

Moroak trading as Blake Envelopes

FINANCIAL STATEMENTS

for the year ended

31 March 2004



Company Registration No. 3734189

Moroak trading as Blake Envelopes

DIRECTORS AND OFFICERS

DIRECTORS

T W Barter
R A Barter
M W Barter
H J Barter

SECRETARY

M W Barter

COMPANY NUMBER

3734189 (England and Wales)

REGISTERED OFFICE

Watercombe Park
Yeovil
Somerset
Great Britain
BA20 2HL

AUDITORS

Baker Tilly
Old Sarum House
49 Princes Street
Yeovil
Somerset
BA20 1EG

Moroak trading as Blake Envelopes

DIRECTORS' REPORT

The directors present their report and financial statements of the unlimited company Moroak trading as Blake Envelopes for the year ended 31 March 2004.

PRINCIPAL ACTIVITIES

The principal activity of the company during the year was that of the wholesale and distribution of envelopes.

REVIEW OF THE BUSINESS

During the year to 31 March 2003, a change in the principal activity of the company was carried out. For the first six months of that accounting period the trade of the company was that of screen printing. As from 1 October 2002, the trade was exchanged with that of a separate partnership run by the directors of this company. The trade of the company, from that date forward, is that of the wholesale and distribution of envelopes, as noted in the principal activity note above. Therefore this is the first full year in which the envelopes activity is reflected in this company.

The envelopes activity again shows significant growth this year. The directors anticipate continued growth, although at a slower rate, in the coming year and intend to continue to invest in the business going forward. Growth has generally been achieved through increased sales to existing customers. The directors are satisfied with this performance given the increased competition faced in the year, which has once again impacted directly on the gross margin reported.

RESULTS AND DIVIDENDS

The trading profit for the year after taxation was £1,187,369.

DIRECTORS

The following directors have held office since 1 April 2003:

T W Barter
R A Barter
M W Barter
H J Barter

DIRECTORS' INTERESTS IN SHARES

Directors' interests in the shares of the company, including family interests, were as follows:

	<i>ordinary shares of £ 1 each</i>	
	31.3.04	1.4.03
T W Barter	10	10
R A Barter	10	10
M W Barter	40	40
H J Barter	40	40

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DIRECTORS' REPORT (CONTINUED)

AUDITORS

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

On behalf of the board

T W Barter

Director


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20 August 2004

Moroak trading as Blake Envelopes

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- d. prepare the financial statements on the going concern basis unless 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MOROAK TRADING AS BLAKE ENVELOPES

We have audited the financial statements on pages 7 to 17.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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 other information in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies within the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board, except that the scope of our work was limited as explained below. 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. However, the evidence available to us was limited because we were not appointed auditors until September 2003 and as a result were unable to attend the stock count as at 31 March 2003. There were no other alternative auditing procedures that we could perform to obtain adequate assurances regarding the valuation of stock as at 31 March 2003 appearing in the balance sheet at £515,000.

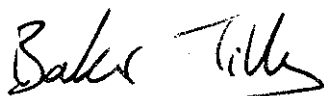
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MOROAK TRADING AS
BLAKE ENVELOPES (CONTINUED)

Qualified opinion arising from limitation in audit scope

Except for any adjustments that might have been found to be necessary had we been able to obtain sufficient evidence concerning opening stock, in our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

In respect alone of the limitation on our audit work relating to cost of sales arising from stock at 31 March 2003:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether proper accounting records had been maintained.



Registered Auditor
Chartered Accountants
Old Sarum House
49 Princes Street
Yeovil
Somerset
BA20 1EG

20/8/04

Moroak trading as Blake Envelopes

PROFIT AND LOSS ACCOUNT

for the year ended 31 March 2004

	Notes	2004 £	2003 £
TURNOVER	1		
Continuing operations	11,887,253	-	
Acquisitions	-	4,191,117	
		<u>4,191,117</u>	
	11,887,253	4,191,117	
Discontinued activities	-	311,334	
		<u>311,334</u>	
		11,887,253	4,502,451
Cost of sales		9,447,896	3,409,129
		<u>9,447,896</u>	<u>3,409,129</u>
Gross profit		2,439,357	1,093,322
Other operating expenses	2	741,682	372,414
		<u>741,682</u>	<u>372,414</u>
OPERATING PROFIT			
Continuing operations	1,697,675	680,279	
Discontinued activities	-	40,629	
		<u>40,629</u>	
		1,697,675	720,908
Investment income	4	1,562	169
		<u>1,562</u>	<u>169</u>
		1,699,237	721,077
Interest payable	5	3,791	3,086
		<u>3,791</u>	<u>3,086</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	6	1,695,446	717,991
Taxation	8	508,077	185,836
		<u>508,077</u>	<u>185,836</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	14	<u>1,187,369</u>	<u>532,155</u>

No separate Statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the Profit and Loss Account.

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BALANCE SHEET

31 March 2004

	Notes	2004 £	2003 £
FIXED ASSETS			
Tangible assets	9	50,362	41,363
CURRENT ASSETS			
Stocks	10	605,593	515,000
Debtors	11	3,174,917	2,599,859
Cash at bank and in hand		36,583	5,241
		3,817,093	3,120,100
CREDITORS: Amounts falling due within one year	12	2,179,771	2,661,148
NET CURRENT ASSETS		1,637,322	458,952
TOTAL ASSETS LESS CURRENT LIABILITIES		1,687,684	500,315
CAPITAL AND RESERVES			
Called up share capital	13	100	100
Profit and loss account	14	1,687,584	500,215
SHAREHOLDERS' FUNDS	15	1,687,684	500,315

Approved by the board on 20.8.04

T W Barter  Director

M W Barter  Director

Moroak trading as Blake Envelopes

CASH FLOW STATEMENT

for the year ended 31 March 2004

	<i>Notes</i>	2004 £	2003 £
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	16	569,112	(294,463)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		1,562	169
Interest paid		(3,791)	(3,086)
Net cash outflow for returns on investments and servicing of finance		(2,229)	(2,917)
TAXATION		(185,819)	-
CAPITAL EXPENDITURE			
Payments to acquire tangible assets		(28,340)	(48,359)
Receipts from sales of tangible assets		3,250	23,965
Net cash outflow for capital expenditure		(25,090)	(24,394)
INCREASE/(DECREASE) IN CASH IN THE YEAR		355,974	(321,774)

Moroak trading as Blake Envelopes

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

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

GOING CONCERN

The financial statements have been prepared on the going concern basis dependent on the continuing support of the directors who have financed the company through proceeds of the sale of a previous business venture. The directors do not intend to withdraw this finance in the foreseeable future and, therefore, the financial statements do not include any adjustments that would result from a withdrawal of finance by the directors.

TANGIBLE FIXED ASSETS

Fixed assets are stated at historical cost less depreciation.

Depreciation is provided on all tangible fixed assets at rates calculated to write each asset down to its estimated residual value over its expected useful life, as follows:

Plant and machinery	25% on reducing balance
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STOCK

Stock is valued at the lower of cost and net realisable value. Net realisable value is based upon estimated selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolete and slow-moving items.

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. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

TURNOVER

Turnover represents the invoiced value, net of Value Added Tax, of goods sold and services provided to customers.

Moroak trading as Blake Envelopes

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 March 2004

1. TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The company's turnover and profit before taxation were all derived from its principal activity wholly undertaken in the United Kingdom.

2. OTHER OPERATING EXPENSES	2004 £	2003 £
Administrative expenses	<u>741,682</u>	<u>372,414</u>

3. COST OF SALES AND OTHER OPERATING EXPENSES (NET)

	2004			2003		
	Continuing £	Discontinued £	Total £	Continuing £	Discontinued £	Total £
Cost of sales	9,447,896	-	9,447,896	3,221,515	187,614	3,409,129
Administrative expenses	<u>741,682</u>	<u>-</u>	<u>741,682</u>	<u>289,323</u>	<u>83,091</u>	<u>372,414</u>
	<u>10,189,578</u>	<u>-</u>	<u>10,189,578</u>	<u>3,510,838</u>	<u>270,705</u>	<u>3,781,543</u>

4. INVESTMENT INCOME	2004 £	2003 £
Bank interest	<u>1,562</u>	<u>169</u>

5. INTEREST PAYABLE	2004 £	2003 £
On bank loans and overdrafts	<u>3,791</u>	<u>3,086</u>

6. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2004 £	2003 £
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Amortisation of intangible assets	-	10,000
Depreciation of tangible assets:		
Charge for the year:		
owned assets	16,788	9,335
Profit on disposals	(697)	-
Auditors' remuneration	5,000	5,000
Remuneration of auditors for non-audit work	<u>13,260</u>	<u>520</u>

Moroak trading as Blake Envelopes

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2004

7. EMPLOYEES

The average monthly number of persons (including directors) employed by the company during the year was:	2004 No.	2003 No.
Warehouse	6	4
Sales & Administration	10	8
	<u>16</u>	<u>12</u>
	£	£
Staff costs for the above persons:		
Wages and salaries	303,506	183,781
Social security costs	26,993	25,784
	<u>330,499</u>	<u>209,565</u>
DIRECTORS' REMUNERATION	2004	2003
	£	£
Emoluments for qualifying services	<u>48,000</u>	<u>60,000</u>

Moroak trading as Blake Envelopes

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2004

8. TAXATION	2004 £	2003 £
Domestic current year tax		
U.K. corporation tax	508,094	185,836
Adjustment for prior years	(17)	-
	<u>508,077</u>	<u>185,836</u>
Current tax charge		
Factors affecting the tax charge for the year		
Profit on ordinary activities before taxation	1,695,446	717,991
	<u>1,695,446</u>	<u>717,991</u>
Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2003: 30.00%)	508,634	215,397
	<u>508,634</u>	<u>215,397</u>
Effects of:		
Non deductible expenses	92	-
Capital allowances in excess of depreciation	(632)	(806)
Tax losses utilised	-	(6,573)
Adjustments to previous periods	(17)	-
Other tax adjustments	-	(22,182)
	<u>(557)</u>	<u>(29,561)</u>
Current tax charge	<u>508,077</u>	<u>185,836</u>

Other tax adjustments represent marginal rate relief obtained by the company due its taxable profits falling between the upper and lower taxation limits.

Moroak trading as Blake Envelopes

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2004

9. TANGIBLE FIXED ASSETS

	<i>Plant and machinery</i> £
Cost	
1 April 2003	47,275
Additions	28,340
Disposals	(2,918)
31 March 2004	<u>72,697</u>
Depreciation	
1 April 2003	5,912
Charge in the year	16,788
Disposals	(365)
31 March 2004	<u>22,335</u>
Net book value	
31 March 2004	<u>50,362</u>
31 March 2003	<u>41,363</u>

10. STOCKS

	2004 £	2003 £
Finished goods and goods for resale	<u>605,593</u>	<u>515,000</u>

11. DEBTORS

	2004 £	2003 £
Due within one year:		
Trade debtors	3,174,917	2,362,164
Other debtors	-	224,862
Prepayments and accrued income	-	12,833
	<u>3,174,917</u>	<u>2,599,859</u>

Moroak trading as Blake Envelopes

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2004

12. CREDITORS: Amounts falling due within one year	2004 £	2003 £
Bank overdraft	-	324,632
Trade creditors	537,392	849,192
Corporation tax	508,094	185,836
Other taxes and social security costs	362,453	291,724
Directors' current accounts	653,824	954,236
Accruals and deferred income	118,008	55,528
	<u>2,179,771</u>	<u>2,661,148</u>

On the 30 September 2003 the company granted fixed and floating charges over its assets in favour of Lloyds TSB Bank plc.

13. SHARE CAPITAL	2004 £	2003 £
Authorised:		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted, issued and fully paid:		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

14. STATEMENT OF MOVEMENT ON RESERVES

	<i>Profit and loss account</i> £
1 April 2003	500,215
Retained profit for the year	<u>1,187,369</u>
31 March 2004	<u>1,687,584</u>

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	2004 £	2003 £
Profit for the financial year	1,187,369	532,155
Opening shareholders' funds	<u>500,315</u>	<u>(31,840)</u>
Closing shareholders' funds	<u>1,687,684</u>	<u>500,315</u>

Moroak trading as Blake Envelopes

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the year ended 31 March 2004

16. CASH FLOWS		2004	2003	
		£	£	
a. Reconciliation of operating profit to net cash inflow/(outflow) from operating activities				
Operating profit		1,697,675	720,908	
Depreciation of tangible assets		16,788	9,335	
Amortisation of intangible assets		-	10,000	
Profit on disposal of tangible assets		(697)	-	
Increase in stocks		(90,593)	(442,722)	
Increase in debtors		(575,058)	(2,484,301)	
(Decrease)/increase in creditors within one year		(479,003)	1,892,317	
Net cash inflow/(outflow) from operating activities		<u>569,112</u>	<u>(294,463)</u>	
b. Analysis of net funds/(debt)	1 April 2003	Cash flow	Other non-cash changes	31 March 2004
	£	£	£	£
Net cash:				
Cash at bank and in hand	5,241	31,342	-	36,583
Bank overdrafts	(324,632)	324,632	-	-
	<u>(319,391)</u>	<u>355,974</u>	<u>-</u>	<u>36,583</u>
Bank deposits	-	-	-	-
Net (debt)/funds	<u>(319,391)</u>	<u>355,974</u>	<u>-</u>	<u>36,583</u>
c. Reconciliation of net cash flow to movement in net debt		2004	2003	
		£	£	
Increase/(decrease) in cash in the year		<u>355,974</u>	<u>(321,774)</u>	
Movement in net funds/(debt) in the year		<u>355,974</u>	<u>(321,774)</u>	
Opening net (debt)/funds		<u>(319,391)</u>	<u>2,383</u>	
Closing net funds/(debt)		<u>36,583</u>	<u>(319,391)</u>	

17. CONTINGENT LIABILITIES

At 31 March 2004 the company had contingent liabilities entered into in the ordinary course of business of £250,000, £150,000 and €300,000 in respect of trade guarantees for the supply of goods. The company also had a contingent liability entered into the ordinary course of business amounting to £150,000 in favour of HM Customs & Excise.

Moroak trading as Blake Envelopes

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 31 March 2004

18. TRANSACTIONS WITH DIRECTORS

During the year Mr T W Barter, a director of the company, reduced his lending to the company (reflected in short term creditors within directors' current accounts) to £390,524 (2003: £506,520).

Similarly, Mr M W Barter, a director of the company, reduced his lending to the company to £263,300 (2003: £447,716).

These loans to the company are interest free.