

KENDA SYSTEMS LIMITED

Report and Financial Statements

Year Ended

31 December 2001



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Kenda Systems Limited and Subsidiary Undertakings

Annual report and financial statements for the year ended 31 December 2001

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Directors	S K Kenda
Secretary and registered office	D Campbell, 45-51 Whitfield Street, London, W1P 5RJ
Company number	2315839
Auditors	BDO Stoy Hayward, Connaught House, Alexandra Terrace, Guildford, Surrey, GU1 3DA
Solicitors	The Simpkins Partnership, 45-51 Whitfield Street, London, W1P 6AA
Bankers	Barclays Bank Plc, 155 Bishopsgate, London, EC2M 3XA

Kenda Systems Limited and Subsidiary Undertakings

Report of the director for the year ended 31 December 2001

The director presents his report together with the audited financial statements for the year ended 31 December 2001.

Principal activities, review of business and future developments

The principal activities of the group during the year were the marketing and implementation of Kenda Systems' services, principally IT recruiting services throughout the UK and continental Europe, primarily the Netherlands.

The group is expected to continue to progress and is committed to the UK and Dutch markets.

Trading results and dividends

The group made a profit on ordinary activities of £50,302 (2000 - £56,569). The director does not recommend payment of a dividend (2000 - £Nil).

Director

The director of the company during the year and his beneficial interests in the ordinary share capital of the company were as follows:

	Ordinary shares of £1 each	
	31 December 2001	31 December 2000
S K Kenda	1	1

The director's interest in the shares of the ultimate parent company are shown in the accounts of that company.

Statement of director's responsibilities

Company law requires the director to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable him to ensure that the financial statements comply with the Companies Act 1985. He is 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.

Kenda Systems Limited and Subsidiary Undertakings

Report of the director for the year ended 31 December 2001 (*continued*)

Fixed assets

The movements in fixed assets are set out in notes 7 and 8 to the accounts.

The group purchased tangible fixed assets costing £12,506 (2000 - £55,761) during the year.

Euro

In preparation for the introduction of the Euro, the group has established procedures designed to ensure that the practical issues surrounding its introduction have been identified and adequate steps have been taken to ensure that the group is ready for its introduction.

Auditors

BDO Stoy Hayward have expressed their willingness to continue in office. The company, having passed an elective resolution at a duly convened general meeting of the members, is exempt from the need to reappoint auditors annually. BDO Stoy Hayward will therefore continue in office for the forthcoming year in accordance with section 385(a) Companies Act 1985.

By order of the Board



Director

12 April 2002

S K Kenda

Kenda Systems Limited and Subsidiary Undertakings

Report of the independent auditors

To the shareholders of Kenda Systems Limited

We have audited the financial statements of Kenda Systems Limited for the year ended 31 December 2001 on pages 6 to 18 which have been prepared under the accounting policies set out on page 11.

Respective responsibilities of director and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom 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 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 Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

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

Basis of 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 director in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group'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.

Kenda Systems Limited and Subsidiary Undertakings

Report of the independent auditors (*Continued*)

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the group's and company's affairs as at 31 December 2001 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink, appearing to read 'BDO Stoy Hayward', is written over the printed name.

BDO STOY HAYWARD

*Chartered Accountants
and Registered Auditors*
Guildford

19 April 2002

Kenda Systems Limited and Subsidiary Undertakings**Consolidated profit and loss account for the year ended 31 December 2001**

	Notes	2001 £	2000 £
Turnover	2	5,581,664	7,266,797
Cost of sales		(4,529,458)	(5,866,041)
Group profit		1,052,206	1,400,756
Administrative expenses		(996,222)	(1,334,891)
Operating profit	3	55,984	65,865
Interest receivable		7,397	10,487
Interest payable	5	(13,079)	(19,783)
Profit on ordinary activities before taxation		50,302	56,569
Tax on profit on ordinary activities	6	814	(9,002)
Profit on ordinary activities after taxation	13	51,116	47,567

None of the group's activities were acquired or discontinued during the above two financial years.

Kenda Systems Limited and Subsidiary Undertakings

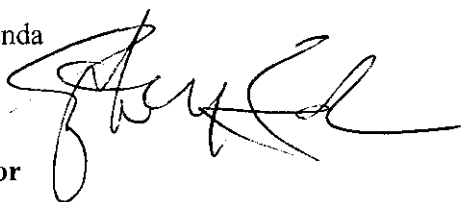
Consolidated balance sheet at 31 December 2001

	Notes	2001 £	2000 £
Fixed assets			
Tangible assets	7	100,709	141,646
Current assets			
Debtors	9	1,095,797	1,470,002
Cash at bank and in hand		275,081	-
		<u>1,370,878</u>	<u>1,470,002</u>
Creditors			
Amount falling due within one year	10	(874,149)	(1,058,981)
Net current assets		<u>496,729</u>	<u>411,021</u>
Total assets less current liabilities		<u>597,438</u>	<u>552,667</u>
Provisions for liabilities	11	(1,224)	(1,224)
		<u>596,214</u>	<u>551,443</u>
Capital and reserves			
Called up share capital	12	950	950
Share premium account	13	13,768	13,768
Profit and loss account	13	581,496	536,725
Equity shareholders funds	13	<u>596,214</u>	<u>551,443</u>

The financial statements were approved by the Board on 12 April 2002

S K Kenda

Director



Kenda Systems Limited and Subsidiary Undertakings


Parent Company balance sheet at 31 December 2001

	Notes	2001 £	2000 £
Fixed assets			
Tangible assets	7	86,809	119,458
Investments	8	91,406	181,711
		<u>178,215</u>	<u>301,169</u>
Current assets			
Debtors	9	747,368	851,606
Cash at bank and in hand		151,801	-
		<u>899,169</u>	<u>851,606</u>
Creditors			
Amounts falling due within one year	10	(546,315)	(603,282)
Net current assets		<u>352,854</u>	<u>248,324</u>
Total assets less current liabilities		<u>531,069</u>	<u>549,493</u>
Provisions for liabilities	11	(1,224)	(1,224)
		<u>529,845</u>	<u>548,269</u>
Capital and reserves			
Called up share capital	12	950	950
Share premium account	13	13,768	13,768
Profit and loss account	13	515,127	533,551
Equity shareholders funds	13	<u>529,845</u>	<u>548,269</u>

The financial statements were approved by the Board on 19 April 2002

S K Kenda

Director



Kenda Systems Limited and Subsidiary Undertakings

Consolidated statement of total recognised gains and losses for the year ended 31 December 2001

	2001 £	2000 £
Total recognised gains and losses		
Profit for the financial year	51,116	47,567
Exchange difference on retranslation of net assets of subsidiary undertakings	(6,345)	3,173
Total recognised gains and losses relating to the year	<u>44,771</u>	<u>50,740</u>

Kenda Systems Limited and Subsidiary Undertakings

Consolidated cash flow statement for the year ended 31 December 2001

	2001 £	2000 £
Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit	55,984	65,865
Depreciation charges	52,684	74,805
	<u>108,668</u>	<u>140,670</u>
Decrease in debtors	375,789	496,500
Decrease in creditors	(260,760)	(269,042)
Effect of exchange difference arising on consolidation	(5,586)	(2,329)
Net cash inflow from operating activities	<u>218,111</u>	<u>365,799</u>
Cash flow statement	218,111	365,799
Net cash inflow from operating activities		
Returns on investments and servicing finance	(5,682)	(9,296)
Taxation	(12,454)	(98,795)
Capital expenditure	(12,506)	(55,761)
Financing	<u>187,469</u>	<u>201,947</u>
Decrease in long term borrowings	-	(535,195)
(Decrease)/increase in cash	<u>187,469</u>	<u>(333,248)</u>
Reconciliation of net cash flow to movement in net debt		
Increase/(decrease) in cash in the year	187,469	(333,248)
Decrease in long term borrowings	-	535,195
Change in debt	<u>187,469</u>	<u>201,947</u>
Net debt at 1 January 2001	(130,929)	(332,876)
Net cash/(debt) at 31 December 2001	<u>56,540</u>	<u>(130,929)</u>

Notes to the cash flow statement are included in note 16 of the accounts.

Kenda Systems Limited and Subsidiary Undertakings

Notes forming part of the financial statements for the year ended 31 December 2001

1 Accounting policies

The financial statements have been prepared under the historical cost convention, and are in accordance with applicable accounting standards.

As provided by Section 230 of the Companies Act 1985, no separate profit and loss account for the parent undertaking is included.

Basis of consolidation

The consolidated financial statements incorporate the result of Kenda Systems Limited and all of its subsidiary undertakings as at 31 December 2001 using the acquisition method of accounting.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost less estimated residual value of each asset evenly over its expected useful life as follows:-

Computer and office equipment	-	3-5 years
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Deferred taxation

Deferred taxation is provided under the liability method on all timing differences to the extent that it is probable that the liability will crystallise in the foreseeable future.

Leasing and hire purchase commitments

Rentals paid under operating leases are charged to the profit and loss account on a straight-line basis over the term of the lease.

Foreign currencies

Company

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of transaction. All differences are taken to the profit and loss account.

Group

The accounts of overseas subsidiary undertakings are translated at the rate of exchange ruling at the balance sheet date. The exchange difference arising on the retranslation of opening net assets is taken directly to reserves.

Pension costs

Contributions to the company's defined contribution pension scheme are charged to the profit and loss account in the year which they become payable. The assets of the scheme are held separately from those of the company in an independently administered fund.

Kenda Systems Limited and Subsidiary Undertakings

Notes forming part of the financial statements for the year ended 31 December 2001 (*Continued*)

2 Turnover

Turnover represents the amount derived from the provision by the Group of services to third party customers during the year, net of value added tax.

An analysis of turnover by geographical market is given below:-

	2001 £	2000 £
United Kingdom	2,042,167	2,193,776
Netherlands	3,539,497	5,073,021
	<u>5,581,664</u>	<u>7,266,797</u>

3 Operating profit

This is stated after charging:-

Auditors remuneration

- audit services

- other services

Depreciation

Operating lease rentals

- land and buildings

8,200	7,950
3,245	2,545
52,684	74,805
125,744	186,927

4 Staff costs

Wages and salaries

Social security

Other pension costs

542,541	631,245
52,604	67,641
4,360	3,174
<u>599,505</u>	<u>702,060</u>

The average number of employees during the year was made up as follows:-

	2001 No	2000 No
Sales	9	11
Office management	12	16
	<u>21</u>	<u>27</u>

5 Interest payable

Interest payable on loans and overdrafts repayable within five years

2001 £	2000 £
13,079	19,783

Kenda Systems Limited and Subsidiary Undertakings

Notes forming part of the financial statements for the year ended 31 December 2001 (*Continued*)

6	Tax on profit on ordinary activities	2001 £	2000 £	
	Based on profit for the year:			
	Current year			
	UK corporation tax	-	50,000	
	Overseas tax	(1,172)	(38,000)	
	Prior years			
	Corporation tax over provided in previous periods	358	(2,998)	
		(814)	9,002	
7	Tangible fixed assets Group	Office equipment £	Computer equipment £	Total £
	Cost:			
	At 1 January 2001	98,673	235,117	333,790
	Additions	1,467	11,039	12,506
	Disposals	(36,200)	(24,290)	(60,490)
	Currency adjustments	(496)	(1,459)	(1,955)
	At 31 December 2001	63,444	220,407	283,851
	Depreciation:			
	At 1 January 2001	66,801	125,343	192,144
	Provided during the year	11,385	41,299	52,684
	Disposals	(36,200)	(24,290)	(60,490)
	Currency adjustments	(448)	(748)	(1,196)
	At 31 December 2001	41,538	141,604	183,142
	Net book value:			
	At 31 December 2001	21,906	78,803	100,709
	At 31 December 2000	31,872	109,774	141,646

Kenda Systems Limited and Subsidiary Undertakings

Notes forming part of the financial statements for the year ended 31 December 2001 (*Continued*)

7 Tangible fixed assets (*continued*)

Company	Office equipment £	Computer equipment £	Total £
Cost:			
At 1 January 2001	84,186	192,376	276,562
Additions	767	11,039	11,806
Disposals	(31,653)	(19,873)	(51,526)
At 31 December 2001	<u>53,300</u>	<u>183,542</u>	<u>236,842</u>
Depreciation:			
At 1 January 2001	53,682	103,422	157,104
Provided during the year	10,810	33,645	44,455
Disposals	(31,653)	(19,873)	(51,526)
At 31 December 2001	<u>32,839</u>	<u>117,194</u>	<u>150,033</u>
Net book value:			
At 31 December 2001	<u>20,461</u>	<u>66,348</u>	<u>86,809</u>
At 31 December 2000	<u>30,504</u>	<u>88,954</u>	<u>119,458</u>

8 Investments

Company

Cost:	
At 1 January 2001 and 31 December 2001	<u>181,711</u>
Provisions:	
At 1 January 2001	-
Provisions in year	<u>90,305</u>
At 31 December 2001	<u>90,305</u>
Net book value:	
At 31 December 2001	<u>91,406</u>
At 31 December 2000	<u>181,711</u>

Kenda Systems Limited and Subsidiary Undertakings

Notes forming part of the financial statements for the year ended 31 December 2001 (Continued)

8 Investments (continued)

Details of the principal investments in which the company holds more than 10% of the nominal value of any class of share capital are as follows:-

Name of Company	Country of registration	Holding	Proportion of voting rights and shares held	Nature of business held
Kenda Systems BV	Netherlands	Common Stock	100%	Computer services
Kenda Systems GmbH	Germany	Common Stock	100%	Computer services
Knight Programming Support Limited	England and Wales	Ordinary shares	100%	Dormant

9 Debtors

	Group		Company	
	2001	2000	2001	2000
	£	£	£	£
Amounts falling due within one year:-				
Trade debtors	840,422	1,320,802	531,148	618,533
Prepayments and accrued income	246,021	146,594	150,510	103,578
Other debtors	4,616	2,606	574	240
Amounts owed by group undertakings	4,738	-	65,136	129,255
	<u>1,095,797</u>	<u>1,470,002</u>	<u>747,368</u>	<u>851,606</u>

10 Creditors

	2001	2000	2001	2000
	£	£	£	£
Amounts falling due within one year:-				
Bank overdrafts	218,541	130,929	178,717	171,637
Trade creditors	162,314	209,112	137,204	154,355
Current corporation tax	-	11,684	96	50,000
Other taxes and social security	88,849	258,713	5,459	(28,355)
Accruals and deferred income	290,406	292,319	196,735	210,350
Other creditors	114,039	156,224	28,104	45,295
	<u>874,149</u>	<u>1,058,981</u>	<u>546,315</u>	<u>603,282</u>

The bank overdrafts are secured by a debenture over the company's assets.

Bank overdrafts at 31 December 2001 include £111,194 (2000: £410) which represents net borrowings under a sales ledger finance agreement. The agreement provides for the bank to advance to Kenda Systems Limited amounts up to 80% of approved debts as defined, to a maximum of £750,000. Amounts advanced bear interest at 1.5% over the bank's base rate. The bank has full recourse to the company for any unpaid debts. Borrowings under the agreement are secured by amounts due from the company's trade debtors.

Kenda Systems Limited and Subsidiary Undertakings

Notes forming part of the financial statements for the year ended 31 December 2001 (Continued)

11 Provisions for liabilities

Group and company

Deferred taxation provided in the accounts and the amounts not provided are as follows:-

	Provided		Unprovided	
	2001 £	2000 £	2001 £	2000 £
Capital allowances in advance of depreciation	2,705	2,705		-
Other timing difference	(1,481)	(1,481)		-
	<u>1,224</u>	<u>1,224</u>		<u>-</u>

12 Share capital

Authorised:

1,000 ordinary shares of £1 each

2001 £	2000 £
1,000	1,000

Issued and fully paid:

950 ordinary shares of £1 each

2001 £	2000 £
950	950

13 Reconciliation of shareholders' funds and movements on reserves

	Share capital £	Share premium £	Profit and loss account £	Total £
Group				
At 1 January 2000	950	13,768	485,985	500,703
Retained profit for the year	-	-	47,567	47,567
Exchange difference on retranslation of net assets of subsidiary undertakings	-	-	3,173	3,173
At 31 December 2000	<u>950</u>	<u>13,768</u>	<u>536,725</u>	<u>551,443</u>
Retained profit for the year	-	-	51,116	51,116
Exchange difference on retranslation of net assets of subsidiary undertakings	-	-	(6,345)	(6,345)
At 31 December 2001	<u>950</u>	<u>13,768</u>	<u>581,496</u>	<u>596,214</u>
Company				
At 1 January 2000	950	13,768	424,547	439,265
Retained profit for the year	-	-	109,004	109,004
At 31 December 2000	<u>950</u>	<u>13,768</u>	<u>533,551</u>	<u>548,269</u>
Retained loss for the year	-	-	(18,424)	(18,424)
At 31 December 2001	<u>950</u>	<u>13,768</u>	<u>515,127</u>	<u>529,845</u>

Kenda Systems Limited and Subsidiary Undertakings

Notes forming part of the financial statements for the year ended 31 December 2001 (*Continued*)

14 Commitments

The company had no capital commitments at 31 December 2001 or 31 December 2000.

15 Related party and controlling party information

The voting rights of the company are entirely controlled by the ultimate parent undertaking, which is controlled by Mr S.K. Kenda.

Within debtors there is a balance due from Kenda Systems Incorporated of £4,738 (2000 – debtor £51,614).

16 Notes to the cash flow statement

Notes to the cash flow statement		2001 £	2000 £
1 Gross cash flows			
Returns on investments and servicing of finance			
Interest received		7,397	10,487
Interest paid		(13,079)	(19,783)
		<u>(5,682)</u>	<u>(9,296)</u>
Capital expenditure			
Payments to acquire tangible fixed assets		<u>12,506</u>	<u>55,761</u>
Financing			
Net movement in debt		-	(535,195)
		<u>-</u>	<u>(535,195)</u>
2 Analysis of changes in net funds			
	2001 £	Cash flows £	2000 £
Cash at bank and in hand	275,081	275,081	-
Bank overdraft	(218,541)	(87,612)	(130,929)
	<u>56,540</u>	<u>187,469</u>	<u>(130,929)</u>

Kenda Systems Limited and Subsidiary Undertakings

Notes forming part of the financial statements for the year ended 31 December 2001 (Continued)

17 Obligations under leases

The company had annual commitments under non-cancellable operating leases as set out below:-

	Group		Company	
	2001	2000	2001	2000
	£	£	£	£
Other leases:				
Within one year	-	1,506	-	1,506
Land and buildings:				
Within two to five years	55,833	56,546	35,395	35,385
	<u>55,833</u>	<u>58,052</u>	<u>35,395</u>	<u>36,891</u>

18 Share options

Employees in the companies hold options in the shares of the ultimate parent company under the group's share option scheme. Invitations to subscribe for options are made on the 1 January each year depending upon employees' years of service.

The share option scheme commenced on 1 January 2000.

Share options granted under the scheme are summarised below:-

	Exercise price	Exercisable from	Exercisable to	Number of options at 31 December 2001
Shares in parent undertaking	£2.17	1 January 2000	31 December 2010	12,600

The mid-market price of the shares at 31 December 2001 was £1.89 .

19 Ultimate parent undertaking

The largest group of undertakings for which group accounts are drawn up and of which the company is a member is Kenda Systems Incorporated, a company incorporated in the United States of America. The company is ultimately controlled by Mr S.K. Kenda.