

Company Registration No. 3559341 (England and Wales)

BONDCO 667 LIMITED
ANNUAL REPORT
FOR THE YEAR ENDED 31 OCTOBER 2004



BONDCO 667 LIMITED

DIRECTOR AND ADVISERS

Director	G L Cutts
Secretary	L A R Cutts
Company number	3559341
Registered office	Stag Gates House 63/64 The Avenue Southampton Hampshire SO17 1XS
Registered auditors	Fiander Tovell LLP Stag Gates House 63/64 The Avenue Southampton SO17 1XS
Business address	Manor House Avenue Millbrook Southampton SO15 0LF
Bankers	Lloyds TSB Bank PLC 23/25 Castle Way Southampton Hampshire SO14 2BW

BONDCO 667 LIMITED

CONTENTS

	Page
<i>Director's report</i>	1 - 2
 Independent auditors' report	 3
 Consolidated profit and loss account	 4
 Balance sheets	 5
 Consolidated cash flow statement	 6
 Notes to the consolidated cash flow statement	 7
 Notes to the financial statements	 8 - 20

BONDCO 667 LIMITED

DIRECTOR'S REPORT FOR THE YEAR ENDED 31 OCTOBER 2004

The director presents his report and financial statements for the year ended 31 October 2004.

Director

The following director has held office since 1 November 2003:

G L Cutts

Principal activities and review of the business

The principal activity of the company continued to be that of a management company and that of the group of the production and sale of continuous stationery.

The results for the year and the financial position at the year end were considered satisfactory by the director who expects continued growth in sales and profits in the foreseeable future.

Results and dividends

The consolidated profit and loss account for the year is set out on page 4.

The director does not recommend payment of an ordinary dividend.

Director's interests

The director's interest in the shares of the company and other group companies was as stated below:

Bondco 667 Limited

Ordinary shares of £ 1 each

	31 October 2004	1 November 2003
G L Cutts	10,000	10,000

Convertible redeemable preference shares of £ 1 each

	31 October 2004	1 November 2003
G L Cutts	-	-

Snows Business Forms Limited

Ordinary shares of £ 1 each

	31 October 2004	1 November 2003
G L Cutts	-	-

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Fiander Tovell LLP be reappointed as auditors of the company will be put to the Annual General Meeting.

BONDCO 667 LIMITED

DIRECTOR'S REPORT (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2004

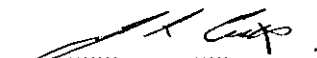
Director's responsibilities

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 group and of the profit or loss of the group 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;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

On behalf of the board



G L Cutts

Director

7/04/05

BONDCO 667 LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF BONDCO 667 LIMITED

We have audited the financial statements of Bondco 667 Limited on pages 4 to 20 for the year ended 31 October 2004. 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 director and auditors

As described in the statement of director's responsibilities on page 2 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 director in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's and 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's and the group's affairs as at 31 October 2004 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Fiander Tovell LLP

Fiander Tovell LLP
Chartered Accountants

Registered Auditors

7/04/05.....

Stag Gates House
63/64 The Avenue
Southampton
SO17 1XS

BONDCO 667 LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 OCTOBER 2004

	Notes	2004 £	2003 £
Turnover	2	4,885,532	4,774,843
Cost of sales		(3,037,411)	(3,061,536)
Gross profit		1,848,121	1,713,307
Distribution costs		(327,285)	(331,988)
Administrative expenses		(1,414,819)	(1,420,221)
Other operating income		1,457	1,817
Operating profit/(loss)	3	107,474	(37,085)
Interest payable and similar charges	4	(48,134)	(45,165)
Profit/(loss) on ordinary activities before taxation		59,340	(82,250)
Tax on profit/(loss) on ordinary activities	5	(14,023)	18,753
Retained profit/(loss) for the year	16	45,317	(63,497)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

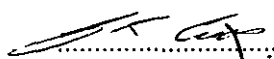
There are no recognised gains and losses other than those passing through the profit and loss account.

BONDCO 667 LIMITED

BALANCE SHEETS AS AT 31 OCTOBER 2004

		Group		Company	
	Notes	2004	2003	2004	2003
		£	£	£	£
Fixed assets					
Tangible assets	7	850,200	993,375	-	-
Investments	8	-	-	2,010,000	2,010,000
		<u>850,200</u>	<u>993,375</u>	<u>2,010,000</u>	<u>2,010,000</u>
Current assets					
Stocks	9	582,061	523,660	-	-
Debtors	10	1,035,696	989,901	-	-
Cash at bank and in hand		500	17,664	-	-
		<u>1,618,257</u>	<u>1,531,225</u>	<u>-</u>	<u>-</u>
Creditors: amounts falling due within one year	11	(1,505,342)	(1,523,651)	(1,205,000)	(1,146,100)
Net current assets		<u>112,915</u>	<u>7,574</u>	<u>(1,205,000)</u>	<u>(1,146,100)</u>
Total assets less current liabilities		<u>963,115</u>	<u>1,000,949</u>	<u>805,000</u>	<u>863,900</u>
Creditors: amounts falling due after more than one year	12	(20,000)	(79,151)	(20,000)	(78,900)
Provisions for liabilities and charges	13	(42,000)	(66,000)	-	-
		<u>901,115</u>	<u>855,798</u>	<u>785,000</u>	<u>785,000</u>
Capital and reserves					
Called up share capital	15	14,285	610,000	14,285	610,000
Share premium account	16	595,715	-	595,715	-
Other reserves	16	150,000	150,000	150,000	150,000
Profit and loss account	16	141,115	95,798	25,000	25,000
	17	<u>901,115</u>	<u>855,798</u>	<u>785,000</u>	<u>785,000</u>
Equity interests		901,115	255,798	785,000	185,000
Non-equity interests		-	600,000	-	600,000
		<u>901,115</u>	<u>855,798</u>	<u>785,000</u>	<u>785,000</u>

The financial statements were approved by the board on 17.04.05


G L Cutts
Director

BONDCO 667 LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 OCTOBER 2004

	2004		2003	
	£	£	£	£
Net cash inflow from operating activities		124,048		19,830
Returns on investments and servicing of finance				
Interest paid	(48,134)		(45,165)	
Net cash outflow for returns on investments and servicing of finance		(48,134)		(45,165)
Taxation		(3,973)		(5,247)
Capital expenditure				
Payments to acquire tangible assets	(5,418)		(21,627)	
Receipts from sales of tangible assets	400		-	
Net cash outflow for capital expenditure		(5,018)		(21,627)
Net cash inflow/(outflow) before management of liquid resources and financing		66,923		(52,209)
Financing				
Issue of ordinary share capital	600,000		-	
Purchase of own shares	(600,000)		-	
Additional amounts advanced by debt factor	17,562		164,414	
Repayment of long term bank loan	(58,900)		(78,576)	
Capital element of hire purchase contracts	(52,927)		(59,027)	
(Decrease)/increase in debt	(94,265)		26,811	
Net cash (outflow)/inflow from financing		(94,265)		26,811
(Decrease)/increase in cash in the year		(27,342)		(25,398)

BONDCO 667 LIMITED

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 OCTOBER 2004

1	Reconciliation of operating profit/(loss) to net cash inflow from operating activities	2004		2003	
		£		£	
	Operating profit/(loss)	107,474		(37,085)	
	Depreciation of tangible assets	148,593		163,660	
	Profit on disposal of tangible assets	(400)		-	
	(Increase)/decrease in stocks	(58,401)		12,366	
	Increase in debtors	(45,795)		(70,972)	
	Decrease in creditors within one year	(27,423)		(48,139)	
	Net cash inflow from operating activities	124,048		19,830	
2	Analysis of net debt	1 November 2003	Cash flow	Other non-cash changes	31 October 2004
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	17,664	(17,164)	-	500
	Bank overdrafts	(190,129)	(10,178)	-	(200,307)
		(172,465)	(27,342)	-	(199,807)
	Finance leases	(53,812)	52,927	-	(885)
	Debts falling due within one year	(561,873)	(17,562)	-	(579,435)
	Debts falling due after one year	(78,900)	58,900	-	(20,000)
		(694,585)	94,265	-	(600,320)
	Net debt	(867,050)	66,923	-	(800,127)
3	Reconciliation of net cash flow to movement in net debt	2004		2003	
		£		£	
	Decrease in cash in the year	(27,342)		(25,398)	
	Cash outflow/(inflow) from decrease/(increase) in debt	94,265		(26,811)	
	Movement in net debt in the year	66,923		(52,209)	
	Opening net debt	(867,050)		(814,841)	
	Closing net debt	(800,127)		(867,050)	

BONDCO 667 LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 OCTOBER 2004

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention. The group has adopted FRS 15 "Tangible Fixed Assets" and has followed the transitional provisions to retain the book value of land and buildings which were revalued in 1992.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable accounting standards.

1.3 Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertakings made up to 31 October 2004. The results of subsidiaries sold or acquired are included in the profit and loss account up to, or from the date control passes. Intra-group sales and profits are eliminated fully on consolidation.

1.4 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

1.5 Goodwill

Acquired goodwill is written off in equal annual instalments over its estimated useful economic life.

1.6 Research and development

Research expenditure is written off to the profit and loss account in the year in which it is incurred. Development expenditure is written off in the same way unless the director is satisfied as to the technical, commercial and financial viability of individual projects. In this situation, the expenditure is deferred and amortised over the period during which the company is expected to benefit.

1.7 Tangible fixed assets and depreciation

Tangible fixed assets other than freehold land are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Land and buildings Freehold	2% on cost
Plant and machinery	12.5% on cost
Fixtures, fittings & equipment	10-20% on cost

1.8 Leasing

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.9 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

BONDCO 667 LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2004

1 Accounting policies (continued)

1.10 Stock

Stock and work in progress are valued at the lower of cost and net realisable value.

1.11 Pensions

The company operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable.

1.12 Deferred taxation

The accounting policy in respect of deferred tax reflects the requirements of FRS19 - Deferred tax. Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

No provision has been made for deferred tax on gains recognised on revaluing property to its market value as the company does not intend to sell the revalued assets.

2 Turnover

The total turnover of the group for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

3 Operating profit/(loss)	2004	2003
	£	£

Operating profit/(loss) is stated after charging:

Depreciation of tangible assets	148,593	163,660
Research and development	-	204
Operating lease rentals		
- Plant and machinery	11,643	11,643
- Other assets	22,582	26,639
Auditors' remuneration (company £-; 2003: £-)	5,000	10,000
Remuneration of auditors for non-audit work	4,850	4,850

and after crediting:

Profit on disposal of tangible assets	(400)	-
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4 Interest payable	2004	2003
	£	£

On bank loans and overdrafts	11,097	15,253
Lease finance charges	6,993	5,598
On overdue tax	295	-
On amounts payable to factors	29,749	24,314
	48,134	45,165

BONDCO 667 LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2004

5 Taxation

	£	£
Domestic current year tax		
U.K. corporation tax	37,300	3,250
Adjustment for prior years	723	(3)
	<u>38,023</u>	<u>3,247</u>
Current tax charge		
Deferred tax		
Deferred tax charge/(credit)	(24,000)	(22,000)
	<u>14,023</u>	<u>(18,753)</u>
Factors affecting the tax charge for the year		
Profit/(loss) on ordinary activities before taxation	<u>59,340</u>	<u>(82,250)</u>
Profit/(loss) on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 23.92% (2003: 19.00%)	<u>14,194</u>	<u>(15,628)</u>
Effects of:		
Non deductible expenses	2,568	3,255
Depreciation add back	35,448	31,095
Capital allowances	(14,375)	(15,512)
Tax losses utilised	(567)	-
Adjustments to previous periods	723	(3)
Other tax adjustments	32	40
	<u>23,829</u>	<u>18,875</u>
Current tax charge	<u>38,023</u>	<u>3,247</u>

6 (Loss)/profit for the financial year

As permitted by section 230 of the Companies Act 1985, the holding company's profit and loss account has not been included in these financial statements. The (loss)/profit for the financial year is made up as follows:

	2004 £	2003 £
Holding company's (loss)/profit for the financial year	<u>-</u>	<u>25,000</u>

BONDCO 667 LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2004

7 Tangible fixed assets Group

	Land and buildings Freehold £	Plant and machinery £	Fixtures, fittings & equipment £	Total £
Cost				
At 1 November 2003	667,385	890,216	233,699	1,791,300
Additions	-	395	5,023	5,418
Disposals	-	(4,350)	-	(4,350)
At 31 October 2004	667,385	886,261	238,722	1,792,368
Depreciation				
At 1 November 2003	52,605	553,486	191,834	797,925
On disposals	-	(4,350)	-	(4,350)
Charge for the year	10,020	105,766	32,807	148,593
At 31 October 2004	62,625	654,902	224,641	942,168
Net book value				
At 31 October 2004	604,760	231,359	14,081	850,200
At 31 October 2003	614,780	336,730	41,865	993,375

Comparable historical cost for the land and buildings included at valuation:

	£
Cost	
At 1 November 2003 & at 31 October 2004	390,737
Depreciation based on cost	
At 1 November 2003	113,637
Charge for the year	5,400
At 31 October 2004	119,037
Net book value	
At 31 October 2004	271,700
At 31 October 2003	277,100

BONDCO 667 LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2004

Included above are assets held under finance leases or hire purchase contracts as follows:

	Plant and machinery £	Fixtures, fittings & equipment £	Total £
Net book values			
At 31 October 2004	7,667	-	7,667
At 31 October 2003	148,377	-	148,377
	<u> </u>	<u> </u>	<u> </u>
Depreciation charge for the year			
31 October 2004	1,437	-	1,437
31 October 2003	37,047	-	37,047
	<u> </u>	<u> </u>	<u> </u>

Freehold land and buildings were revalued for the purposes of the 31 October 1992 financial statements on the basis of open market value for existing use. These valuations were made by Messrs. G. L. Hearn and Partners, Chartered Surveyors.

8 Fixed asset investments Company

	Shares in group undertakings £
Cost	
At 1 November 2003 & at 31 October 2004	2,010,000
	<u> </u>
At 31 October 2003	2,010,000
	<u> </u>

In the opinion of the director, the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet.

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Shares held Class	%
Subsidiary undertakings			
Snows Business Forms Limited	England & Wales	Ordinary	100

The principal activity of these undertakings for the last relevant financial year was as follows:

	Principal activity
Snows Business Forms Limited	Production & sale of continuous stationery

BONDCO 667 LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2004

9 Stocks and work in progress

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Raw materials and consumables	520,304	481,473	-	-
Work in progress	61,757	42,187	-	-
	<u>582,061</u>	<u>523,660</u>	<u>-</u>	<u>-</u>

10 Debtors

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Trade debtors	1,024,509	968,753	-	-
Other debtors	-	2,662	-	-
Prepayments and accrued income	11,187	18,486	-	-
	<u>1,035,696</u>	<u>989,901</u>	<u>-</u>	<u>-</u>

Trade debtors include factored debts amounting to £685,528 (2003: £622,525).

BONDCO 667 LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2004

11 Creditors : amounts falling due within one year

	Group 2004 £	2003 £	Company 2004 £	2003 £
Bank loans and overdrafts	265,755	268,705	65,448	78,576
Net obligations under finance lease and hire purchase contracts	885	53,561	-	-
Trade creditors	535,322	533,181	-	-
Amounts owed to group undertakings	-	-	1,139,552	1,052,075
Corporation tax	37,300	3,250	-	-
Taxes and social security costs	95,793	94,558	-	-
Directors current accounts	-	15,449	-	15,449
Other creditors	513,987	483,297	-	-
Accruals and deferred income	56,300	71,650	-	-
	<u>1,505,342</u>	<u>1,523,651</u>	<u>1,205,000</u>	<u>1,146,100</u>
Debt due in one year or less	<u>513,987</u>	<u>483,297</u>	<u>-</u>	<u>-</u>

The bank overdraft is secured by a fixed and floating charge over all of the company's assets.

Other creditors include amounts due under the debt factoring arrangement of £513,987 (2003: £483,297) which are secured by intercompany guarantees and a debtor and stock debenture.

BONDCO 667 LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2004

12 Creditors : amounts falling due after more than one year

	Group 2004 £	2003 £	Company 2004 £	2003 £
Bank loans	-	58,900	-	58,900
Other loans	20,000	20,000	20,000	20,000
Net obligations under finance leases and hire purchase agreements	-	251	-	-
	<u>20,000</u>	<u>79,151</u>	<u>20,000</u>	<u>78,900</u>
Analysis of loans				
Wholly repayable within five years	599,435	640,773	85,448	157,476
Included in current liabilities	(579,435)	(561,873)	(65,448)	(78,576)
	<u>20,000</u>	<u>78,900</u>	<u>20,000</u>	<u>78,900</u>
Loan maturity analysis				
In more than one year but not more than two years	-	58,900	-	58,900

The bank loan is secured by a fixed and floating charge over the assets of the company. It is repayable by monthly instalments and bears interest at 2% over LIBOR.

Obligations due under hire purchase and finance leases are secured on the individual assets themselves.

Net obligations under finance leases and hire purchase contracts

Repayable within one year	885	53,561	-	-
Repayable between one and five years	-	251	-	-
	<u>885</u>	<u>53,812</u>	<u>-</u>	<u>-</u>
Included in liabilities falling due within one year	(885)	(53,561)	-	-
	<u>-</u>	<u>251</u>	<u>-</u>	<u>-</u>

BONDCO 667 LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2004

13 Provisions for liabilities and charges

Group

	Deferred taxation £
Balance at 1 November 2003	66,000
Profit and loss account	(24,000)
	<u>42,000</u>
Balance at 31 October 2004	<u>42,000</u>

The deferred tax liability is made up as follows:

	Group		Company	
	2004	2003	2004	2003
	£	£	£	£
Accelerated capital allowances	<u>42,000</u>	<u>66,000</u>	<u>-</u>	<u>-</u>

14 Pension costs

Defined contribution

The company operates a defined contribution pension scheme for the benefit of the employees and directors. The assets of the scheme are administered by trustees in a fund independent from those of the company.

	2004 £	2003 £
Contributions payable by the company for the year	<u>25,494</u>	<u>27,914</u>

BONDCO 667 LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2004

15 Share capital	2004 £	2003 £
Authorised		
30,000 Ordinary shares of £1 each	30,000	30,000
750,000 Convertible redeemable preference shares of £1 each	750,000	750,000
	<u>780,000</u>	<u>780,000</u>
Allotted, called up and fully paid		
14,285 Ordinary shares of £1 each	14,285	10,000
- Convertible redeemable preference shares of £1 each	-	600,000
	<u>14,285</u>	<u>610,000</u>

The company shall redeem for cash at par or procure the redemption for cash at par of the remaining preference shares in the following numbers and on the following redemption dates:

Number	Redemption Date
200,000	1 July 2001
200,000	1 July 2002
200,000	1 July 2003

If the company fails to redeem the number of preference shares specified on the relevant date, the holders of the preference shares shall be entitled to convert such number of preference shares as have not yet been redeemed into such numbers of ordinary shares. On 21st January 2004, the holders of the preference shares exercised their rights to convert the unredeemed preference shares into ordinary shares. 600,000 preference shares of £1 each were converted into 4,285 ordinary shares of £1 each at a premium of £139.0233 per share.

Voting Rights

The preference shares shall entitle the holders to the right to attend but not vote at general meetings except where there is a variation in class rights or on a resolution to wind the company up.

A proxy appointed by a member of the company may vote on a show of hands as well as on a poll, but no person present shall be entitled to more than one vote on a show of hands.

Rights to dividends

Only ordinary shareholders may receive dividends in respect of each financial year.

Rights on winding up

Profits available for distribution are applied as follows:

First in paying to the preference shareholders the subscription price.

Second in paying to the ordinary shareholders the subscription price paid, or if there are insufficient assets to repay such amounts in full, in repaying such amounts pro rata between the holders according to the subscription price.

BONDCO 667 LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2004

16 Statement of movements on reserves

Group

	Share premium account £	Other reserves £	Profit and loss account £
Balance at 1 November 2003	-	150,000	95,798
Retained profit for the year	-	-	45,317
Premium on shares issued during the year	595,715	-	-
	<u>595,715</u>	<u>150,000</u>	<u>141,115</u>
Balance at 31 October 2004	<u>595,715</u>	<u>150,000</u>	<u>141,115</u>

Other reserves

Capital redemption reserve

Balance at 1 November 2003 & at 31 October 2004

150,000

Company

	Share premium account £	Other reserves (see below) £	Profit and loss account £
Balance at 1 November 2003	-	150,000	25,000
Premium on shares issued during the year	595,715	-	-
	<u>595,715</u>	<u>150,000</u>	<u>25,000</u>
Balance at 31 October 2004	<u>595,715</u>	<u>150,000</u>	<u>25,000</u>

Other reserves

Capital redemption reserve

Balance at 1 November 2003 & at 31 October 2004

150,000

BONDCO 667 LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2004

17 Reconciliation of movements in shareholders' funds	2004	2003
Group	£	£
Profit/(Loss) for the financial year	45,317	(63,497)
Proceeds from issue of shares	600,000	-
Purchase of own shares	(600,000)	-
	<hr/>	<hr/>
Net addition to/(depletion in) shareholders' funds	45,317	(63,497)
Opening shareholders' funds	855,798	919,295
	<hr/>	<hr/>
Closing shareholders' funds	901,115	855,798
	<hr/>	<hr/>
	2004	2003
Company	£	£
(Loss)/Profit for the financial year	-	25,000
Proceeds from issue of shares	600,000	-
Purchase of own shares	(600,000)	-
	<hr/>	<hr/>
Net (depletion in)/addition to shareholders' funds	-	25,000
Opening shareholders' funds	785,000	760,000
	<hr/>	<hr/>
Closing shareholders' funds	785,000	785,000
	<hr/>	<hr/>

18 Contingent liabilities

Group

At 31st October 2004, the company had contingent liabilities in respect of inter-company guarantees in relation to its subsidiary's bank borrowings and amounts obtained in relation to its debt factoring arrangements. The liabilities under the guarantee amounted to £194,082 (2003: £190,129) and £513,987 (2003: £483,297) respectively.

19 Financial commitments

At 31 October 2004 the group had annual commitments under non-cancellable operating leases as follows:

	Other	
	2004	2003
	£	£
Expiry date:		
Within one year	1,264	513
Between two and five years	36,058	33,834
	<hr/>	<hr/>
	37,322	34,347
	<hr/>	<hr/>

BONDCO 667 LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 OCTOBER 2004

20	Director's emoluments	2004 £	2003 £
	Emoluments for qualifying services	66,592	65,630

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 1 (2003- 1).

21 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

	2004 Number	2003 Number
Selling and distribution	20	21
Administration	22	25
Production	43	45
	85	91

Employment costs

	£	£
Wages and salaries	1,517,304	1,490,348
Social security costs	134,858	126,519
Other pension costs	25,494	27,914
	1,677,656	1,644,781

22 Control

The group is controlled by G L Cutts, the director.

23 Related party transactions

Group

The company is controlled by G L Cutts, the director. During the year, the company traded with Int-E-Com Services Limited, a company controlled by G L Cutts.

Sales totalling £889 (2003: £1,340) were made and at the year end the balance due to the group from Int-E-Com Services Limited was £2,844 (2003: £2,662).

During the year, Int-E-Com Services Limited made various recharges to the group. Charges of £4,000 (2003: £Nil) for use of the credit card facility and £600 (2003: £Nil) for vehicle leasing were payable and a total of £4,600 (2003: £Nil) was due to Int-E-Com Services Limited at the year-end.