

# Network Management Limited

## DIRECTOR'S REPORT AND FINANCIAL STATEMENTS

31 December 2002



Company Number: 1766292

# Network Management Limited

## DIRECTOR'S REPORT

31 December 2002

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The director presents his annual report and the audited financial statements of the group for the year ended 31 December 2002.

### PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activities of the group are the production, marketing and sales in the UK and for export of fragrance, toiletries, cosmetics, private label, beauty and personal care products.

### RESULTS AND DIVIDENDS

The group profit for the year after taxation and minority interests was £490,456.

The director does not recommend the payment of a dividend.

The retained profit for the year of £490,456 was transferred to reserves.

On 8 August 2002, the company acquired the remaining 25% of the ordinary shares of Kuan Limited for a consideration in the amount of £75,000. In December 2002 the company repaid the loan stock issued on the acquisition of the original 75% of the ordinary shares of Kuan Limited.

On 31 December 2002, 650,000 14% cumulative redeemable preference shares of £1 each were redeemed at par.

### DIRECTORS

The director of the company during the year was as follows:-

J.D. Kidd

### DIRECTOR'S INTERESTS

At 31 December 2002 Mr. J.D. Kidd had an interest in 50% (2001: 50%) of the issued ordinary share capital of the company.

Christy Cosmetics Limited owns the whole of the company's issued preference share capital.

Mr. J.D. Kidd had an interest in the following shares in Christy Cosmetics Limited:-

	'A' Ordinary shares of 10p each	'B' Ordinary shares of 10p each	13% Preference shares of £1 each	16% Preference shares of £1 each	14% 'A' Preference shares of £1 each	14% 'B' Preference shares of £1 each
At 1 January 2002 and 31 December 2002	4,925	4,045	85,800	220,000	350,000	280,000

# Network Management Limited

## DIRECTOR'S REPORT

31 December 2002

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### STATEMENT OF DIRECTOR'S RESPONSIBILITIES

The director is required under company law to prepare financial statements for each financial year which 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.

In preparing these financial statements the director is required to:

- a) select suitable accounting policies and apply them consistently;
- b) make judgements and estimates that are reasonable and prudent;
- c) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- d) prepare the financial statements on the going concern basis unless in the director's view the group will be unable to continue in business.

The director is also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. The director is also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### ENVIRONMENT

The group is committed to achieving high environmental standards in all areas of production, packaging, waste and energy management. To the best of its knowledge, it also does not use any ingredients which since 1988 have been tested on animals.

### EMPLOYEES

The group is an equal opportunity employer.

### AUDITORS

A resolution to reappoint the auditors, Baker Tilly Chartered Accountants, will be proposed at the annual general meeting.

On behalf of the board

  
P.D. Statham

Secretary

Registered Office:

Weir Bank  
Bray-on-Thames  
Maidenhead  
Berkshire SL6 2ED

28 February 2003

# Network Management Limited

## INDEPENDENT AUDITORS' REPORT

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### INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF NETWORK MANAGEMENT LIMITED

We have audited the financial statements of Network Management Limited for the year ended 31 December 2002 which comprise the profit and loss account, the balance sheet, the cash flow statement, and the related notes. These financial statements have been prepared under the historical cost convention and 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 auditor's 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 director's responsibilities the company's director is responsible for the preparation of the 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 1985. We also report to you if, in our opinion, the director's 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 director's remuneration and transactions with the company is not disclosed.

We read the director's report and consider the implications for our report if we become aware of any apparent misstatements within it.

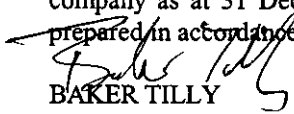
#### BASIS OF AUDIT OPINION

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 affairs of the group and the company as at 31 December 2002 and of its group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
BAKER TILLY  
Registered Auditors  
Chartered Accountants  
2 Bloomsbury Street  
London WC1B 3ST

28 February 2003

**Network Management Limited**  
**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
For the year ended 31 December 2002

			2002	2001
	Note	£	£	As restated £
TURNOVER				
- continuing operations	1(d)	9,565,262		7,371,031
- acquisitions		<u>1,203,628</u>		<u>366,547</u>
			10,768,890	7,737,578
Cost of sales			<u>(5,223,142)</u>	<u>(3,687,417)</u>
GROSS PROFIT			5,545,748	4,050,161
Selling and distribution costs			(2,697,063)	(1,875,799)
Administrative expenses			<u>(1,884,743)</u>	<u>(1,425,938)</u>
OPERATING PROFIT				
- continuing operations		747,191		898,865
- acquisitions		<u>216,751</u>		<u>(150,441)</u>
			963,942	748,424
Interest payable	2		(119,467)	(23,676)
Interest receivable			<u>-</u>	<u>4,011</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2		844,475	728,759
Taxation	5		<u>(301,052)</u>	<u>(209,416)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			543,423	519,343
Minority interests (equity)			<u>(52,967)</u>	<u>28,639</u>
RETAINED PROFIT FOR THE FINANCIAL YEAR	15		<u>490,456</u>	<u>547,982</u>

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

	2002	2001
	£	As restated £
Total recognised gains and losses relating to the year	490,456	547,982
Prior year adjustment (as explained in note 26)	<u>282,000</u>	<u>-</u>
Total gains and losses recognised since last annual report	<u>772,456</u>	<u>547,982</u>

The notes on pages 8 to 20 form part of these financial statements.

**Network Management Limited**  
**GROUP BALANCE SHEET**  
**at 31 December 2002**

	Note	2002	2001
		£	As restated £
<b>FIXED ASSETS</b>			
Intangible assets	6 (a)	2,359,425	2,302,089
Tangible assets	8	370,679	339,483
Investment in subsidiary	7	-	-
		<u>2,730,104</u>	<u>2,641,572</u>
<b>CURRENT ASSETS</b>			
Stocks	9	1,298,666	725,617
Deferred tax asset	10	129,200	282,000
Debtors	11	4,179,086	4,404,275
Cash at bank and in hand		<u>87,431</u>	<u>116,849</u>
		5,694,383	5,528,741
CREDITORS: amounts falling due within one year	12	<u>(4,291,658)</u>	<u>(3,625,601)</u>
NET CURRENT ASSETS		<u>1,402,725</u>	<u>1,903,140</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		4,132,829	4,544,712
CREDITORS: amounts falling due after more than one year	12	(480,442)	(1,199,284)
PROVISION FOR LIABILITIES AND CHARGES	13	<u>(263,250)</u>	<u>-</u>
NET ASSETS		<u>3,389,137</u>	<u>3,345,428</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	14	2,000,100	2,650,100
Capital redemption reserve	15	980,000	330,000
Profit and loss account	15	<u>409,037</u>	<u>568,581</u>
SHAREHOLDERS' FUNDS	16	3,389,137	3,548,681
Minority interests:-			
Equity interests		<u>-</u>	<u>(203,253)</u>
		<u>3,389,137</u>	<u>3,345,428</u>
<b>ATTRIBUTABLE TO:</b>			
Equity shareholders		1,389,137	695,428
Non-equity shareholders		<u>2,000,000</u>	<u>2,650,000</u>
		<u>3,389,137</u>	<u>3,345,428</u>

The financial statements on pages 4 to 20 were approved by the director on 28 February 2003.

J.D. Kidd  
Director

The notes on pages 8 to 20 form part of these financial statements.

**Network Management Limited**  
**COMPANY BALANCE SHEET**  
**at 31 December 2002**

	Note	£	2002 £	£	2001 £
<b>FIXED ASSETS</b>					
Intangible assets	6 (b)		887,686		950,744
Tangible assets	8		370,089		338,473
Investment in subsidiary undertaking	7		<u>881,525</u>		<u>838,858</u>
			2,139,300		2,128,075
<b>CURRENT ASSETS</b>					
Stocks	9	1,033,497		536,018	
Deferred tax asset	10	4,200		-	
Debtors	11	4,983,515		4,843,747	
Cash at bank and in hand		<u>82,178</u>		<u>116,818</u>	
		6,103,390		5,496,583	
CREDITORS: amounts falling due within one year	12	<u>(4,250,266)</u>		<u>(2,779,421)</u>	
NET CURRENT ASSETS			<u>1,853,124</u>		<u>2,717,162</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			3,992,424		4,845,237
CREDITORS: amounts falling after more than one year	12		(480,442)		(1,199,284)
PROVISION FOR LIABILITIES AND CHARGES	13		<u>(263,250)</u>		<u>(5,000)</u>
NET ASSETS			<u>3,248,732</u>		<u>3,640,953</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	14		2,000,100		2,650,100
Capital redemption reserve	15		980,000		330,000
Profit and loss account	15		<u>268,632</u>		<u>660,853</u>
SHAREHOLDERS' FUNDS	16		<u>3,248,732</u>		<u>3,640,953</u>
<b>ATTRIBUTABLE TO:</b>					
Equity shareholders			1,248,732		990,953
Non-equity shareholders			<u>2,000,000</u>		<u>2,650,000</u>
			<u>3,248,732</u>		<u>3,640,953</u>

The financial statements on pages 4 to 20 were approved by the director on 28 February 2003.

J.D. Kidd  
 Director



The notes on pages 8 to 20 form part of these financial statements.

# Network Management Limited

## GROUP CASH FLOW STATEMENT

For the year ended 31 December 2002

	Note	£	2002 £	£	2001 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	19		1,474,524		363,049
RETURNS ON INVESTMENT AND SERVICING OF FINANCE					
Interest received		-		4,011	
Interest paid		(119,467)		(23,676)	
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			(119,467)		(19,665)
TAXATION					
Corporation tax paid			(268,253)		(215,416)
CAPITAL EXPENDITURE					
Payments to acquire tangible fixed assets		(195,607)		(205,617)	
Payments to acquire intangible fixed assets		-		(106,157)	
Receipts from sale of tangible fixed assets		1,000		50,950	
NET CASH OUTFLOW FROM CAPITAL EXPENDITURE			(194,607)		(260,824)
ACQUISITIONS					
Net overdraft acquired with subsidiary undertaking		-		(267,521)	
Payments to acquire remaining 25% of subsidiary		(75,000)		-	
NET CASH OUTFLOW FROM ACQUISITIONS			(75,000)		(267,521)
FINANCING					
Redemption of preference shares		(650,000)		-	
Bank loan		700,000		481,211	
Repayment of bank loan and loan notes		(1,282,211)		-	
NET CASH (OUTFLOW) INFLOW FROM FINANCING			(1,232,211)		481,211
(Decrease)/increase in cash	21		(415,014)		80,834



# Network Management Limited

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2002

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### 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 convention. No profit and loss account is presented for the company as provided by section 230 of the Companies Act 1985.

b) *Basis of consolidation*

The group accounts consolidate the financial statements of the company and its subsidiary undertaking. Intra-group sales and profits are eliminated on consolidation. Profits and losses of companies entering or leaving the group are included from the date of acquisition or up to the date of disposal. The net assets of subsidiaries acquired are included on the basis of their fair value at the date of acquisition being the date on which control passes.

c) *Intangible fixed assets*

*Goodwill*

Purchased goodwill, being the difference between the fair value of the consideration and the fair value of the net assets acquired, is capitalised and amortised on a straight line basis over a prudent estimate of the period that the group is expected to benefit from it. Goodwill is amortised over its estimated useful life of 20 years.

*Trade marks*

Trade marks are capitalised at cost and amortised over their estimated useful life of 20 years.

d) *Turnover*

Turnover is the amount derived from the provision of goods falling within the company's ordinary activities after deduction of trade discounts and value added tax.

e) *Depreciation*

Depreciation is calculated to write off the cost or valuation of all fixed assets in equal annual instalments over their estimated useful lives at the following rates:-

Short leasehold	Over the term of the lease
Short leasehold improvements	Over the term of the lease
Computer equipment	25%
Motor vehicles	33 $\frac{1}{3}$ %
Plant and machinery	20%
Fixtures and fittings	10-20%

Tangible fixed assets purchased or sold during the year are depreciated on a pro rata basis.

f) *Research and development*

Expenditure on research and development incurred in the year is charged against profit.

g) *Impairment*

When a review for impairment is conducted, the recoverable amount is assessed by reference to the net present value of expected future cash flows of the relevant income generating unit or disposal value if higher.

h) *Stocks and work in progress*

Stocks and work in progress are stated at the lower of cost and net realisable value.

i) *Deferred taxation*

Provision is made at current rates for taxation liabilities deferred in respect of all material timing differences. Deferred tax assets are only recognised where recovery is more likely than not. This is a change in policy in order to comply with Financial Reporting Standard 19. The effect of the change in policy, which has been dealt with as a prior year adjustment, is explained in note 26.

# Network Management Limited

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2002

### 1 ACCOUNTING POLICIES (continued)

j) *Foreign currencies*

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. All exchange differences arising are included in the profit and loss account for the year.

k) *Leasing transactions*

All leases are operating leases and rentals payable are charged to the profit and loss account on a straight line basis.

l) *Pensions*

The amount charged to the profit and loss account in respect of pension costs and other post retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accrual or prepayments in the balance sheet.

### 2 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2002	2001
	£	As restated £
Profit on ordinary activities before taxation is stated after charging or (crediting):		
Interest payable:		
- Bank interest	77,618	8,167
- Other interest	<u>41,849</u>	<u>15,509</u>
	119,467	23,676
Auditors' remuneration		
- Audit	30,300	14,889
- For other services	22,147	21,500
(Profit)/loss on foreign exchange	(3,284)	3,378
Depreciation	158,839	151,373
Amortisation of trademarks	63,058	61,288
Amortisation of goodwill	72,559	11,356
Operating lease rentals		
- plant and machinery	2,278	2,368
- other	145,059	85,167
Hire of motor vehicles	-	819
Loss on sale of tangible fixed assets	4,572	7,200
Director's emoluments (including pension contributions) (see note 3)	80,625	76,250
Exceptional charge:		
Provision for onerous contract	<u>263,250</u>	<u>-</u>

**Network Management Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**31 December 2002**

3	DIRECTOR'S EMOLUMENTS	2002 £	2001 £
	For management	<u>80,625</u>	<u>76,250</u>
	Emoluments, excluding pension contributions, are analysed as follows:		
	Chairman	<u>80,625</u>	<u>76,250</u>
	Mr. J.D. Kidd is a partner in a firm of solicitors, which provides the group with legal and professional services. During the year the group incurred fees of £Nil (2001: £Nil).		
	Mr. J.D. Kidd is also a director of Pearlbeck Limited, who are the landlords of the company's offices. During the year the group incurred costs of £161,520 (2001 : £Nil) of which £161,520 was outstanding at the year-end (2001 : £Nil).		
4	EMPLOYEES	2002 Number	2001 Number
	(a) The average number of persons including the director employed by the group during the year was as follows:		
	Selling and distribution	27	29
	Management and administration	<u>21</u>	<u>16</u>
		<u>48</u>	<u>45</u>
	(b) Group staff costs:	£	£
	Wages and salaries	1,423,683	1,282,307
	Social security costs	137,970	123,046
	Other pension costs	<u>55,889</u>	<u>69,945</u>
		<u>1,617,542</u>	<u>1,475,298</u>
5	TAXATION CHARGE	2002 £	2001 As restated £
	<i>Current tax</i>		
	United Kingdom corporation tax on profits for the year	155,000	275,000
	Adjustment in respect of previous year	<u>(6,748)</u>	<u>(17,584)</u>
		148,252	257,416
	<i>Deferred tax</i>		
	Origination and reversal of timing differences	(1,000)	(17,820)
	Tax losses carried forward	<u>153,800</u>	<u>(30,180)</u>
		<u>301,052</u>	<u>209,416</u>

**Network Management Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**31 December 2002**

5	TAXATION CHARGE/(CREDIT) (continued)	2002	2001
		£	As restated £
	<i>Factors affecting tax charge for the period</i>		
	Profit on ordinary activities before tax	<u>844,475</u>	<u>728,759</u>
	Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2001 – 30%)	253,343	218,628
	<i>Effects of:</i>		
	Expenses not deductible for tax purposes (including goodwill on consolidation)	42,778	6,739
	Capital allowances for period in excess of depreciation	8,731	11,776
	Utilisation of general provisions	2,440	930
	Utilisation of loss relief	(153,800)	30,180
	Rounding	<u>1,508</u>	<u>6,747</u>
	Current tax charge for period	<u>155,000</u>	<u>275,000</u>

6 INTANGIBLE FIXED ASSETS

(a)	Group	Goodwill £	Trademarks £	Total £
	Cost			
	At 1 January 2002 – as restated	1,362,701	1,261,157	2,623,858
	On acquisition of minority interest	225,286	-	225,286
	Reduction in final consideration payable	<u>(32,333)</u>	<u>-</u>	<u>(32,333)</u>
	At 31 December 2002	<u>1,555,654</u>	<u>1,261,157</u>	<u>2,816,811</u>
	Amortisation			
	At 1 January 2002 – as restated	11,356	310,413	321,769
	Charge for the year	72,828	63,058	135,886
	Adjustment for reduction in final consideration payable	<u>(269)</u>	<u>-</u>	<u>(269)</u>
	At 31 December 2002	<u>83,915</u>	<u>373,471</u>	<u>457,386</u>
	Net book amount			
	At 31 December 2002	<u>1,471,739</u>	<u>887,686</u>	<u>2,359,425</u>
	At 31 December 2001	<u>1,351,345</u>	<u>950,744</u>	<u>2,302,089</u>

The goodwill arises upon the acquisition of Kuan Limited and is being charged to the profit and loss account over the estimated useful life of 20 years.

(b)	Company	Trademarks £
	Cost	
	At 1 January 2002	1,261,157
	Additions	<u>-</u>
	At 31 December 2002	<u>1,261,157</u>
	Amortisation	
	At 1 January 2002	310,413
	Charge for the year	<u>63,058</u>
	At 31 December 2002	<u>373,471</u>
	Net book amount	
	At 31 December 2002	<u>887,686</u>
	At 31 December 2001	<u>950,744</u>

# Network Management Limited

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2002

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### 7 INVESTMENT IN SUBSIDIARY UNDERTAKING

£

At 1 January 2002	838,858
On acquisition of minority interest	75,000
Reduction in final consideration payable	<u>(32,333)</u>
At 31 December 2002	<u>881,525</u>

On 8 August 2002, the company acquired the remaining 25% of the ordinary shares of Kuan Limited, a company incorporated in England, for a consideration of £75,000. Kuan Limited is engaged in the development, production and distribution of cosmetic and toiletry products. In December 2002, the company repaid the unsecured loan stock issued on the acquisition of 75% of the ordinary shares of Kuan Limited. An amount of £801,000 was paid in full and final settlement of all claims arising in connection with the share sale agreement. At 31 December 2002, Kuan Limited had a deficit on shareholders' funds of £449,810. No provision has been considered necessary against the cost of the investment or the intercompany indebtedness, as the review of future revenue flows indicate that these amounts are considered to be recoverable.

# Network Management Limited

## NOTES TO THE FINANCIAL STATEMENTS

31 December 2002

### 8 TANGIBLE FIXED ASSETS

#### GROUP

#### Cost

At 1 January 2002

Additions

Disposals

At 31 December 2002

#### Depreciation

At 1 January 2002

Charge for the year

Disposals

At 31 December 2002

#### Net book amount

At 31 December 2002

At 31 December 2001

	Short leasehold land and buildings £	Short leasehold improvements £	Computer equipment £	Motor vehicles £	Plant and machinery £	Fixtures and fittings £	Total £
At 1 January 2002	31,500	111,779	82,340	273,557	36,922	84,756	620,854
Additions	-	-	20,772	-	61,194	113,641	195,607
Disposals	-	-	-	(12,500)	(706)	(14,987)	(28,193)
At 31 December 2002	31,500	111,779	103,112	261,057	97,410	183,410	788,268
At 1 January 2002	25,200	89,310	34,271	95,466	9,658	27,466	281,371
Charge for the year	6,300	22,356	21,529	85,453	9,949	13,252	158,839
Disposals	-	-	-	(12,500)	(129)	(9,992)	(22,621)
At 31 December 2002	31,500	111,666	55,800	168,419	19,478	30,726	417,589
At 31 December 2001	-	113	47,312	92,638	77,932	152,684	370,679
At 31 December 2001	6,300	22,469	48,069	178,091	27,264	57,290	339,483

**Network Management Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**31 December 2002**

8	TANGIBLE FIXED ASSETS (continued)	Short Leasehold land and buildings £	Short leasehold improvements £	Computer equipment £	Motor vehicles £	Plant and machinery £	Fixtures and fittings £	Total £
	COMPANY							
	Cost							
	At 1 January 2002	31,500	111,779	80,658	273,557	36,922	84,756	619,172
	Additions	-	-	20,772	-	61,194	113,641	195,607
	Disposals	-	-	-	(12,500)	(706)	(14,987)	(28,193)
	At 31 December 2002	31,500	111,779	101,430	261,057	97,410	183,410	786,586
	Depreciation							
	At 1 January 2002	25,200	89,310	33,599	95,466	9,658	27,466	280,699
	Charge for the year	6,300	22,356	21,109	85,453	9,949	13,252	158,419
	Disposals	-	-	-	(12,500)	(129)	(9,992)	(22,621)
	At 31 December 2002	31,500	111,666	54,708	168,419	19,478	30,726	416,497
	Net book amount							
	At 31 December 2002	-	113	46,722	92,638	77,932	152,684	370,089
	At 31 December 2001	6,300	22,469	47,059	178,091	27,264	57,290	338,473

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9	STOCKS	Group		Company	
		2002 £	2001 £	2002 £	2001 £
	Raw materials and consumables	360,944	392,520	292,936	353,777
	Finished goods and goods for resale	<u>937,722</u>	<u>333,097</u>	<u>740,561</u>	<u>182,241</u>
		<u>1,298,666</u>	<u>725,617</u>	<u>1,033,497</u>	<u>536,018</u>

10	DEFERRED TAX ASSETS	Group		Company	
		Total £	Fixed asset timing differences £	Tax losses carried forward £	Other timing differences £
	At 1 January 2002	282,000	10,000	272,000	-
	Profit and loss account	<u>(152,800)</u>	<u>(2,200)</u>	<u>(154,000)</u>	<u>3,400</u>
	At 31 December 2002	<u>129,200</u>	<u>7,800</u>	<u>118,000</u>	<u>3,400</u>
	COMPANY				
	At 1 January 2002 as restated	-	-	-	-
	Profit and loss account	<u>4,200</u>	<u>300</u>	<u>500</u>	<u>3,400</u>
	At 31 December 2002	<u>4,200</u>	<u>300</u>	<u>500</u>	<u>3,400</u>

The deferred tax assets are included at a corporation tax rate of 30%.

A trade mark acquired from a fellow subsidiary company during the year ended 31 December 1996 was transferred for tax purposes at its original cost. In the event of it being disposed of for its original revalued amount in the company, a tax liability of £262,500 would arise.

11	DEBTORS	Group		Company	
		2002 £	2001 £	2002 £	2001 £
	Trade debtors	1,847,887	2,105,353	1,817,858	1,556,036
	Amounts owed by related undertakings	2,150,000	2,150,000	2,986,798	3,220,999
	Other debtors	93,459	98,456	91,119	33,020
	Prepayments and accrued income	<u>87,740</u>	<u>50,466</u>	<u>87,740</u>	<u>33,692</u>
		<u>4,179,086</u>	<u>4,404,275</u>	<u>4,983,515</u>	<u>4,843,747</u>



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12	CREDITORS: amounts falling due within one year	Group		Company	
		2002 £	2001 £	2002 £	2001 £
	Bank loan	219,558	115,260	219,558	115,260
	Bank overdraft	425,661	40,065	425,661	-
	Trade creditors	1,766,855	1,357,571	1,731,463	952,880
	Corporation tax	155,000	275,000	155,000	275,000
	Other taxes and social security	75,060	246,184	75,060	246,184
	Other creditors	1,368,367	992,953	1,368,367	992,953
	Accruals and deferred income	<u>281,157</u>	<u>598,568</u>	<u>275,157</u>	<u>197,144</u>
		<u>4,291,658</u>	<u>3,625,601</u>	<u>4,250,266</u>	<u>2,779,421</u>

Included in other creditors is an amount of £1,235,915 due to Lloyds TSB Commercial Finance Limited which is secured by a fixed charge over the company's book debts.

	CREDITORS: amounts falling due after more than one year	Group		Company	
		2002 £	2001 £	2002 £	2001 £
	Bank loan	480,442	365,951	480,442	365,951
	Loan stock	<u>-</u>	<u>833,333</u>	<u>-</u>	<u>833,333</u>
		<u>480,442</u>	<u>1,199,284</u>	<u>480,442</u>	<u>1,199,284</u>

The bank loan is repayable in monthly instalments over three years and has been guaranteed by a company in which Mr J D Kidd is a director.

The unsecured 5.5% loan stock relates to the initial consideration payable on the acquisition of Kuan Limited and was repaid in December 2002.

13	PROVISION FOR LIABILITIES AND CHARGES	Group	Company
		£	£
	At 1 January 2002	-	5,000
	Provision for onerous contract	263,250	263,250
	Transfer from profit and loss account	<u>-</u>	<u>(5,000)</u>
	At 31 December 2002	<u>263,250</u>	<u>263,250</u>

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14	CALLED UP SHARE CAPITAL	2002 Allotted Called Up and Fully Paid £	2001 Allotted Called Up and Fully Paid £
	Authorised £		Authorised £
	Ordinary shares of £1 each (Equity)	100	100
	14% cumulative redeemable preference shares of £1 each (Non-equity)	<u>2,999,900</u>	<u>2,650,000</u>
		<u>3,000,000</u>	<u>2,650,100</u>

On 31 December 2002, 650,000 14% cumulative redeemable preference shares of £1 each were redeemed at par.

The holders of the 14% cumulative preference shares have waived and have continued to waive their entitlement to repayment on 31 December 1995, by which date they were due for repayment, or within 10 years subsequent to that date. The holders of these shares have waived their entitlement to dividends during the year.

15	RESERVES	Group	Company
	Capital Redemption Reserve £	Profit and Loss Account £	Capital Redemption Reserve £
	At 1 January 2002 as previously reported	330,000	330,000
	Prior year adjustment (note 26)	<u>-</u>	<u>-</u>
	At 1 January 2002 as restated	330,000	330,000
	Transfer on redemption of preference shares	(650,000)	(650,000)
	Retained profit for the year	<u>490,456</u>	<u>257,779</u>
	At 31 December 2002	<u>980,037</u>	<u>268,632</u>

16	RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	Group As restated	Company
	2002 £	2001 £	2002 £
	Shareholders' funds at 1 January	3,548,681	3,640,953
	Retained profit for the year	547,982	640,254
	Redemption of 14% redeemable preference shares	<u>(650,000)</u>	<u>(650,000)</u>
	Shareholders' funds at 31 December	<u>3,548,681</u>	<u>3,640,953</u>

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**17 LEASING COMMITMENTS**

Commitments due under operating leases for the year to 31 December 2002 are:-

	2002		2001	
	Land and buildings £	Other £	Land and buildings £	Other £
Leases expiring:				
Within one year	-	1,065	-	-
Between two and five years	94,250	-	94,250	1,065
After five years	<u>220,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>314,250</u>	<u>1,065</u>	<u>94,250</u>	<u>1,065</u>

**18 CAPITAL COMMITMENTS**

	Group and Company	
	2002	2001
	£	£
Commitments for capital expenditure at 31 December 2002 were as follows:-		
Contracted, not provided	<u>-</u>	<u>-</u>

**19 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	2002	2001
	£	£
Operating profit	963,942	748,424
Depreciation	158,839	150,603
Loss on disposal of fixed assets	4,572	7,200
Amortisation of trademarks	63,058	61,288
Amortisation of goodwill	72,559	11,356
(Increase) decrease in stocks	(573,049)	198,758
Decrease (increase) in debtors	225,187	(742,479)
Decrease (increase) in creditors	<u>559,416</u>	<u>(72,101)</u>
NET CASH INFLOW FROM OPERATING ACTIVITIES	<u>1,474,524</u>	<u>363,049</u>

**20 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT**

	£
Decrease in cash in the year	(415,014)
Cash outflow from decrease in debt	<u>582,211</u>
Change in net debt resulting from cash flows	167,197
Reduction in consideration for acquisition of subsidiary payable	<u>32,333</u>
Movement in net debt in the year	199,530
Net debt at 1 January 2002	<u>(1,237,760)</u>
Net debt at 31 December 2002	<u>(1,038,230)</u>

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21	ANALYSIS OF CHANGES IN NET DEBT	At 1 January 2002 £	Cash flow £	Other non cash changes £	At 31 December 2002 £
	Cash at bank and in hand	116,849	(29,418)	-	87,431
	Bank overdraft	<u>(40,065)</u>	<u>(385,596)</u>	<u>-</u>	<u>(425,661)</u>
		76,784	(415,014)	-	(338,230)
	Debt due within one year	(115,260)	(104,298)	-	(219,558)
	Debt due after more than one year				
	Bank loan	(365,951)	(114,491)	-	(480,442)
	Loan stock	<u>(833,333)</u>	<u>801,000</u>	<u>32,333</u>	<u>-</u>
		<u>(1,237,760)</u>	<u>167,197</u>	<u>32,333</u>	<u>(1,038,230)</u>

22 ACQUISITION OF MINORITY INTEREST

On 8 August 2002, Network Management Limited acquired the remaining 25% of the ordinary shares of Kuan Limited for a consideration of £75,000.

Analysis of the acquisition of Kuan Limited

	Fair value to group £
Net liabilities of Kuan Limited at date of acquisition of minority interest	(601,144)
75% already owned by Network Management Limited	<u>450,858</u>
Fair value of assets to be acquired from minority interest	(150,286)
Purchase consideration	<u>(75,000)</u>
Goodwill arising on acquisition of minority interest	<u>(225,286)</u>

23 CHARGES ON ASSETS

Lloyds TSB Commercial Finance Limited holds a fixed charge over the company's book debts.

24 PENSIONS

The group operates a defined contribution pension scheme whose assets are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions payable by the group and amounted to £55,889.

# Network Management Limited

## NOTES TO THE FINANCIAL STATEMENTS

### 31 December 2002

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#### 25 RELATED PARTY TRANSACTIONS

The company was under the control of Mr J.D. Kidd, the director, throughout the period. Transactions entered into during the year between the company and Mr J.D. Kidd's legal practice are disclosed in note 3 to the financial statements.

During the year, the company made a loan in the amount of £1,125,000 to Christy Cosmetics Limited, a company controlled by Mr. J.D. Kidd. The amount owed by Christy Cosmetics Limited as at 31 December 2002 was £2,150,000.

#### 26 PRIOR YEAR ADJUSTMENT

The prior year adjustment represents the recognition in the financial statements of the deferred tax asset in the subsidiary company. This has been recognised in the financial statements following the introduction of Financial Reporting Standard 19. The deferred tax asset of the subsidiary company at the date of acquisition was £239,000. The cost of the goodwill arising on acquisition has been reduced by £179,250 and the amortisation recalculated accordingly.