Registered Number 1816587

# Westcoast Limited

Annual report
for the year ended 31 December 2005

# Westcoast Limited

# Annual report
# for the year ended 31 December 2005

## Contents

# Directors and Advisers for the year ended 31 December 2005

### Executive directors

A Hemani
D Forsyth
A Hunt
A Dow
A Newbury
J Barnes
S Madhani
C Irwin (Appointed 25 August 2005)

### Secretary and registered office

C Batchelor
Arrowhead Park
Arrowhead Road
Reading
Berkshire RG7 4AH

### Company secretarial advisers

Dixon Wilson Chartered Accountants
PO Box 900
Rotherwick House
3 Thomas More Street
London E1W 1YX

### Registered Auditors

PricewaterhouseCoopers LLP
9 Greyfriars Road
Reading
Berkshire RG1 1JG

### Solicitors

Olswang
Apex Plaza
Forbury Road
Reading
Berkshire RG1 1AX

### Bankers

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

Lloyds TSB Bank Plc
Market Place
Reading
Berkshire RG1 2PQ

# Directors' report for the year ended 31 December 2005

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

**Principal activity**

The principal activity of the company continues to be the wholesale distribution of computer peripheral equipment and related services.

**Review of the business and future developments.**

In 2006, Westcoast Limited successfully grew all aspects of its operations with turnover growing 77% from £306.2 million to £481.8 million. We acquired the trade and designated assets and liabilities of Orion Media Marketing Limited on 29 July 2005.

Ongoing focus of operational efficiency and our cost base continue to deliver Westcoast Limited an advantage in a very competitive market. The company has maintained industry leading performances with a cost base of 2.5% of sales and a sales per employee ratio of £1.6 million.

We have continued to see consolidation within our industry and anticipate the challenging market conditions to prevail throughout 2006. The Directors remain confident that Westcoast Limited is well placed to compete and to take advantage of new opportunities as they arise.

**Financial risk management**

The company's operations expose it to a variety of financial risks that include the effects of credit risk and liquidity risk. Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set by the board of directors are implemented by the company's finance department.

*Credit risk*

The department has a policy and procedures manual that sets out specific guidance to manage credit risk where policies have been implemented that require appropriate credit checks on potential customers before sales are made. Additionally the company has a debt insurance policy in place.

*Liquidity risk*

Liquidity risk is managed through an assessment of working capital requirements to ensure the company has sufficient funds available for operations and planned expansions.

**Results and dividends**

The company's profit for the financial year is £3,576,000 (2004: £2,840,000). The directors do not recommend a payment of a dividend (2004: £Nil).

# Westcoast Limited



**Directors**

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

A Hemani
D Forsyth
A Hunt
A Dow
A Newbury
J Barnes
S Madhani
C Irwin (Appointed 25 August 2005)

**Directors' interests**

No director had any beneficial interest in the share capital of Westcoast Limited at any time during the year, or at the end of the year.

A Hemani and D Forsyth are also directors of the ultimate holding company, Kelido Limited, and their interests in the share capital of the group are shown in that company's annual report.

**Charitable donations**

Donations for charitable purposes amounted to £19,850 (2004: £8,598).

The recipients of the donations for the year ended 31 December 2005 are Phil Andrews Racing Sponsorship £3,000, Reading & District Labour Party £2,000, Wargrave Parish Council £10,000, The Henley Cricket Club £4,000 and sundry others totalling £850.

**Employees**

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Consultation with employees or their representatives has continued at all levels, with the aim of ensuring that their views are taken into account when decisions are made that are likely to affect their interests and that all employees are aware of the financial and economic performance of their business units and of the company as a whole. Communication with all employees continues through the in-house intranet, briefing groups and the distribution of the annual report.

**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 of the profit or loss of the company 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 2005 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 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Auditors**

The auditors, PricewaterhouseCoopers LLP, 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

C Batchelor
**Company Secretary**

# Independent auditors' report to the members of Westcoast Limited

We have audited the financial statements of Westcoast Limited for the year ended 31 December 2005 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 accounting policies set out therein.

**Respective responsibilities of directors and auditors**

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the 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). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 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 other transactions is not disclosed.

We read the Directors' 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 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 judgments 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, 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 and cash flows for the year then ended; and

- have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

**PricewaterhouseCoopers LLP**
Chartered Accountants and Registered Auditors
Reading
- 5 JUL 2006

# Profit and loss account for the year ended 31 December 2005

| | Note | 2005 £'000 | 2004 £'000 |
|---|---|---|---|
| **Turnover** | 2 | **481,798** | 306,252 |
| Cost of sales | | **(461,612)** | (293,520) |
| **Gross profit** | | **20,186** | 12,732 |
| Net operating expenses | 2 | **(12,223)** | (7,166) |
| **Profit on ordinary activities before interest and taxation** | | **7,963** | 5,586 |
| Interest receivable and similar income | | **69** | 87 |
| Interest payable and similar charges | 5 | **(2,446)** | (1,514) |
| **Profit on ordinary activities before taxation** | 6 | **5,586** | 4,139 |
| Tax on profit on ordinary activities | 7 | **(2,010)** | (1,299) |
| **Retained profit for the financial year** | 17 | **3,576** | 2,840 |

The company has no recognised gains and losses other than those included in the results above, and therefore no separate statement of total recognised gains and losses has been presented.

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

No indication can be given of the contribution to turnover and operating profit of the business acquired during the year. This is because the acquired business assets were integrated into the company's existing assets immediately after acquisition and it is now not possible to identify the separate results or turnover of each of the separate parts of the business.

# Westcoast Limited



## Balance sheet as at 31 December 2005

| | Note | 2005 £'000 | 2004 £'000 |
|---|---|---|---|
| **Fixed assets** | | | |
| Intangible assets | 8 | **2,659** | - |
| Tangible assets | 9 | **1,797** | 1,204 |
| | | **4,456** | 1,204 |
| **Current assets** | | | |
| Stock | 10 | **25,695** | 9,319 |
| Debtors | 11 | **93,416** | 46,172 |
| Cash at bank and in hand | | - | 3,978 |
| | | **119,111** | 59,469 |
| **Creditors – Amounts falling due within one year** | 12 | **(97,091)** | (37,121) |
| **Net current assets** | | **22,020** | 22,348 |
| **Total assets less current liabilities** | | **26,476** | 23,552 |
| **Creditors – Amount falling due after more than one year** | 13 | **(4,475)** | (5,127) |
| **Net assets** | | **22,001** | 18,425 |
| **Capital and reserves** | | | |
| Called up share capital | 16 | **10** | 10 |
| Profit and loss account | 17 | **21,991** | 18,415 |
| **Equity shareholders' funds** | 18 | **22,001** | 18,425 |

The financial statements on pages 7 to 19 were approved by the board of directors on – 5 JUL 2006 and signed on its behalf by :

D G Forsyth
**Director**

# Westcoast Limited



## Cash flow statement for the year ended 31 December 2005

| | Notes | 2005 £'000 | 2004 £'000 |
|---|---|---|---|
| **Operating activities** | | | |
| Net cash inflow from continuing operating activities | 19 | **15,874** | 4,469 |
| **Returns on investments and servicing of finance** | | | |
| Interest paid | | **(2,446)** | (1,514) |
| Interest received | | **69** | 87 |
| Net cash outflow from returns on investments and servicing of finance | | **(2,377)** | (1,427) |
| **Taxation** | | | |
| Corporation tax paid | | **(1,519)** | (1,085) |
| **Capital expenditure** | | | |
| Sale of tangible fixed assets | | **40** | - |
| Payments to acquire tangible fixed assets | | **(662)** | (66) |
| Net cash outflow from capital expenditure | | **(622)** | (66) |
| **Acquisitions** | | | |
| Purchase of acquisition | | **(2,803)** | - |
| Acquisition expenses | | **(96)** | - |
| Net overdraft acquired | | **(15,324)** | - |
| Net cash outflow for acquisition | | **(18,223)** | - |
| **Financing** | | | |
| Capital element of finance leases | | **(136)** | (80) |
| Increase in borrowings | | **(500)** | 5,000 |
| **Net cash (outflow)/inflow from financing** | | **(636)** | 4,920 |
| **(Decrease)/increase in cash in the period** | 20 | **(7,503)** | 6,811 |

### Reconciliation of net cash flow to movement in net debt

| | | 2005 £'000 | 2004 £'000 |
|---|---|---|---|
| Net debt at 1 January | | **(1,835)** | (3,282) |
| Change in net debt resulting from cash flows | | **(7,503)** | 6,731 |
| Movement in loans and other borrowings | | **-** | (5,284) |
| Net debt at 31 December | 20 | **(9,338)** | (1,835) |

# Notes to the financial statements for the year ended 31 December 2005

## 1 Accounting policies

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 1985 and applicable accounting standards. The principle accounting policies are set out below.

**Changes in accounting policies**

The company has adopted FRS 17, 'Retirement benefits', FRS 21, 'Events after the balance sheet date', and FRS 25, 'Financial instruments: disclosure and presentation', in these financial statements. The adoption of these standards did not have impact on the accounting policies of the company.

**Basis of accounting**

The company is a wholly owned subsidiary of Westcoast (Holdings) Limited and is included in the consolidated financial statements of Kelido Limited, which are publicly available. The company is exempt under the terms of Financial Reporting Standard 8 from disclosing related party transactions with entities that are part of the Kelido Limited group or investees of the Kelido Limited group. Such transactions are disclosed in the financial statements of Kelido Limited.

**Investments**

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

**Intangible assets - goodwill**

Goodwill represents the excess of the cost of an acquisition over the fair value of the identifiable assets and liabilities acquired. Purchased goodwill is eliminated by amortisation through the profit and loss account over its expected useful economic life, to a maximum of twenty years.

**Tangible fixed assets**

The cost of tangible fixed assets is their purchase cost, together with any incidental costs 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 their expected useful economic lives, or lease term if shorter.

The principal annual rates used for this purpose are:

| | |
|---|---|
| Freehold buildings | 2 % |
| Leasehold improvements | 20 % |
| Computer equipment | 25 % |
| Fixtures and fittings | 20 % |
| Motor Vehicles | 25 % |

**Stock**

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

### 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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted. Deferred tax assets and liabilities recognised have not been discounted.

### Pension costs

The company 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.

### Finance leases

Assets obtained under finance leases and hire purchase contracts which confer rights and obligations similar to those attached to owned assets are capitalised in the balance sheet and are depreciated over the shorter of the lease term and their expected useful lives. The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

## 2 Turnover and net operating expenses

### (i) Turnover

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

| | **2005** | 2004 |
|---|---|---|
| | **£'000** | £'000 |
| **Turnover by destination** | | |
| United Kingdom | **479,175** | 305,418 |
| Rest of Europe | **2,623** | 834 |
| | **481,798** | 306,252 |

### (ii) Net operating expenses

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

## 3 Directors' emoluments

| | 2005 £'000 | 2004 £'000 |
|---|---|---|
| Aggregate emoluments | **793** | 490 |

| | 2005 £'000 | 2004 £'000 |
|---|---|---|
| **Highest paid director** | | |
| Aggregate emoluments | **142** | 135 |

Retirement benefits are accruing to no directors (2004: none) under the company's money purchase pension scheme.

## 4 Employee information

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

| | 2005 Number | 2004 Number |
|---|---|---|
| **By activity** | | |
| Management | **8** | 7 |
| Selling and distribution | **290** | 163 |
| | **298** | 170 |

| | 2005 £'000 | 2004 £'000 |
|---|---|---|
| **Staff costs (for the persons above)** | | |
| Wages and salaries | **7,055** | 4,718 |
| Social security costs | **733** | 493 |
| Pension costs | **6** | - |
| | **7,794** | 5,211 |

## 5 Interest payable

| | 2005 £'000 | 2004 £'000 |
|---|---|---|
| On bank loans and overdrafts | **2,391** | 1,479 |
| Finance leases | **55** | 35 |
| | **2,446** | 1,514 |

# 6 Profit on ordinary activities before taxation

| | 2005 £'000 | 2004 £'000 |
|---|---|---|
| **Profit on ordinary activities before taxation is stated after charging:** | | |
| Depreciation of tangible fixed assets: | | |
| - Owned assets | **328** | 114 |
| - Held under finance leases and hire purchase contracts | **220** | 211 |
| Auditors' remuneration: | | |
| - Audit services | **90** | 60 |
| - Non-audit services | **8** | 49 |
| Operating lease rental – other assets | **991** | 655 |

# 7 Tax on profit on ordinary activities

| | 2005 £'000 | 2004 £'000 |
|---|---|---|
| **Current tax:** | | |
| UK corporation tax on profits of the period | **1,797** | 1,350 |
| Adjustments in respect of previous periods | **50** | 59 |
| **Total current tax** | **1,847** | 1,409 |
| **Deferred tax:** | | |
| Origination and reversal of timing differences | **163** | 4 |
| Adjustments in respect of prior periods | **-** | (114) |
| **Tax on profit on ordinary activities** | **2,010** | 1,299 |

The tax assessed for the year is higher (2004: higher) than the standard rate of corporation tax in the UK (30%). The differences are explained below:

| | 2005 £'000 | 2004 £'000 |
|---|---|---|
| Profit on ordinary activities before tax | **5,586** | 4,139 |
| Profit on ordinary activities multiplied by standard rate in the UK of 30% (2004: 30%) | **1,676** | 1,242 |
| Effects of: | | |
| Accelerated capital allowances and other timing differences | **(10)** | (4) |
| Group relief claimed | **(2)** | - |
| Expenses not deductible for tax purposes | **133** | 112 |
| Adjustments to tax charge in respect of previous period | **50** | 59 |
| Current tax charge for the year: | **1,847** | 1,409 |

## 8 Intangible assets

| | 2005 £'000 |
|---|---|
| **Cost** | |
| As at 1 January 2005 | - |
| Additions (note 21) | 2,773 |
| **At 31 December 2005** | **2,773** |
| **Accumulated amortisation** | |
| As at 1 January 2005 | - |
| Charge for the year | 114 |
| **At 31 December 2005** | **114** |
| **Net book amount** | |
| **At 31 December 2005** | **2,659** |
| At 31 December 2004 | - |

The goodwill arising on the acquisition of the trade and designated assets and liabilities of Orion Media Marketing Ltd is being amortised on a straight-line basis over its useful economic life of 10 years.

## 9 Tangible fixed assets

| | Freehold land & buildings £'000 | Leasehold improvements £'000 | Computer equipment £'000 | Fixtures & fittings £'000 | Motor vehicles £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 1 January 2005 | 377 | 307 | 1,130 | 327 | - | 2,141 |
| Acquisition of business | - | 57 | 267 | 124 | 71 | 519 |
| Additions | - | - | 436 | 226 | - | 662 |
| Disposals | - | - | (5) | (35) | - | (40) |
| **At 31 December 2005** | **377** | **364** | **1,828** | **642** | **71** | **3,282** |
| **Accumulated depreciation** | | | | | | |
| At 1 January 2005 | 63 | 62 | 536 | 276 | - | 937 |
| Charge for the year | 8 | 67 | 388 | 76 | 9 | 548 |
| Disposals for the year | - | - | - | - | - | - |
| **At 31 December 2005** | **71** | **129** | **924** | **352** | **9** | **1,485** |
| **Net book amount** | | | | | | |
| **At 31 December 2005** | **306** | **235** | **904** | **290** | **62** | **1,797** |
| At 31 December 2004 | 314 | 245 | 594 | 51 | - | 1,204 |

Assets held under finance leases are capitalised within leasehold improvement, computer equipment and fixtures & fittings.

| | 2005 | 2004 |
|---|---|---|
| | £'000 | £'000 |
| Cost | 963 | 892 |
| Aggregate depreciation | (431) | (211) |
| | 532 | 681 |

## 10 Stock

| | 2005 | 2004 |
|---|---|---|
| | £'000 | £'000 |
| Finished goods held for resale | 25,695 | 9,319 |

## 11 Debtors

| | 2005 | 2004 |
|---|---|---|
| | £'000 | £'000 |
| **Amounts falling due within one year:** | | |
| Trade debtors | 77,641 | 32,236 |
| Amount owed by parent undertaking | 13,482 | 13,030 |
| Other debtors | 1,892 | 346 |
| Deferred taxation (Note 15) | 53 | 216 |
| Prepayments and accrued income | 348 | 344 |
| | 93,416 | 46,172 |

Amounts owed by the parent undertaking are unsecured, interest free and repayable on demand.

## 12 Creditors - Amounts falling due within one year

| | 2005 | 2004 |
|---|---|---|
| | £'000 | £'000 |
| Bank overdraft | 4,161 | - |
| Trade creditors | 82,882 | 32,807 |
| Amount due to subsidiary undertakings | - | 122 |
| Finance leases (note 14) | 202 | 186 |
| Bank loan (note 14) | 500 | 500 |
| Corporation tax | 997 | 669 |
| Other taxation and social security | 4,798 | 2,172 |
| Accruals and deferred income | 3,551 | 665 |
| | 97,091 | 37,121 |

The bank overdraft, which is repayable on demand, is secured by an all asset debenture and a fixed and floating charge over the undertaking and all property and assets present and future.

Amounts owed to subsidiary undertakings are unsecured, interest free and repayable on demand.

## 13 Creditors - Amounts falling due after more than one year

| | **2005** | 2004 |
|---|---|---|
| | **£'000** | £'000 |
| Finance leases (note 14) | **475** | 627 |
| Bank loan (note 14) | **4,000** | 4,500 |
| | **4,475** | 5,127 |

## 14 Bank Loans and other borrowings

| | **2005** | 2004 |
|---|---|---|
| | **£'000** | £'000 |
| Bank loans | **4,500** | 5,000 |
| Finance leases | **677** | 813 |
| | **5,177** | 5,813 |

**Bank loan and finance leases**

| | **2005** | 2004 |
|---|---|---|
| | **£'000** | £'000 |
| Maturity of debt | | |
| In one year or less, or on demand | **1,202** | 686 |
| In more than one year, but not more than two years | **1,190** | 1,202 |
| In more than two years, but not more than five years | **2,785** | 3,925 |
| | **5,177** | 5,813 |

The bank loan is repayable in ten six monthly instalments from 1 July 2005 and carries interest at LIBOR plus 1%.

**Finance leases**

Future minimum payments under finance leases are as follows.

| | **2005** | 2004 |
|---|---|---|
| | **£'000** | £'000 |
| Within one year | **290** | 240 |
| In more than one year, but not more than five years | **452** | 694 |
| Total gross payments | **742** | 934 |
| Less finance charges included above | **(65)** | (121) |
| | **677** | 813 |

## 15 Provision for liabilities and charges

### Deferred tax

Deferred taxation recognised in the financial statements and the amount unrecognised of the total potential deferred tax asset, are as follows:

| | **Amount recognised** | | **Amount unrecognised** | |
|---|---|---|---|---|
| | **2005** | 2004 | **2005** | 2004 |
| | **£'000** | £'000 | **£'000** | £'000 |
| Accelerated capital allowances | **46** | 200 | - | - |
| Other timing differences | **7** | 16 | - | - |
| | **53** | 216 | - | - |

## 16 Called up share capital

| | **2005** | 2004 |
|---|---|---|
| | **£'000** | £'000 |
| **Authorised** | | |
| 150,000 Ordinary shares of 10p each | **15** | 15 |
| **Allotted, called up and fully paid** | | |
| 100,000 Ordinary shares of 10p each | **10** | 10 |

## 17 Reserves

| | **Profit and loss account** |
|---|---|
| | **£'000** |
| At 1 January 2005 | 18,415 |
| Retained profit for the year | 3,576 |
| **At 31 December 2005** | **21,991** |

## 18 Reconciliation of movements in shareholders' funds

| | **Called up share capital** | **Profit and loss account** | **Total Shareholders' funds 2005** | Total Shareholders' funds 2004 |
|---|---|---|---|---|
| | **£'000** | **£'000** | **£'000** | £'000 |
| At 1 January 2005 | 10 | 18,415 | **18,415** | 15,585 |
| Profit for the financial year | - | 3,576 | **3,576** | 2,840 |
| **At 31 December 2005** | **10** | **21,991** | **21,991** | 18,415 |

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

| | **2005** | 2004 |
|---|---|---|
| | **£'000** | £'000 |
| Operating profit | **7,963** | 5,566 |
| Depreciation on tangible fixed assets | **548** | 325 |
| Goodwill amortisation | **114** | - |
| Increase in stocks | **(8,831)** | (5,151) |
| Increase in debtors | **(25,482)** | (8,782) |
| Increase in creditors | **41,562** | 12,511 |
| **Net cash inflow from operating activities** | **15,874** | 4,469 |

## 20 Reconciliation of movement in net debt

| | 1 January 2005 | Cash flow | **31 December 2005** |
|---|---|---|---|
| | £'000 | £'000 | **£'000** |
| Cash at bank and in hand | 3.978 | (3,978) | **-** |
| Bank overdrafts | - | (4,161) | **(4,161)** |
| Bank loan due after 1 year | (4,500) | 500 | **(4,000)** |
| Bank loan due within 1 year | (500) | - | **(500)** |
| Finance leases due after 1 year | (627) | 152 | **(475)** |
| Finance leases due within 1 year | (186) | (16) | **(202)** |
| **Net debt** | (1,835) | (7,503) | **(9,338)** |

## 21 Acquisitions

Westcoast Limited acquired the trade and designated assets and liabilities of Orion Media Marketing Limited on 29 July 2005 for a total consideration of £2,898,939 on 31 July 2005.

| **Orion Media Marketing Limited acquisition** | **Book value** | **Fair value adjustments** | **Provisional fair value** |
|---|---|---|---|
| | **£'000** | **£'000** | **£'000** |
| Fixed Assets | 1,927 | (1,408) | **519** |
| Stock | 7,851 | (306) | **7,545** |
| Debtors | 22,251 | (326) | **21,925** |
| Cash | (15,324) | - | **(15,324)** |
| Creditors | (14,015) | (524) | **(14,539)** |
| **Net assets acquired** | 2,690 | (2,564) | **126** |
| Goodwill | | | **2,773** |
| **Consideration** | | | **2,899** |
| **Consideration satisfied by cash** | | | **2,899** |

The fair value adjustments made principally relate to:

i) Fixed assets which have no continuing use in the business and the harmonisation of accounting policies in respect of depreciation; and

ii) Harmonisation of accounting policies in respect of stock, debtor and creditor provisioning.

The loss after tax for the year ended 30 June 2005 was £1,633,000.

The trading results of Orion Media Marketing Limited for the period from 1 July 2005 to 29 July 2005 were as follows:

| | £'000 |
|---|---|
| Turnover | 11,774 |
| Operating loss | (435) |
| Loss before and after tax | (593) |

## 22 Operating lease commitments

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

| | **2005** | 2004 |
|---|---|---|
| | **£'000** | £'000 |
| Within one year | **638** | 638 |
| In more than one year, but not more than five years | **1,278** | 1,916 |
| | **1,916** | 2,554 |

## 23 Pension contributions

The company has a separately administered fund for directors. Pension contributions £6,129 were paid during the year (2004: £nil), there were no amounts outstanding at the balance sheet date (2004: £nil).

## 24 Related party transactions

Information concerning transactions with related parties have been disclosed in the accounts of Kelido Limited, the ultimate controlling party of Westcoast Limited.

## 25 Controlling party

The immediate and ultimate parent companies are Westcoast (Holdings) Limited and Kelido Limited respectively, both companies are registered in Great Britain. The ultimate controlling party is Kelido Limited.

A copy of the accounts of Kelido Limited will be available from Arrowhead Park, Arrowhead Road, Theale, Berkshire RG7 4AH.