

Registered Number 3359843

Kelido Limited

Annual report

for the year ended 31 December 2001



# Kelido Limited

## Annual report for the year ended 31 December 2001

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**Directors and Advisers for the year ended 31 December 2001**

**Executive directors**

A Hemani  
D Forsyth  
M Andrews

**Secretary and registered office**

M Andrews  
28-30 Richfield Avenue  
Reading  
Berkshire RG1 8BJ

**Company secretarial advisers**

PricewaterhouseCoopers  
Harman House  
1 George Street  
Uxbridge UB8 1QQ

**Registered auditors**

PricewaterhouseCoopers  
9 Greyfriars Road  
Reading  
Berkshire RG1 1JG

**Solicitors**

Garretts  
Abbots House  
Abbey Street  
Reading  
Berkshire RG1 3BD

**Bankers**

Lloyds TSB Commercial Finance Limited  
Boston House  
The Little Green  
Richmond  
Surrey TW9 1QE

Lloyds TSB Bank Plc  
Market Place Reading Branch  
1-2 Market Place  
Reading  
Berkshire RG1 2PQ

**Directors' report for the year ended 31 December 2001**

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

**Principal activity**

The principal activity of the group is the wholesale distribution of computer peripheral equipment and related services.

**Review of business**

The downturn in the Information Technology sector has been widely reported. In anticipation of the challenging market conditions the group has focussed on managing risk, costs and working capital.

Our strategy has been highly successful:

- Net cash inflow for the year was £12.8 million, giving resultant cash balance of £1.9 million.
- Inventory and debtor management resulted in minimal aged balances and stock and debtor days of 9 and 28 days respectively.
- Cost control reduced overheads by 10%, and working capital management reduced finance costs by 39%.
- Profit for the year after taxation was up 450% to £0.9 million.

Current market conditions continue to be challenging. We are confident that we are well placed to succeed in the current market, and also take advantage of any impending recovery.

**Dividends**

The directors do not recommend payment of a dividend.

The shareholders have approved a change in the rights of the preference shares, 'B' ordinary shares and 'C' ordinary shares, such that the dividend rights attached to these shares are no longer cumulative and all arrears of dividends are no longer now payable. Dividends on these shares are now only payable out of available profits on a year to year basis.

In the previous year, in accordance with the provisions of FRS 4, the company appropriated through the profit and loss account preference share dividends for the year on the company's cumulative redeemable preference shares of £1,736,000. The company also appropriated through the profit and loss account cumulative ordinary share dividends for the year of £87,000. However, as the company did not have sufficient distributable reserves in order to declare dividends, £1,823,000 of appropriations were added back within profit and loss account reserves.

**Directors**

The directors who held office during the year are given below:

M Andrews

D Forsyth

A Hemani

P Cook

(Resigned 22 May 2001)

**Directors' interests**

The interests of the directors in the shares of the company at 31 December 2001 were:

	31 December 2001 £'000	31 December 2000 £'000
<b>Preference shares of £1 each</b>		
A Hemani	29,016	9,416
<b>'C' ordinary shares of £1 each</b>		
A Hemani	584	584
<b>'A' ordinary shares of 50p each</b>		
D Forsyth	75	75

Except as disclosed above, no director had an interest in the shares of the company during the year or in the shares of a subsidiary company from the date of acquisition.

**Charitable donations**

Donations for charitable purposes amounted to £Nil (2000: £9,000).

**European Monetary Union**

The company has experienced minimal accounting and currency issues arising from the introduction of the Euro. The costs associated with the introduction of the Euro are immaterial and have been expensed as incurred.

**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 the group and of the profit or loss of the group for that period. The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

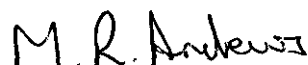
The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2001 and that applicable accounting standards have 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 the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**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



M R Andrews  
Company Secretary

**Independent auditors' report to the members of Kelido Limited**

We have audited the financial statements, which comprise the consolidated profit and loss account, the balance sheets, the consolidated cash flow statement and the related notes.

**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 regulations requirements and United Kingdom accounting 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 United Kingdom 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.

**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 affairs of the company and the group at 31 December 2001 and of the profit and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
PricewaterhouseCoopers  
Chartered Accountants and Registered Auditors  
Reading

9 May 2002

**Consolidated profit and loss account for the year ended 31 December 2001**

	Notes	2001 £'000	2000 £'000
Turnover	2	134,656	158,010
Cost of sales		(125,544)	(148,508)
<b>Gross profit</b>		<b>9,112</b>	<b>9,502</b>
Net operating costs	2	(6,553)	(7,304)
<b>Operating profit</b>		<b>2,559</b>	<b>2,198</b>
Net interest payable and similar charges	5	(921)	(1,498)
<b>Profit on ordinary activities before taxation</b>	6	<b>1,638</b>	<b>700</b>
Tax on profit on ordinary activities	7	(718)	(533)
<b>Profit on ordinary activities after taxation</b>		<b>920</b>	<b>167</b>
Dividends and appropriations	9	-	(1,823)
<b>Profit/(deficit) for the financial year</b>	18	<b>920</b>	<b>(1,656)</b>

The results for the years above are derived entirely from continuing operations.

*There is no difference between the profit on ordinary activities before taxation and the profit for the financial year stated above, and their historical cost equivalents.*

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.

**Reconciliation of movements in non-equity shareholders' funds**

	2001 £'000	2000 £'000
Profit for the financial year	920	167
Non-equity appropriations in respect of current year	-	(1,823)
	920	(1,656)
Reversal of non-equity appropriations in respect of current year	-	1,823
	920	167
Opening non-equity shareholders' funds	1,246	1,079
<b>Closing non-equity shareholders' funds</b>	<b>2,166</b>	<b>1,246</b>

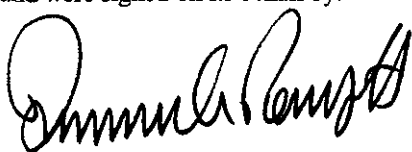
## Balance sheets as at 31 December 2001

	Notes	Group		Company	
		2001 £'000	2000 £'000	2001 £'000	2000 £'000
<b>Fixed assets</b>					
Intangible assets	10	2,994	3,422	-	-
Tangible assets	11	500	656	-	-
Investments	12	-	-	12,000	12,000
		3,494	4,078	12,000	12,000
<b>Current assets</b>					
Stock	13	3,250	4,156	-	-
Debtors	14	10,500	17,766	-	71
Cash at bank and in hand		2,035	92	-	-
		15,785	22,014	-	71
<b>Creditors – Amounts falling due within one year</b>	15	(17,113)	(24,846)	(9,668)	(9,739)
<b>Net current liabilities</b>		(1,328)	(2,832)	(9,668)	(9,668)
<b>Net assets</b>		2,166	1,246	2,332	2,332
<b>Capital and reserves</b>					
Called up share capital	17	30,360	30,360	30,360	30,360
Share premium account	18	646	646	646	646
Profit and loss account	18	(28,840)	(29,760)	(28,674)	(28,674)
<b>Non-equity shareholders' funds</b>		2,166	1,246	2,332	2,332

Under Financial Reporting Standard No 4, each class of the company's share capital falls under the description of 'non-equity'. A further analysis of shareholders' rights is given in note 17 to the financial statements.

The financial statements on pages 5 to 19 were approved by the board of directors on and were signed on its behalf by:

**9 MAY 2002**



D G Forsyth  
Director



**Consolidated cash flow statement for the year ended 31 December 2001**

	Notes	2001 £'000	2000 £'000
<b>Operating activities</b>			
Net cash inflow from continuing operating activities	19	14,385	9,183
<b>Returns on investments and servicing of finance</b>			
Interest received		5	15
Interest paid		(926)	(1,513)
Net cash outflow from returns on investments and servicing of finance		(921)	(1,498)
<b>Taxation</b>			
Corporation tax paid		(497)	(450)
<b>Capital expenditure</b>			
Purchase of tangible fixed assets		(139)	(171)
Sale of tangible fixed assets		-	99
Net cash outflow for capital expenditure		(139)	(72)
<b>Increase in net cash</b>		<b>12,828</b>	<b>7,163</b>

**Reconciliation to net cash/(debt)**

		2001 £'000	2000 £'000
Change in net debt resulting from cash flows		12,828	7,163
Net debt at 1 January		(10,878)	(18,041)
Net cash/(debt) at 31 December	20	1,950	(10,878)

## **Notes to the financial statements for the year ended 31 December 2001**

### **1 Principal accounting policies**

These financial statements are prepared under the historical cost convention, the accounting policies set out below and in accordance with applicable accounting standards.

#### **Basis of consolidation**

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertakings. The results of subsidiaries acquired are included in the consolidated profit and loss account from the date control passes. Intra-group sales and profits are eliminated on consolidation.

On acquisition of a subsidiary, all of the subsidiary's assets and liabilities that exist at the date of acquisition are recorded at their fair values reflecting their condition at that date. All changes to those assets and liabilities, and the resulting gains and losses, that arise after the group has gained control of the subsidiary are charged to the post acquisition profit and loss account.

#### **Adoption of new accounting standards**

FRS 18, 'Accounting Policies' has been adopted in this year's financial statements. The adoption of FRS18 has had no significant effect on the company's accounting policies.

#### **Related parties**

FRS 8, "Related Party Disclosures", requires the disclosure of the details of material transactions between the reporting entity and related parties. However, transactions between the company and other group companies have not been disclosed in accordance with the exemption in FRS 8 paragraph 3(c).

#### **Goodwill**

Goodwill arising on consolidation, being the excess of the purchase price over the fair value of the net tangible assets of the subsidiary company at acquisition, is capitalised and amortised over its estimated remaining economic life. The remaining economic life was revised as at 1 January 1999, and was estimated to be 13 years.

#### **Tangible fixed assets**

The cost of tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition. Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives, or lease term if shorter.

The principal annual rates used for this purpose are:

Freehold buildings	2%
Leasehold improvements	over the remaining period of the lease
Computer equipment	33.3%
Fixtures and fittings	20%

#### **Stock**

Stock is valued at the lower of cost and net realisable value.

#### **Turnover**

Turnover, which excludes value added tax and trade discounts, represents the invoiced value of goods and services supplied. Revenue is recognised on delivery to customers.

**Deferred taxation**

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability will crystallise.

**Pension costs**

The group operates a defined contribution pension scheme which is held in a separately administered fund. Contributions payable are charged to the profit and loss account as they accrue.

**Foreign currency translation**

Transactions in foreign currencies are recorded at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities are translated at the rate of exchange ruling at the balance sheet date. Exchange differences arising on the translation are dealt with through the profit and loss account.

**Operating leases**

The costs of operating leases are charged to the profit and loss account as incurred.

## 2 Turnover and profit on ordinary activities before taxation

**(i) Turnover**

Turnover arose from the group's principal activity, which comprises a single business segment, located in the United Kingdom.

	2001 £'000	2000 £'000
<b>Turnover by destination</b>		
United Kingdom	134,604	157,442
Rest of Europe	52	568
	<b>134,656</b>	<b>158,010</b>

**(ii) Net operating expenses**

The group regards all net operating expenses as distribution costs due to the nature of the business.

## 3 Directors' emoluments

	2001 £'000	2000 £'000
Aggregate emoluments	369	433
Company contributions to money purchase schemes	5	11
Compensation for loss of office	30	-
	<b>2001 £'000</b>	<b>2000 £'000</b>
<b>Highest paid director</b>		
Aggregate emoluments	114	171
Company contributions to money purchase schemes	-	11

Retirement benefits are accruing to one director (2000: one) under the company's money purchase pension scheme.

#### **4 Employee information**

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

	2001 Number	2000 Number
<b>By activity</b>		
Management	8	10
Distribution	112	118
	<b>120</b>	<b>128</b>

	2001 £'000	2000 £'000
<b>Staff costs (for the above persons):</b>		
Wages and salaries	2,966	3,030
Social security costs	289	307
Other pension costs	5	11
	<b>3,260</b>	<b>3,348</b>

#### **5 Net interest payable**

	2001 £'000	2000 £'000
On bank loans and overdrafts	921	1,498

#### **6 Profit on ordinary activities before taxation**

	2001 £'000	2000 £'000
<b>Profit on ordinary activities before taxation is stated after charging:</b>		
Amortisation of goodwill	428	428
Depreciation charge for the year:		
Tangible owned fixed assets	295	597
Auditors' remuneration:		
Audit services (Company £5,000, 2000: £5,000)	47	60
Non audit services	17	41
Operating lease rentals - other assets	293	267

## 7 Tax on profit on ordinary activities

	2001 £'000	2000 £'000
<b>Taxation on the profit for the year</b>		
United Kingdom corporation tax at 30 % (2000: 30%)	730	620
Over provision in respect of prior years	(12)	(87)
	<b>718</b>	<b>533</b>

No tax allowances are received in respect of the amortisation of goodwill.

## 8 Result for the financial year

As permitted by section 230 of the Companies Act 1985, the parent company's profit and loss account has not been included in these financial statements. The parent company's result for the financial year was £nil (2000: loss £19,000).

## 9 Dividends and appropriations

	2001 £'000	2000 £'000
Preference share dividend arrears	-	-
Appropriated in previous year	-	-
	-	-
<b>Preference shares (non-equity) dividends</b>		
5% cumulative redeemable preference shares dividend paid	-	-
<b>Preference shares (non equity) appropriation</b>		
5% cumulative redeemable preference shares appropriation	-	1,736
<b>'B' ordinary shares (non-equity) appropriation</b>		
11.21% fixed cumulative ordinary shares appropriation	-	58
<b>'C' ordinary shares (non-equity) appropriation</b>		
5% fixed cumulative (non-equity) appropriation	-	29
	-	1,823

The shareholders have approved a change in the rights of the preference shares, 'B' ordinary shares and 'C' ordinary shares, such that the dividend rights attached to these shares are no longer cumulative and all arrears of dividends are no longer now payable. Dividends on these shares are now only payable out of available profits on a year to year basis.

In the previous year, in accordance with the provisions of FRS 4, the company appropriated through the profit and loss account preference share dividends for the year on the company's cumulative redeemable preference shares of £1,736,000. The company also appropriated through the profit and loss account cumulative ordinary share dividends for the year of £87,000. However, as the company did not have sufficient distributable reserves in order to declare dividends, £1,823,000 of appropriations were added back within profit and loss account reserves.

## 10 Intangible fixed assets

The intangible fixed assets of the group consist entirely of goodwill:

	Group £'000
<b>Cost</b>	
At 1 January 2001	32,927
<b>At 31 December 2001</b>	<b>32,927</b>
<b>Accumulated amortisation</b>	
At 1 January 2001	29,505
Charge for the year	428
<b>At 31 December 2001</b>	<b>29,933</b>
<b>Net book amount</b>	
<b>At 31 December 2001</b>	<b>2,994</b>
At 31 December 2000	3,422

## 11 Tangible fixed assets

The company has no tangible fixed assets.

### Group

	Freehold buildings £'000	Leasehold improvements £'000	Computer equipment £'000	Fixtures and fittings £'000	Total £'000
<b>Cost</b>					
At 1 January 2001	377	131	1,430	259	2,197
Additions	-	7	111	21	139
<b>At 31 December 2001</b>	<b>377</b>	<b>138</b>	<b>1,541</b>	<b>280</b>	<b>2,336</b>
<b>Accumulated depreciation</b>					
At 1 January 2001	(31)	(129)	(1,204)	(177)	(1,541)
Charge for the year	8	9	237	41	295
<b>At 31 December 2001</b>	<b>39</b>	<b>138</b>	<b>1,441</b>	<b>218</b>	<b>1,836</b>
<b>Net book amount</b>					
<b>At 31 December 2001</b>	<b>338</b>	<b>-</b>	<b>100</b>	<b>62</b>	<b>500</b>
At 31 December 2000	346	2	226	82	656

## 12 Investments

### Company

	Shares in Subsidiary Undertakings £'000
<b>Cost</b>	
At 1 January 2001 and 31 December 2001	40,649
<b>Provision</b>	
At 1 January 2000 and 31 December 2001	(28,649)
<b>Net book amount</b>	
At 31 December 2001	12,000
At 31 December 2000	12,000

### Interests in group undertakings

Details of subsidiary undertakings, which have all been consolidated in these financial statements, are as follows:

Name of subsidiary undertaking	Nature of business	Country of incorporation	Type of shares held	Proportion of Equity held by	
				Group	Company
Westcoast (Holdings) Limited	Investment holding company	England	£1 ordinary shares	100%	100%
Westcoast Limited	Wholesale distribution of computer peripheral equipment and related services	England	10p ordinary shares	100%	-

## 13 Stock

	Group		Company	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Finished goods held for resale	3,250	4,156	-	-

## 14 Debtors

	Group		Company	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
<b>Amounts falling due within one year</b>				
Trade debtors	10,130	17,412	-	-
Other debtors	70	174	-	71
Prepayments and accrued income	300	180	-	-
	<b>10,500</b>	<b>17,766</b>	<b>-</b>	<b>71</b>

## 15 Creditors - Amounts falling due within one year

	Group		Company	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
Bank overdraft (note a)	85	10,970	-	-
Trade creditors	15,503	12,190	-	-
Amounts due to subsidiary undertaking	-	-	9,668	9,675
Corporation tax	518	297	-	-
Other taxation and social security	303	895	-	-
Accruals and deferred income	704	494	-	64
	<b>17,113</b>	<b>24,846</b>	<b>9,668</b>	<b>9,739</b>

- a) The company is financed by an overdraft and loan facility covering the Kelido Group. The group facility is secured by an all asset debenture and a floating charge over the undertaking and all property and assets present and future.



## 16 Provision for liabilities and charges

Deferred taxation recognised in the financial statements and the amount unrecognised of the total potential (asset)/liability are as follows:

	2001		2000	
	Amount	Amount	Amount	Amount
	<i>Provided</i>	<i>unprovided</i>	<i>provided</i>	<i>unprovided</i>
	£'000	£'000	£'000	£'000
<b>Group</b>				
Accelerated capital allowances	-	(163)	-	(148)
Other timing differences	-	(51)	-	(19)
	-	(214)	-	(167)
<b>Company</b>				
Accelerated capital allowances	-	-	-	-
Other timing differences	-	-	-	-
	-	-	-	-

## 17 Called up share capital

	Group		Company	
	2001	2000	2001	2000
	£'000	£'000	£'000	£'000
<b>Authorised</b>				
29,016,000 redeemable preference shares of £1 each	29,016	29,016	29,016	29,016
500,000 'A' ordinary shares of 50p each	250	250	250	250
520,000 'B' ordinary shares of £1 each	520	520	520	520
584,000 'C' ordinary shares of £1 each	584	584	584	584
646,000 'D' ordinary shares of £1 each	646	646	646	646
385,000 deferred ordinary shares of £1 each	385	385	385	385
1,615,000 ordinary shares of £1 each	1,615	1,615	1,615	1,615
	<b>33,016</b>	<b>33,016</b>	<b>33,016</b>	<b>33,016</b>
<b>Allotted, called up and fully paid:</b>				
29,016,000 redeemable preference shares of £1 each	29,016	29,016	29,016	29,016
480,000 'A' ordinary shares of 50p each	240	240	240	240
520,000 'B' ordinary shares of £1 each	520	520	520	520
584,000 'C' ordinary shares of £1 each	584	584	584	584
1 'D' ordinary share of £1 each	-	-	-	-
	<b>30,360</b>	<b>30,360</b>	<b>30,360</b>	<b>30,360</b>

The shareholders have approved a change in the rights of the preference shares, 'B' ordinary shares and 'C' ordinary shares, such that the dividend rights attached to these shares are no longer cumulative and all arrears of dividends are no longer now payable.

### Dividend rights

Dividends on all shares are only payable out of available profits on a year to year basis.

The company will pay dividends in the following order of priority: redeemable preference shares, 'B' ordinary shares, 'C' ordinary shares and 'A' ordinary shares.

The company shall pay dividends to the redeemable preference shareholders at a rate of 7% per annum on each share up to the date of redemption. All such dividends are payable half-yearly on 30 June and 31 December. The first such dividend is payable on 30 June 2002.

The company shall pay a fixed dividend to the 'B' ordinary shareholders at a rate of 11.21% per annum on each share payable half-yearly on 30 June and 31 December. The first such dividend is payable on 30 June 2002 or on a Listing or Takeover, if earlier.

The company shall pay a fixed dividend to the 'C' ordinary shareholders at a rate of 5% per annum on each share, payable half-yearly on 30 June and 31 December. The first such dividend is payable on 30 June 2002 or on a Listing or Takeover, if earlier.

The company shall pay to the holders of 'B' ordinary shares and 'C' ordinary shares a participating dividend in respect of each financial year of the company. The participating dividend is the greater of 'B' and 'C' ordinary shares fixed dividend and 40% of Net Profit of the company and its subsidiaries for the relevant financial year. The holders of 'B' ordinary shares shall receive two-thirds of 40% of the Net Profit and the holders of 'C' ordinary shares shall receive one-third of 40% of Net Profit. The participating dividend, if any, is effective from 1 January 2002 and is payable four months after the end of each successive accounting reference date of the company or 14 days after the signing of the audit report.

The holders of the 'D' ordinary shares have no rights to dividends. A bonus issue of 645,999 'D' ordinary shares will be issued to the 'D' ordinary shareholder in the event of a listing on the London Stock Exchange, Alternative Investment Market or any other public securities market, or a takeover of the company.

Every member shall have one vote for every £1 in nominal amount of shares, with the exception of an "A" ordinary shareholder, who shall have one vote for every 50p in nominal amount of shares. The preference shareholders are not entitled to vote.

Subject to available profits the company will redeem the preference shares at par paying any arrears and accruals of dividends on 31 December 2002. The company can redeem any or all of the preference shares immediately if it obtains written consent from the holders of 75% of the preference shares, obtains an official listing on The London Stock Exchange or the Alternative Investment Market, or obtains a successful offer to purchase 50% or more of the equity shares of the company.

Under the Companies Act 1985, the 'A' ordinary shares, the 'B' ordinary shares and the 'C' ordinary shares are classified as equity share capital, because they have a right to participate beyond a specified amount on liquidation in addition to their fixed dividend entitlement. However, under FRS 4 these shares are classed as non-equity. Therefore, all shareholders' funds are attributable under FRS 4 to non-equity interests.

## 18 Share premium and reserves

### Group

	Share premium account £'000	Profit and loss account £'000
At 1 January 2001	646	(29,760)
Profit for the financial year	-	920
<b>At 31 December 2001</b>	<b>646</b>	<b>(28,840)</b>

### Company

	Share premium account £'000	Profit and loss account £'000
At 1 January 2001	646	(28,674)
Profit for the financial year	-	-
<b>At 31 December 2001</b>	<b>646</b>	<b>(28,674)</b>

## 19 Reconciliation of operating profit to net cash inflow from operating activities

	2001 £'000	2000 £'000
<b>Continuing activities</b>		
Operating profit	2,559	2,198
Depreciation on tangible fixed assets	295	597
Amortisation of goodwill	428	428
Profit on sale of fixed assets	-	(10)
Decrease/(increase) in stocks	906	(374)
Decrease in trade debtors	7,282	5,416
Decrease in other debtors	104	574
Increase in prepayments	(120)	(67)
Increase in trade creditors	3,313	453
(Decrease)/increase in other taxation and social security	(592)	265
Increase/(decrease) in accruals	210	(297)
<b>Net cash inflow from operating activities</b>	<b>14,385</b>	<b>9,183</b>

**20 Movement in net cash/(debt)**

	1 January 2001	Cash flow	31 December 2001
Cash at bank and in hand	92	1,943	2,035
Bank overdrafts	(10,970)	10,885	(85)
Net cash/(debt)	(10,878)	12,828	1,950

**21 Capital commitments**

The group and company had no capital commitments at 31 December 2001 (2000: £nil).

**22 Pension contributions**

The pension cost charge represents contributions payable by the group to a separately administered fund and amounted to £4,648 in the year (2000: £11,194).

**23 Related party transactions**

During the year under review the group entered into transactions, at arms lengths and under its normal terms and conditions of trade, with Netfire Limited. Mr A Hemani, a director of Kelido Limited, holds a controlling interest in the shares and is a director of Netfire Limited. The total value of transactions for the period under review was £991,871 (2000: £370,000) and is included within turnover. The balance outstanding at the end of the year was £369,000 (2000: £95,000) and is included within trade debtors.

**24 Financial commitments**

The group has annual commitments under non-cancellable operating leases on land and buildings expiring as follows:

	2001 £'000	2000 £'000
Within one year	305	288

**25 Ultimate controlling party**

The directors consider there to be no ultimate controlling party of Kelido Limited.