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Financial statements for
the year ended 31 December 2005

**Blue Chip Customer
Engineering Limited**



BLUE CHIP CUSTOMER ENGINEERING LIMITED

COMPANY INFORMATION

DIRECTORS:

B MEREDITH
R BURKE
V HENRY
K TRUSCOTT

SECRETARY:

B MEREDITH

COMPANY NUMBER:

02146732

REGISTERED OFFICE:

FRANKLIN COURT
PRIORY BUSINESS PARK
BEDFORD
BEDFORDSHIRE
MK44 3JZ

BANKERS:

BARCLAYS BANK PLC
CORPORATE BANKING CENTRE
PO BOX 421
PETERBOROUGH
PE1 1QP

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 LLP
THE ATRIUM
PARK STREET WEST
LUTON
BEDFORDSHIRE
LU1 3BE

BLUE CHIP CUSTOMER ENGINEERING LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2005.

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, managed services and sale of computer hardware.

BUSINESS REVIEW

In the first quarter of 2005 the company relocated its entire operation to new bespoke premises in Bedford. This move was taken to reposition Blue Chip in the IT Services market and to assist in the continued growth of its core activity.

The Company's results for 2005 show a significant growth in all areas, up 18% on last year. For the fourth year running growth has been circa 20%. Expectations for 2006 are for further growth, in excess of 25%.

The directors are confident that the potential for further growth is greatly enhanced by the new Bedford facility and signs in the early part of 2006 indicate that this potential will be realised.

At the signing date of the accounts the results of the overseas subsidiaries were not completed. The directors are however satisfied with the performance of all group companies.

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 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 year from 1 January 2005 to the date of this report unless otherwise stated.

The interests of the directors holding office on 31 December 2005 in the shares of the company, according to the register of directors' interests, were as shown below:

	Ordinary shares	
	31 December 2005	1 January 2005
B Meredith	4,580	4,580
R Burke	750	750
K Truscott	-	-
V Henry	-	-


CHARITABLE AND POLITICAL DONATIONS

There were no charitable or political donations made during the year ended 31 December 2005.

AUDITORS

A resolution to reappoint Mazars LLP as auditors to the company and to authorise the directors to fix their remuneration was proposed at the annual general meeting.

Approved by the Board on 3 February 2006
and signed on its behalf



B Meredith
Director

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

We have audited the financial statements of Blue Chip Customer Engineering Limited for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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 and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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 (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 Directors' Report and consider the implications for our report if we become aware of any apparent misstatement within it. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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.





MAZARS

Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

MAZARS LLP
CHARTERED ACCOUNTANTS
and Registered Auditors
The Atrium
Park Street West
Luton
Bedfordshire LU1 3BE

Date: 3 February 2006

BLUE CHIP CUSTOMER ENGINEERING LIMITED**PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 31 DECEMBER 2005**

	Notes	2005 £	2004 £
TURNOVER	2	7,590,884	6,456,182
Cost of sales		<u>(1,054,417)</u>	<u>(1,169,131)</u>
GROSS PROFIT		6,536,467	5,287,051
Net operating expenses			
Administrative expenses		(6,326,102)	(5,191,599)
Other operating income	23	<u>404,089</u>	<u>340,851</u>
OPERATING PROFIT	3	614,454	436,303
Interest payable and similar charges	5	(169,461)	(16,871)
Interest receivable and similar income	6	<u>5,823</u>	<u>22,170</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		450,816	441,602
Taxation on ordinary activities	7	<u>(210,046)</u>	<u>(133,736)</u>
RETAINED PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	16	<u><u>240,770</u></u>	<u><u>307,866</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 for the year.


BLUE CHIP CUSTOMER ENGINEERING LIMITED

BALANCE SHEET

AT 31 DECEMBER 2005

	Notes	£	2005 £	2004 £
FIXED ASSETS				
Intangible assets	8		58,950	71,021
Tangible assets	9		4,731,139	3,958,610
Investments	10		138,604	138,604
			<u>4,928,693</u>	<u>4,168,235</u>
CURRENT ASSETS				
Stocks	11	344,289		235,947
Debtors	12	3,807,838		3,525,565
Cash at bank and in hand		328,006		720,524
		<u>4,480,133</u>		<u>4,482,036</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	13	(6,645,376)		(6,469,854)
NET CURRENT LIABILITIES			<u>(2,165,243)</u>	<u>(1,987,818)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			2,763,450	2,180,417
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	14		(1,330,480)	(1,165,979)
PROVISION FOR LIABILITIES AND CHARGES	15		(213,546)	(35,784)
			<u>1,219,424</u>	<u>978,654</u>
CAPITAL AND RESERVES				
Called up share capital	17		5,330	5,330
Capital redemption reserve	16		4,670	4,670
Profit and loss account	16		1,209,424	968,654
TOTAL SHAREHOLDERS' FUNDS	16		<u>1,219,424</u>	<u>978,654</u>

Approved by the Board on 3 February 2006
and signed on its behalf by


B. Meredith
Director

BLUE CHIP CUSTOMER ENGINEERING LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2005

	Notes	£	2005 £	£	2004 £
Cash inflow from operating activities					
Net cash inflow	20		1,246,978		678,577
Returns on investments and servicing of finance					
Interest paid		(169,461)		(16,871)	
Interest received		5,823		22,170	
			(163,638)		5,299
Taxation					
Corporation tax paid			-		(144,453)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(1,108,578)		(3,841,887)	
Receipt from sale of fixed asset investments		-		66,392	
			(1,108,578)		(3,775,495)
Net cash outflow before financing	20		(25,238)		(3,236,072)
Financing					
(Decrease)/Increase in bank loan obligations			(670,099)		1,649,875
Increase in finance lease capital obligations			314,055		193,489
			(356,044)		1,843,364
Decrease in cash	20		(381,282)		(1,392,708)

BLUE CHIP CUSTOMER ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

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 a medium sized group and 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:

Freehold property	4% straight line
Leasehold property and improvements	over 125 years
Computer equipment	25% straight line
Motor vehicles	25% straight line
Fixtures and fittings	20% straight line/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 full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements.

Deferred tax is not provided on the revaluation of fixed assets. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

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.

BLUE CHIP CUSTOMER ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

1 ACCOUNTING POLICIES (continued)

h) Foreign currency transactions

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.

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) Pensions

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

k) Maintenance in advance

Maintenance in advance relates to income that has been deferred over the life of its maintenance contract. The value of the maintenance in advance for the year is effectively the income due to the company if no more contracts were sold after the year end. As each month of the contract continues sales are credited to the profit and loss account. Contracts can be cancelled in the last 90 days remaining on the contract, however they are non-refundable.

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:

	2005	2004
	£	£
Geographically		
United Kingdom	7,578,884	6,447,277
Other EEC countries	12,000	395
Rest of the world	-	8,510
	<u>7,590,884</u>	<u>6,456,182</u>

BLUE CHIP CUSTOMER ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

3	OPERATING PROFIT	2005 £	2004 £
	Operating profit is stated after charging/(crediting):		
	Loss/(profit) on foreign exchange transactions	2,914	(5,737)
	Staff costs (note 4)	4,117,664	3,721,110
	Auditors' remuneration*	11,200	11,200
	Equipment lease rentals	9,006	7,162
	Other lease rentals	121,679	92,209
	Depreciation of intangible fixed assets (note 8)	12,071	23,107
	Depreciation of tangible fixed assets (note 9)	336,049	121,185
		<u> </u>	<u> </u>

* Includes audit remuneration for Blue Chip Customer Engineering Limited of £8,400 (2004: £8,400), Blue Chip Global Solutions Limited of £1,500 (2004: £1,500) and Blue Chip Parts Limited of £1,300 (2004: £1,300).

4	DIRECTORS AND EMPLOYEES	2005 £	2004 £
	Staff costs including directors' emoluments		
	Wages and salaries	3,566,032	3,219,670
	Social security costs	415,069	381,385
	Pension costs	136,563	120,055
		<u> </u>	<u> </u>
		4,117,664	3,721,110
		<u> </u>	<u> </u>

Social security costs in Blue Chip Global Solutions Limited and Blue Chip Parts Limited are borne by Blue Chip Customer Engineering Limited, this amounted to £23,374 (2004: £13,177) and £1,271 (2004: £10,169) respectively.

Average monthly number employed	Number	Number
(including executive directors)	86	78
	<u> </u>	<u> </u>

Directors	2005 £	2004 £
Emoluments	334,000	384,000
Company contributions to money purchase pension schemes	18,713	34,194
	<u> </u>	<u> </u>
	352,713	418,194
	<u> </u>	<u> </u>

Highest paid director (included above)

Emoluments	240,000	290,000
Company contributions to a money purchase pension scheme	6,648	6,648
	<u> </u>	<u> </u>
	246,648	296,648
	<u> </u>	<u> </u>

During the period the following number of directors accrued benefits under the defined contribution pension scheme:	Number	Number
	3	4
	<u> </u>	<u> </u>

BLUE CHIP CUSTOMER ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

5	INTEREST PAYABLE	2005	2004
		£	£
	Bank interest	169,461	16,871
		<u> </u>	<u> </u>
6	INTEREST RECEIVABLE	2005	2004
		£	£
	Bank interest	5,823	22,170
		<u> </u>	<u> </u>
7	TAXATION ON PROFIT ON ORDINARY ACTIVITIES	2005	2004
		£	£
	Current taxation		
	UK Corporation tax charge for the year	125,601	97,952
	Adjustments in respect of prior years	(93,317)	-
		<u> </u>	<u> </u>
		32,284	97,952
	Deferred tax		
	Deferred tax charge for the year	177,762	35,784
		<u> </u>	<u> </u>
	Total current tax	210,046	133,736
		<u> </u>	<u> </u>

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 30% (2004: 30%). The actual tax charge for the current and the previous year varies from the standard rate for the reasons set out in the following reconciliation.

	2005	2004
	£	£
Profit on ordinary activities before tax	450,816	441,602
	<u> </u>	<u> </u>
Tax on profit on ordinary activities at standard rate	135,245	132,481
Factors affecting charge for the year:		
Group relief	(13,404)	(32,696)
Expenses not deductible for tax purposes	3,760	24,017
Other timing differences	-	(25,850)
	<u> </u>	<u> </u>
Total actual amount of current tax	125,601	97,952
	<u> </u>	<u> </u>

BLUE CHIP CUSTOMER ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

8 INTANGIBLE FIXED ASSETS

	Goodwill £	Development Costs £	Total £
Cost			
At 1 January 2005 and at 31 December 2005	26,664	126,500	153,164
Amortisation			
At 1 January 2005	2,666	79,477	82,143
Charge for the year	2,666	9,405	12,071
At 31 December 2005	5,332	88,882	94,214
Net book amount			
At 31 December 2005	21,332	37,618	58,950
At 31 December 2004	23,998	47,023	71,021

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.

Goodwill is being amortised over ten years. The directors believe this to be the useful economic life of the purchased goodwill (note 10).

9 TANGIBLE FIXED ASSETS

	Freehold property £	Leasehold property £	Leasehold improvements £	Motor vehicles £	Computer equipment	Fixtures and Fittings	Total
Cost							
At 1 January 2005	150,000	3,125,000	209,087	59,402	530,600	168,305	4,242,394
Additions	-	-	334,025	53,970	420,531	300,052	1,108,578
At 31 December 2005	150,000	3,125,000	543,112	113,372	951,131	468,357	5,350,972
Depreciation							
At 1 January 2005	6,000	8,333	673	31,645	214,544	22,589	283,784
Charge for the year	6,000	24,294	24,697	27,751	176,734	76,573	336,049
At 31 December 2005	12,000	32,627	25,370	59,396	391,278	99,162	619,833
Net book amount							
At 31 December 2005	138,000	3,092,373	517,742	53,976	559,853	369,195	4,731,139
At 31 December 2004	144,000	3,116,667	208,414	27,757	316,056	145,716	3,958,610

BLUE CHIP CUSTOMER ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

10 FIXED ASSET INVESTMENTS

Shares in
group
undertakings
£

Cost

At 1 January 2005 and at 31 December 2005

138,604

Net book amount

At 31 December 2005

138,604

At 31 December 2004

138,604

Group undertakings

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

	Country of Incorporation	Holding	Value £
Blue Chip Global Solutions Ltd	England	100%	2
Blue Chip Parts Ltd	England	98.5%	17,200
Blue Chip Customer Engineering (Portugal) Lda	Portugal	87%	19,120
* Asia 400 (Private) Ltd	Sri Lanka	49%	95,140
Blue Chip Customer Engineering Nordic AB	Sweden	100%	7,142
			138,604
* Blue Chip Customer Engineering Lanka (Private) Ltd	Sri Lanka	60%	22,222
+ Robux IT Services AB	Sweden	100%	19,231

+Blue Chip Customer Engineering Nordic AB owns the entire share capital of Blue Chip IT Services AB, therefore making this a group company at the balance sheet date. The company did not trade in the year. Goodwill arose on the purchase of Blue Chip IT Services AB as the customer base was transferred to Blue Chip Customer Engineering Nordic AB. The goodwill is being amortised over 10 years (note 8).

* In 2004 the company sold 51% of its shareholding in Asia 400 (Private) Limited.

At 31 December 2005 the aggregate share capital and reserves and the profit for the year to that date of the group undertakings amounted to:

	Share Capital and Reserves £	Profit £
Blue Chip Customer Engineering (Portugal) Lda	-	-
Asia 400 (Private) Ltd	-	-
Blue Chip Customer Engineering Lanka (Private) Ltd	-	-
Blue Chip Customer Engineering Nordic AB	-	-
Blue Chip Global Solutions Ltd	(33,620)	21,131
Blue Chip Parts Ltd	(232,214)	7,656
Blue Chip IT Services AB	-	-

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

BLUE CHIP CUSTOMER ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

11	STOCKS	2005 £	2004 £
	Stocks	344,289	235,947

The stock figure of £344,289 (2004: £235,947) is representative of components and parts used in the performance of the company's principal activity. Due to its nature, the stock is not always capable of being valued separately in relation to its original cost. The value of £344,289 (2004: £235,947) has been arrived at by reliance upon the directors' estimates of net realisable values.

12	DEBTORS	2005 £	2004 £
	Amounts falling due within one year		
	Trade debtors	1,977,503	1,589,911
	Amounts owed by group undertakings (note 23)	1,140,951	1,043,059
	Directors' current accounts (note 19)	331,796	295,624
	VAT recoverable	-	318,588
	Other debtors	80,523	59,512
	Prepayments and accrued income	242,178	190,199
	ACT recoverable	34,887	28,672
		<u>3,807,838</u>	<u>3,525,565</u>

13	CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2005 £	2004 £
	Bank overdraft and loans	1,564,093	2,128,778
	Net obligations under finance lease and hire purchase contracts	236,446	182,689
	Maintenance in advance	3,702,169	3,208,423
	Amounts payable to group undertakings (note 23)	27,747	-
	Trade creditors	400,502	419,755
	Corporation tax	103,898	57,251
	Other taxation and social security	507,403	113,380
	Other creditors	15,915	42,396
	Accruals and deferred income	87,203	317,182
		<u>6,645,376</u>	<u>6,469,854</u>

BLUE CHIP CUSTOMER ENGINEERING LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2005****14 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	2005	2004
	£	£
Bank loans	895,683	1,012,333
Net obligations under finance lease and hire purchase contracts	271,098	10,800
Maintenance in advance	163,699	142,846
	<u>1,330,480</u>	<u>1,165,979</u>
Analysis of loans		
Wholly repayable in greater than five years	575,399	666,667
Wholly repayable within five years	404,377	983,208
Included in current liabilities	(84,093)	(637,542)
	<u>895,683</u>	<u>1,012,333</u>
Loan maturity		
Between one and two years	84,093	90,666
Between two and five years	236,191	255,000
Due in greater than five years	575,399	666,667
	<u>895,683</u>	<u>1,012,333</u>
Net obligations under finance lease and hire purchase contracts		
Repayable within one year	236,446	182,689
Repayable between one and five years	271,098	10,800
	<u>507,544</u>	<u>193,489</u>
Included in liabilities falling due within one year	(236,446)	(182,689)
	<u>271,098</u>	<u>10,800</u>
Maintenance in advance		
Income deferred between one and two years	97,814	85,302
Income deferred between two and five years	65,885	57,544
	<u>163,699</u>	<u>142,846</u>

All bank loans (including finance loans) and overdrafts are secured on a fixed charge on the company's properties and a floating charge on the other current and future assets of the company.

There is a cross guarantee and debenture between Blue Chip Customer Engineering Limited, Blue Chip Global Solutions Limited and Blue Chip Parts Limited.

BLUE CHIP CUSTOMER ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

15 PROVISION FOR LIABILITIES AND CHARGES

Deferred taxation liability	£
Balance at 1 January 2005	35,784
Profit and loss charge	177,762
	<hr/>
Balance at 31 December 2005	213,546
	<hr/> <hr/>

	Provision recognised		Provision not recognised	
	2005	2004	2005	2004
	£	£	£	£
Capital allowances in excess of depreciation	214,737	38,200	-	-
Other timing differences	(1,191)	(2,416)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	213,546	35,784	-	-
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

16 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Share capital	Capital redemption reserve	Profit & loss account	Total shareholders' funds
	£	£	£	£
Balance at 31 December 2003	5,420	4,580	660,788	670,788
Profit for the year	-	-	307,866	307,866
Shares repurchased by the company	(90)	90	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2004	5,330	4,670	968,654	978,654
Profit for the year	-	-	240,770	240,770
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2005	5,330	4,670	1,209,424	1,219,424
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

17 SHARE CAPITAL

	2005	2004
	£	£
Authorised		
10,000 ordinary shares of £1	10,000	10,000
	<hr/>	<hr/>
Allotted, called up and fully paid		
5,330 ordinary shares of £1	5,330	5,330
	<hr/> <hr/>	<hr/> <hr/>

BLUE CHIP CUSTOMER ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

18 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 2005:

	2005	2004	2005	2004
	Land and Buildings	Land and buildings	Other operating leases	Other operating leases
	£	£	£	£
Operating leases which expire:				
Within one year	-	40,621	26,593	25,600
Between two to five years	-	-	64,227	50,083
	<u>-</u>	<u>40,621</u>	<u>90,820</u>	<u>75,683</u>

Capital commitments

At 31 December 2005, the company had capital commitments as follows:

	2005	2004
	£	£
Contracted for but not provided in the financial statements	<u>-</u>	<u>483,650</u>

19 DIRECTORS' LOANS

Loans to directors

During the year, Mr B Meredith and Mr K Truscott had overdrawn directors' current accounts with the company. Indebtedness on the loans was as follows:

	As at 1 January 2005	Maximum liability during the year	As at 31 December 2005
	£	£	£
Mr B Meredith	295,624	325,796	325,796
Mr K Truscott	<u>-</u>	<u>6,000</u>	<u>6,000</u>

20 NOTES TO THE CASH FLOW STATEMENT

Reconciliation of operating profit to net cash flows from operating activities

	2005	2004
	£	£
Operating profit	614,454	436,303
Depreciation charges	336,049	121,185
Amortisation charges	12,071	23,107
(Increase)/decrease in stocks	(108,342)	32,952
Increase in debtors	(282,273)	(287,918)
Increase in creditors	675,019	352,948
Net cash inflow from operating activities	<u>1,246,978</u>	<u>678,577</u>

BLUE CHIP CUSTOMER ENGINEERING LIMITED**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR ENDED 31 DECEMBER 2005****20 NOTES TO THE CASH FLOW STATEMENT (continued)**

Analysis of changes in net debt	At 1 January 2005 £	Cash flows £	At 31 December 2005 £
Cash at bank and in hand	720,524	(392,518)	328,006
Bank overdraft	(1,491,236)	11,236	(1,480,000)
	<u>(770,712)</u>	<u>(381,282)</u>	<u>(1,151,994)</u>
Bank loans	(1,649,875)	670,099	(979,776)
Finance leases	(193,489)	(314,055)	(507,544)
	<u>(1,843,364)</u>	<u>356,044</u>	<u>(1,487,320)</u>
	<u>(2,614,076)</u>	<u>(25,238)</u>	<u>(2,639,314)</u>
Reconciliation of net cash flow to movement in net debt			
		2005 £	2004 £
Decrease in cash in the year		(381,282)	(1,392,708)
Cashflow movement in debt and lease financing		<u>356,044</u>	<u>(1,843,364)</u>
Change in net debt resulting from cash flows		(25,238)	(3,236,072)
Net debt at 1 January 2005		<u>(2,614,076)</u>	<u>621,996</u>
Net debt at 31 December 2005		<u>(2,639,314)</u>	<u>(2,614,076)</u>

21 DISCLOSURE OF CONTROL

Mr B Meredith is the ultimate controlling party by virtue of his shareholding in the company.

22 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 £136,563 (2004: £120,055).

In other creditors, there is an outstanding pension contribution of £15,923 (2004: £11,952).

BLUE CHIP CUSTOMER ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

23 RELATED PARTIES

Transactions with group companies during the year ended 31 December 2005 were as follows:

	Management income	
	2005	2004
	£	£
Blue Chip Customer Engineering (Portugal) Lda	-	36,013
Blue Chip Global Solutions Ltd	333,904	208,062
Blue Chip Parts Ltd	70,185	96,776
	<u>404,089</u>	<u>340,851</u>

In the period sales were made to and purchases from the following group companies:

	Sales		Purchases	
	2005	2004	2005	2004
	£	£	£	£
Blue Chip Parts Limited	-	-	25,928	38,998
Blue Chip Global Solutions Limited	-	5,893	25,240	6,315
Blue chip Customer Engineering Lanka (Private) Limited	-	8,510	19,776	4,844
	<u>-</u>	<u>14,403</u>	<u>45,944</u>	<u>49,157</u>

Balances with group companies at 31 December 2005 were as follows:

	2005	2004
	£	£
Blue Chip Customer Engineering Lanka (Private) Ltd	(7,521)	7,020
Blue Chip Customer Engineering (Portugal) Lda	256,794	271,187
Blue Chip Parts Ltd	712,440	419,105
Blue Chip Global Solutions Ltd	(20,226)	203,464
Blue Chip Engineering Nordic AB	171,717	142,283

These amounts are included within debtors (note 12) and creditors (note 13).