

**REGISTRAR OF
COMPANIES**

Speedmail International Limited

Report and Financial Statements

Year Ended

30 June 2002



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BDO Stoy Hayward
Chartered Accountants

SPEEDMAIL INTERNATIONAL LIMITED

Annual report and financial statements for the year ended 30 June 2002

Contents

Directors

Page:

1	Report of the directors
3	Report of the independent auditors
5	Profit and loss account
6	Statement of recognised gains and losses
7	Balance sheet
8	Cash flow statement
9	Notes forming part of the financial statements

Directors

S Stokes
S Stokes
N Manzi
M Coleman

Secretary and registered office

S Stokes, Unit B4 Galleywall Trading Estate, Galleywall Road, London, SE16 3PB.

Company number

2826426

Auditors

BDO Stoy Hayward, 8 Baker Street, London, W1U 3LL.

SPEEDMAIL INTERNATIONAL LIMITED

Report of the directors for the year ended 30 June 2002

The directors present their report together with the audited financial statements for the year ended 30 June 2002.

Results and dividends

The profit and loss account is set out on page 5 and shows the result for the year.

No dividends were paid to ordinary shareholders during the year (2001 - £362,773). During the year it was discovered that a prior year adjustment was required in respect of the year ended 30 June 2000. As described in note 11, this resulted in opening profit and loss reserves being reduced by £200,000.

The directors do not recommend the payment of a final dividend.

Principal activities, trading review and future developments

The principal activity of the company during the year was the provision of London, UK and international mail distribution services along with associated activities.

The company has achieved a satisfactory result for the year and anticipates continued growth.

On 2 January 2002 the company was licensed as an approved international distributor under the Royal Mail's DUET scheme. During the year the company also applied for an interim licence from the Postal Services Commission (Postcomm).

On 25 July 2002 the company was granted a Postcomm licence to pilot mailroom services for businesses, collecting mail pre-sorting it and delivering it direct to individuals at clients' premises. The licence also allows the company to deliver letters connected with publications to the London postcodes in which it already delivers non-licensed material.

Directors

The directors of the company during the year were:

	Ordinary shares of £1 each	
	2002	2002
S Stokes	1	1
S Stokes	1	1
N Manzi	1	1
M Coleman (non-executive) (appointed 8 May 2002)	-	-

SPEEDMAIL INTERNATIONAL LIMITED

Report of the directors for the year ended 30 June 2002 (Continued)

Directors' responsibilities

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

- select suitable accounting policies and 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 directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to 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

BDO Stoy Hayward were appointed as auditors and have expressed their willingness to continue in office.

By order of the Board

S Stokes

Director

Date

11/4/2003 .

SPEEDMAIL INTERNATIONAL LIMITED

Report of the independent auditors

To the shareholders of Speedmail International Limited

We have audited the financial statements of Speedmail International Limited for the year ended 30 June 2002 on pages 5 to 17 which have been prepared under the accounting policies set out on page 9.

Respective responsibilities of directors 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.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

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.

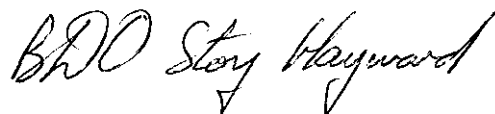
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

SPEEDMAIL INTERNATIONAL LIMITED

Report of the independent auditors (*Continued*)

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 June 2002 and of its result 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*
London

11 April 2003

SPEEDMAIL INTERNATIONAL LIMITED**Profit and loss account for the year ended 30 June 2002**

	Note	2002 £	2001 £
Turnover	2	6,707,250	6,746,591
Cost of sales		<u>4,433,553</u>	<u>4,360,690</u>
Gross profit		2,273,697	2,385,901
Administrative expenses		<u>2,220,867</u>	<u>1,784,288</u>
Operating profit	5	52,830	601,613
Interest payable and similar charges	6	<u>38,936</u>	<u>82,788</u>
Profit on ordinary activities before taxation		13,894	518,825
Tax on profit on ordinary activities	7	<u>156,659</u>	<u>262,115</u>
(Loss)/profit on ordinary activities after taxation		(142,765)	256,710
Dividends	8	<u>-</u>	<u>362,773</u>
Retained loss for the year	15	<u>(142,765)</u>	<u>(106,063)</u>

All amounts relate to continuing activities.

The notes on pages 9 to 17 form part of these financial statements.

SPEEDMAIL INTERNATIONAL LIMITED

Statement of total recognised gains and losses for the year ended 30 June 2002

	2002 £	2001 £
(Loss)/profit for the financial year	(142,765)	256,710
Prior year adjustment (see note 11)	(200,000)	-
Total recognised gains and losses since last report	(342,765)	256,710

The notes on pages 9 to 17 form part of these financial statements.

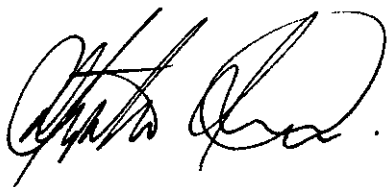
SPEEDMAIL INTERNATIONAL LIMITED

Balance sheet at 30 June 2002

	Note	2002 £	2002 £	2001 (restated) £	2001 (restated) £
Fixed assets					
Tangible assets	9		326,320		465,098
Current assets					
Debtors	10	742,023		818,694	
Cash at bank and in hand		-		5,513	
		<u>742,023</u>		<u>824,207</u>	
Creditors: amounts falling due within one year	11	<u>1,197,381</u>		<u>1,261,960</u>	
Net current liabilities			<u>(455,358)</u>		<u>(437,753)</u>
Total assets less current liabilities			<u>(129,038)</u>		<u>27,345</u>
Creditors: amounts falling due after more than one year	12		<u>34,038</u>		<u>47,656</u>
			<u>(163,076)</u>		<u>(20,311)</u>
Capital and reserves					
Called up share capital	14		3		3
Profit and loss account	15		(163,079)		(20,314)
Shareholders' funds - equity	16		<u>(163,076)</u>		<u>(20,311)</u>

The financial statements were approved by the Board on 11/4/2003.

S Stokes
Director



The notes on pages 9 to 17 form part of these financial statements.

SPEEDMAIL INTERNATIONAL LIMITED**Cash flow statement for the year ended 30 June 2002**

	Note	2002 £	2002 £	2001 £	2001 £
Net cash inflow from operating activities	18		101,442		588,703
Returns on investments and servicing of finance					
Interest paid		-		(65,014)	
Interest element of finance lease rental payments		(38,936)		(17,774)	
Net cash outflow from returns on investments and servicing of finance			(38,936)		(82,788)
Taxation			(133,800)		(219,768)
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		(61,436)		(143,901)	
Receipts from sale of fixed assets		79,561		72,069	
Net cash inflow/(outflow) from capital expenditure			18,125		(71,832)
Equity dividend paid			-		(362,773)
Cash outflow before financing			(53,169)		(148,458)
Financing					
Capital element of finance lease rental payments		(65,239)		(42,268)	
Net cash outflow from financing			(65,239)		(42,268)
Decrease in cash	19,20		(118,408)		(190,726)

The notes on pages 9 to 17 form part of these financial statements.

SPEEDMAIL INTERNATIONAL LIMITED

Notes forming part of the financial statements for the year ended 30 June 2002

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Leasehold improvements	- straight line over the remaining life of the lease
Plant and machinery	- 25% reducing balance
Motor vehicles	- 25% reducing balance
Equipment	- 25% reducing balance

Leased assets

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account on a straight line basis.

All other leases are treated as operating. Their annual rentals are charged to the profit and loss account on a straight line basis over the terms of the lease.

Pension costs

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

Deferred taxation

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the company anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

SPEEDMAIL INTERNATIONAL LIMITED

Notes forming part of the financial statements for the year ended 30 June 2002 (Continued)

2 Turnover

Turnover is wholly attributable to the principal activity of the company which operates solely in the UK.

3 Employees

	2002	2001
	£	£
Staff costs (including directors) consist of:		
Wages and salaries	2,163,683	1,834,221
Social security costs	188,525	161,660
Other pension costs	99,296	90,042
	2,451,504	2,085,923

The average number of employees, including directors, during the year was:

	Number	Number
Production staff	90	89
Administrative staff	18	16
	108	105

4 Directors

	2002	2001
	£	£
Directors' emoluments consist of:		
Emoluments receivable	457,649	240,000
Benefits in kind	70,113	68,836
Payments to defined contribution pension scheme	99,296	90,042
	627,058	398,878
Highest paid director		
Emoluments	146,272	80,000
Benefits in kind	20,202	23,955
Amounts paid to the company's defined contribution pension scheme	33,095	30,000
	199,569	133,955

There were 3 (2001 - 3) directors in the company's defined contribution pension scheme during the year.

SPEEDMAIL INTERNATIONAL LIMITEDNotes forming part of the financial statements for the year ended 30 June 2002 *(Continued)***5 Operating profit**

	2002 £	2001 £
This has been arrived at after charging:		
Depreciation	96,206	103,986
Hire of motor vehicles - operating leases	225,096	161,729
Hire of property - operating lease	126,529	126,529
Loss on disposal of fixed assets	24,447	83,078
Auditors' remuneration - audit	20,000	8,500
- non audit	105,604	-
	<u> </u>	<u> </u>

6 Interest payable and similar charges

	2002 £	2001 £
Bank interest	-	65,014
Finance leases	38,936	17,774
	<u> </u>	<u> </u>
	38,936	82,788
	<u> </u>	<u> </u>

SPEEDMAIL INTERNATIONAL LIMITEDNotes forming part of the financial statements for the year ended 30 June 2002 (*Continued*)**7 Taxation on profit from ordinary activities**

	2002 £	2001 £
<i>Current tax:</i>		
UK corporation tax	41,784	180,205
Adjustment in respect of previous periods	104,059	84,405
	<u>145,843</u>	<u>264,610</u>
<i>Deferred tax:</i>		
Movement in deferred tax (see note 13)	10,816	(2,495)
	<u>156,659</u>	<u>262,115</u>
Taxation on profit on ordinary activities		

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

	2002 £	2001 £
Profit on ordinary activities before tax	<u>13,894</u>	<u>518,825</u>
Profit on ordinary activities at the standard rate of corporation tax in the UK of 19.75% (2001 – 30%)	2,744	155,648
Effects of:		
Expenses not deductible for tax purposes	37,775	30,403
Capital allowances for year in excess of depreciation	(3,563)	(10,017)
Loss on disposal of assets	4,828	24,924
Adjustment to tax charge in respect of previous years	104,059	84,405
Marginal relief	-	(20,753)
	<u>145,843</u>	<u>264,610</u>
Current tax charge for year		

8 Dividends

	2002 £	2001 £
Paid dividend on ordinary shares	<u>-</u>	<u>362,773</u>

SPEEDMAIL INTERNATIONAL LIMITED

Notes forming part of the financial statements for the year ended 30 June 2002 (Continued)

9 Tangible assets

	Leasehold improvements £	Motor cars £	Motor vans £	Equipment £	Total £
<i>Cost</i>					
At 1 July 2002	256,843	271,536	98,187	223,959	850,525
Additions	-	32,597	-	28,839	61,436
Disposals	-	(112,561)	(98,187)	-	(210,748)
At 30 June 2002	256,843	191,572	-	252,798	701,213
<i>Depreciation</i>					
At 1 July 2002	21,939	164,151	40,164	159,173	385,427
Charge for the year	49,453	15,281	-	31,472	96,206
Disposals	-	(66,576)	(40,164)	-	(106,740)
At 30 June 2002	71,392	112,856	-	190,645	374,893
<i>Net book value</i>					
At 30 June 2002	185,451	78,716	-	62,153	326,320
At 30 June 2001	234,904	107,385	58,023	64,786	465,098

Hire purchase agreements

Included within the net book value of £326,320 is £50,598 (2001 - £120,366) relating to assets held under hire purchase agreements. The depreciation charged to the accounts in the year in respect of such assets amounted to £11,676 (2001 - £68,678).

10 Debtors

	2002 £	2001 £
Trade debtors	652,201	729,278
Other debtors	78,374	67,152
Deferred tax (note 13)	11,448	22,264
	742,023	818,694

All amounts shown under debtors fall due for payment within one year.

SPEEDMAIL INTERNATIONAL LIMITED

Notes forming part of the financial statements for the year ended 30 June 2002 (*Continued*)

11 Creditors: amounts falling due within one year

	2002 £	2001 (restated) £
Bank loans and overdrafts	279,512	166,616
Trade creditors	572,131	572,960
Hire purchase agreements	24,028	75,649
Directors' loan accounts	31,851	200,000
Accruals	20,536	-
Corporation tax	154,221	142,177
Other taxes and social security	115,102	104,558
	<u>1,197,381</u>	<u>1,261,960</u>

Directors' loan accounts

	2001 £
As previously reported	-
Prior year adjustment	200,000
As restated at 30 June 2001	<u>200,000</u>

In the financial statements for the year ended 30 June 2000 £200,000 of administrative expenses were incorrectly credited to the profit and loss account during the year.

In these financial statements, this error was corrected by reducing the opening profit and loss reserve by £200,000 and recognising a directors' loan account of £200,000 as at 30 June 2000. This change had no impact on the stated result for the year ended 30 June 2001.

12 Creditors: amounts falling due after more than one year

	2002 £	2001 £
Between 2 and 5 years:		
Hire purchase agreements	<u>34,038</u>	<u>47,656</u>

SPEEDMAIL INTERNATIONAL LIMITED

Notes forming part of the financial statements for the year ended 30 June 2002 (*Continued*)

13 Deferred taxation

	2002 £	2001 £
The movement in the deferred taxation account during the year was:		
Balance brought forward	22,264	19,769
(Decrease)/increase in account	(10,816)	2,495
	<hr/>	<hr/>
Balance carried forward	11,448	22,264
	<hr/>	<hr/>

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of:

	2002 £	2001 £
Excess of taxation allowances over depreciation on fixed assets	11,448	22,264
	<hr/>	<hr/>

14 Share capital

	2002 £	2001 £
<i>Authorised</i>		
100 ordinary shares of £1 each	100	100
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
Ordinary share capital	3	3
	<hr/>	<hr/>

15 Profit and loss account

	2002 £	2001 £
Balance at beginning of the year		
As previously reported	179,686	285,749
Prior year adjustment (see note 11)	(200,000)	(200,000)
	<hr/>	<hr/>
As restated	(20,314)	85,749
Retained loss for the year	(142,765)	(106,063)
	<hr/>	<hr/>
Retained loss carried forward	(163,079)	(20,314)
	<hr/>	<hr/>

SPEEDMAIL INTERNATIONAL LIMITED

Notes forming part of the financial statements for the year ended 30 June 2002 (*Continued*)

16 Reconciliation of movement in shareholders' funds

	2002 £	2002 £	2001 £	2001 £
Retained loss for the year		(142,765)		(106,063)
Opening shareholders' funds:				
As previously reported	179,689		285,752	
Prior year adjustment (see note 11)	(200,000)		(200,000)	
As restated		(20,311)		85,752
Closing shareholders' funds		(163,076)		(20,311)

17 Commitments under operating leases

As at 30 June 2002, the company had annual commitments under non-cancellable operating leases as set out below:

	2002 Land and buildings £	2002 Other £	2001 Land and buildings £	2001 Other £
Operating leases which expire:				
Within one year	-	25,338	-	-
In two to five years	121,640	54,825	121,640	67,479
	121,640	80,163	121,640	67,479

SPEEDMAIL INTERNATIONAL LIMITED

Notes forming part of the financial statements for the year ended 30 June 2002 (Continued)

18 Reconciliation of operating profit to net cash inflow from operating activities

	2002 £	2001 £
Operating profit	52,830	601,613
Depreciation	96,206	103,986
Loss on disposal of fixed assets	24,447	83,078
Decrease/(increase) in debtors	65,855	(144,941)
Increase/(decrease) in creditors	(137,896)	(55,033)
	<hr/>	<hr/>
Net cash inflow from operating activities	101,442	588,703
	<hr/>	<hr/>

19 Reconciliation of net cash inflow to movement in net debt

	2002 £	2002 £	2001 £	2001 £
Decrease in cash in the period	(118,408)		(190,726)	
Cash outflow in respect of hire purchase	65,239		42,268	
	<hr/>	(53,169)	<hr/>	(148,458)
		<hr/>		<hr/>
Change in net debt		(53,169)		(148,458)
Net debt at 1 July 2001		(284,409)		(135,950)
		<hr/>		<hr/>
Net debt at 30 June 2002		(337,578)		(284,408)
		<hr/>		<hr/>

20 Analysis of net debt

	At 1 July 2001 £	Cash flow £	At 30 June 2002 £
Cash in hand and at bank	5,513	(5,513)	-
Overdrafts	(166,617)	(112,895)	(279,512)
	<hr/>	<hr/>	<hr/>
	(161,104)	(118,408)	(279,512)
Hire purchase agreements	(123,305)	65,239	(58,066)
	<hr/>	<hr/>	<hr/>
Total	(284,409)	(53,169)	(337,578)
	<hr/>	<hr/>	<hr/>