
		£	£
	Staff costs including directors' emoluments		
	Wages and salaries	1,580,176	2,195,795
	Social security costs	156,286	212,758
	Pension costs	76,927	80,617
		<u> </u>	<u> </u>
		1,813,389	2,489,170
		<u> </u>	<u> </u>
	Average monthly number employed	Number	Number
	(including executive directors)	72	71
		<u> </u>	<u> </u>
	Directors	£	£
	Emoluments	147,232	206,093
	Company contributions to money purchase pension schemes	14,184	14,184
		<u> </u>	<u> </u>
		161,416	220,277
		<u> </u>	<u> </u>
	Highest paid director (included above)	£	£
	Emoluments	80,000	103,002
	Company contributions to a money purchase pension scheme	6,408	6,408
		<u> </u>	<u> </u>
	During the period the following number of directors accrued benefits under the defined contribution pension scheme:	Number	Number
		3	3
		<u> </u>	<u> </u>

BLUE CHIP CUSTOMER ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1999

5	INTEREST PAYABLE	1999	1998
		£	£
	Bank interest	11,365	8,154
	Interest on late payment of taxation	7,406	6,645
	Hire purchase interest	-	-
		<u>18,771</u>	<u>14,799</u>
6	TAXATION	1999	1998
		£	£
	Corporation tax on profit on ordinary activities at 32.5% (1998: 32.5%)	-	77,228
	Over provision in earlier years	-	(16)
		<u>-</u>	<u>77,212</u>
7	INTANGIBLE FIXED ASSETS	Development costs	Goodwill
		£	£
	Cost		
	At 1 January 1999	-	37,045
	Additions	49,500	-
		<u>49,500</u>	<u>37,045</u>
	At 31 December 1999	49,500	37,045
	Amortisation		
	At 1 January	-	18,522
	Charge for the year	-	18,523
		<u>-</u>	<u>18,523</u>
	At 31 December 1999	-	37,045
	Net book amount		
	At 31 December 1999	49,500	-
		<u>49,500</u>	<u>-</u>
	At 31 December 1998	-	18,523
		<u>-</u>	<u>18,523</u>

During the prior year, Blue Chip Customer Engineering Limited were assigned maintenance contracts from Service Solutions International Limited, an unrelated party, for £37,045. This amount represented 40% of the annual contract value.

The economic life is considered to be short as the contracts are renewable annually and it is difficult to determine whether the company will only benefit for the initial year, or long term. The directors are therefore of the opinion that the goodwill paid to acquire these contracts should be amortised over two years.

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

BLUE CHIP CUSTOMER ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1999

8 TANGIBLE FIXED ASSETS

	Motor Vehicles £	Computer Equipment £	Fixtures and Fittings £	Improv's to Leasehold £	Total £
Cost					
At 1 January 1999	64,939	265,094	101,597	119,870	551,500
Additions	-	125,614	4,229	10,670	140,513
Disposals	(11,000)	-	-	-	(11,000)
At 31 December 1999	53,939	390,708	105,826	130,540	681,013
Depreciation					
At 1 January 1999	36,981	124,981	60,056	80,885	302,903
Disposals	(4,813)	-	-	-	(4,813)
Charge for the year	4,945	38,850	9,154	16,550	69,499
At 31 December 1999	37,113	163,831	69,210	97,435	367,589
Net book amount					
At 31 December 1999	16,826	226,877	36,616	33,105	313,424
At 31 December 1998	27,958	140,113	41,541	38,985	248,597

9 FIXED ASSET INVESTMENTS

	Loans £	Shares in subsidiary undertakings £	Total £
Cost			
At 1 January 1999	224,949	136,908	361,857
Additions	-	-	-
Transfer to Current Asset Investments	(175,134)	(69)	175,203
At 31 December 1999	49,815	136,839	186,654
Net book amount			
At 31 December 1999	49,815	136,839	186,654
At 31 December 1998	224,949	136,908	361,857

BLUE CHIP CUSTOMER ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1999

9 FIXED ASSET INVESTMENTS (continued)

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:

	1999 £	1998 £
Blue Chip Customer Engineering (Ireland) Ltd	-	175,134
Blue Chip Customer Engineering Lanka (Private) Ltd	49,815	49,815
	<u>49,815</u>	<u>224,949</u>

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	100%	2
Blue Chip Customer Engineering (Ireland) Ltd	Ireland	75%	69
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 1999 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	14,836	(699)
Blue Chip Customer Engineering (Ireland) Ltd	(282,276)	10,590
Blue Chip Customer Engineering (Portugal) Lda	147,372	14,715
Asia 400 (Private) Ltd	28,510	43,393
Blue Chip Customer Engineering Lanka (Private) Ltd	13,026	854
Blue Chip Global Solutions Ltd	2	(196,546)
Blue Chip Parts Ltd	2	1,300

Blue Chip Global Solutions Limited was incorporated on 20 October 1998. The first accounting period is to 31 December 1999. As at 31 December 1999 only the two subscriber shares were in issue.

Blue Chip Parts Limited was incorporated on 5 March 1999. The first accounting period is to 31 December 1999. As at 31 December 1999 only the two subscriber shares were in issue.

BLUE CHIP CUSTOMER ENGINEERING LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 1999**

10 STOCKS	1999	1998
	£	£
Stocks	204,785	242,613
	<u>204,785</u>	<u>242,613</u>

The stock figure of £204,785 (1998 £242,613) 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 £204,785 (1998 £242,613) has been arrived at by reliance upon the directors' estimates of net realisable values.

11 DEBTORS	1999	1998
	£	£
Amounts falling due within one year		
Trade debtors	718,306	946,928
Maintenance in advance	-	29,392
Amounts owed by group undertakings	857,649	214,682
Directors' current accounts	100,945	111,614
Other debtors	37,011	27,025
Prepayments and accrued income	24,927	124,877
ACT recoverable	11,654	11,654
	<u>1,750,492</u>	<u>1,466,172</u>

Prepayments and accrued income includes £nil (1998 £100,657) of accrued management charges to Blue Chip Customer Engineering (Ireland) Limited, a group company.

BLUE CHIP CUSTOMER ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1999

12 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	1999 £	1998 £
Bank overdrafts	313,561	15,180
Maintenance in advance	859,424	911,818
Trade creditors	551,052	385,203
Amounts owed to group undertakings	-	68,026
Corporation tax	77,228	135,656
Other taxation and social security	210,524	208,475
Other creditors	12,392	49,551
Accruals and deferred income	63,926	215,285
	<u>2,088,107</u>	<u>1,989,194</u>

The bank overdraft is secured by way of a cross guarantee with Blue Chip Software Engineering Limited dated 21 June 1993. The bank also holds a mortgage debenture given by the company dated 27 February 1990. The directors, Mr B Meredith and Mrs M Meredith have jointly given a limited guarantee of £30,000, dated 19 October 1987.

On 15 June 1999, additional bank guarantees were granted by Blue Chip Parts Limited and Blue Chip Global Solutions Limited, both of which are group companies.

13 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	Share capital £	Profit & loss account £	Total shareholders' funds £
Balance at 1 January 1998	10,000	215,486	225,486
Profit for the year	-	123,528	123,528
	<u>10,000</u>	<u>339,014</u>	<u>349,014</u>
Balance at 31 December 1998	10,000	339,014	349,014
Profit for the year	-	68,371	68,371
	<u>10,000</u>	<u>407,385</u>	<u>417,385</u>
Balance at 31 December 1999	10,000	407,385	417,385

14 SHARE CAPITAL	1999 £	1998 £
Authorised		
10,000 ordinary shares of £1	10,000	10,000
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
	<u>10,000</u>	<u>10,000</u>

BLUE CHIP CUSTOMER ENGINEERING LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 1999****15 GUARANTEES AND OTHER FINANCIAL COMMITMENTS**

Financial commitments under non-cancellable operating leases will result in the following payments falling due in the year to 31 December 1999:

	1999 Land and Buildings £	1998 Land and buildings £
Operating leases which expire:		
Within one year	64,250	64,250
Within two to five years	101,730	165,980
	<u>165,980</u>	<u>230,230</u>

16 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 31 December 1999 £	Maximum Liability during the year £	As at 31 December 1998 £
Mr B Meredith	52,552	70,005	44,589
Mrs M Meredith	18,161	41,477	36,793
R Burke	<u>30,232</u>	<u>30,232</u>	<u>30,232</u>

BLUE CHIP CUSTOMER ENGINEERING LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 1999****17 NOTES TO THE CASH FLOW STATEMENT**

Reconciliation of operating profit to net cash flows from operating activities	1999 £	1998 £
Operating profit	87,142	215,539
Depreciation charges	69,499	65,740
Amortisation	18,523	18,522
(Profit)/loss on sale of fixed assets	(2,213)	1,840
Decrease in stocks	37,828	38,832
Increase in debtors	(109,117)	(140,399)
(Decrease)/increase in creditors	(141,040)	165,525
Net cash inflow from operating activities	<u>(39,378)</u>	<u>365,599</u>

Analysis of changes in net debt	At 1 January 1999 £	Cash flows £	At 31 December 1999 £
Cash at bank and in hand	446	191	637
Bank overdrafts	(15,180)	(298,381)	(313,561)
Total	<u>(14,734)</u>	<u>(298,190)</u>	<u>(312,924)</u>

Reconciliation of net cash flow to movement in net debt	1999 £	1998 £
Increase in cash in the year	(298,190)	120,803
Cash outflow from decrease in debt and lease financing	-	-
Change in net debt resulting from cash flows	<u>(298,190)</u>	<u>120,803</u>
Net debt at 1 January 1999	(14,734)	(135,537)
Net debt at 31 December 1999	<u>(312,924)</u>	<u>(14,734)</u>

18 DISCLOSURE OF CONTROL

There was no ultimate controlling party during the financial year.

BLUE CHIP CUSTOMER ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 1999

19 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 £76,927 (1998 £80,617).

20 POST BALANCE SHEET EVENTS

On the 30 June 2000, Blue Chip Customer Engineering (Ireland) Limited was sold for £225,000.

There was neither a gain nor a loss made on the sale and all intercompany debtors were fully recovered.

21 RELATED PARTIES

Transactions with subsidiary companies during the year ended 31 December 1999 were as follows:

	Product sales £	Management income £	Recharged emoluments £	Purchases £
Blue Chip Customer Engineering (Portugal) Lda	74,041	56,249	-	39,702
Blue Chip Customer Engineering (Ireland) Ltd	-	92,406	-	18,993
Blue Chip Customer Engineering Lanka (Private) Ltd	-	47,607	-	-
Asia 400 (Private) Ltd	3,200	-	-	14,402
Blue Chip Global Solutions Ltd	1,733	121,789	55,649	1,857
Blue Chip Parts Ltd	10,571	83,900	-	7,790