

MASTERMAILER STATIONERY LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2002

MASTERMAILER STATIONERY LIMITED



COMPANY INFORMATION

Directors	S Black	(Appointed 15 June 2001)
	C Black	(Appointed 15 June 2001)
	C Sandison	(Appointed 31 October 2001)
	M Fletcher	(Appointed 18 December 2002)
	G Jarrett	(Appointed 18 December 2002)
Secretary	W Hiscocks	
Company number	4187229	
Registered office	Units D & E Trecenydd Industrial Estate Caerphilly CF83 2RZ	
Auditors	HLB AV Audit plc Crown House 37-41 Prince Street Bristol BS1 4PS	
Bankers	Barclays Bank plc 18 Southgate Street Gloucester GL1 2DG	
Solicitors	Lee Crowder 39 Newhall Street Birmingham West Midlands B3 3DY	

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MASTERMAILER STATIONERY LIMITED



DIRECTORS' REPORT FOR THE PERIOD ENDED 30 JUNE 2002

The directors present their report and financial statements for the period ended 30 June 2002.

Principal activities

The company was incorporated on 26 March 2001 and commenced trade. Its principal activity is that of manufacturing and selling stationery products.

Initially products were manufactured by a third party which proved to be unsatisfactory. The Company purchased its own manufacturing plant and equipment and set up a factory in Caerphilly, South Wales, in June 2002.

A budgeted loss was incurred in the first period of trading. On 31 March 2002, the whole of the issued share capital was acquired by Mastermailer Holdings Limited by the issue of shares to the existing shareholders. On 24 July 2002, the company issued 800,000 £1 redeemable preference shares which were subscribed for in full by Mastermailer Holdings Limited. This issue cleared the deficit of shareholders' funds and provided the Company with its required working capital. The intercompany loan of £504,575 was capitalised as a result of the issue of shares.

Directors

The following directors have held office during the period:

S Black	(Appointed 15 June 2001)
C Black	(Appointed 15 June 2001)
C Sandison	(Appointed 31 October 2001)

Directors' interests

The directors' interests in the shares of the company were as stated below:

Ordinary of £1 each
30 June 2002

S Black	-
C Black	-
C Sandison	-

Auditors

HLB AV Audit plc were appointed auditors to the company and in accordance with section 385 of the Companies Act 1985, a resolution proposing that they be re-appointed will be put to the Annual General Meeting.

DIRECTORS' REPORT (CONTINUED)
FOR THE PERIOD ENDED 30 JUNE 2002

Directors' responsibilities

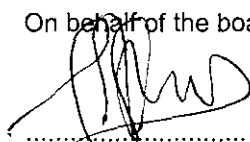
Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

On behalf of the board


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**INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF MASTERMAILER STATIONERY LIMITED**

We have audited the financial statements of Mastermailer Stationery Limited on pages 5 to 11 for the period ended 30 June 2002. These financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002), 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 the directors and auditors

As described in the statement of directors' responsibilities on page 2 the company's directors are 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 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 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.

Going Concern

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the uncertainty relating to the company's ability to meet its future working capital requirements. In view of the significance of this uncertainty, we feel that it should be drawn to your attention but our opinion is not qualified in this respect.

MASTERMAILER STATIONERY LIMITED



INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE SHAREHOLDERS OF MASTERMAILER STATIONERY LIMITED

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 loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

HLB AV Audit plc

HLB AV Audit plc

Registered Auditor

16 July 2003
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Crown House
37-41 Prince Street
Bristol
BS1 4PS

MASTERMAILER STATIONERY LIMITED



PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 30 JUNE 2002

	Notes	2002 £
Turnover		300,560
Cost of sales		(284,737)
Gross profit		15,823
Administrative expenses		(289,887)
Operating loss	2	(274,064)
Interest payable and similar charges		(4,811)
Loss on ordinary activities before taxation		(278,875)
Tax on loss on ordinary activities		-
Loss on ordinary activities after taxation	10	(278,875)

MASTERMAILER STATIONERY LIMITED



BALANCE SHEET AS AT 30 JUNE 2002

	Notes	2002 £	£
Fixed assets			
Intangible assets	3		140,985
Tangible assets	4		626,761
Investments	5		100
			<u>767,846</u>
Current assets			
Stocks		41,712	
Debtors	6	48,173	
Cash at bank and in hand		67,492	
		<u>157,377</u>	
Creditors: amounts falling due within one year	7	(1,179,882)	
		<u></u>	
Net current liabilities			(1,022,505)
Total assets less current liabilities			<u>(254,659)</u>
Creditors: amounts falling due after more than one year	8		(21,816)
			<u>(276,475)</u>
Capital and reserves			
Called up share capital	9		2,400
Profit and loss account	10		(278,875)
			<u>(276,475)</u>
Shareholders' funds			<u>(276,475)</u>

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective June 2002).

The financial statements were approved by the Board on 15th July 2003

Director

Director

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2002**

1 Accounting policies**1.1 Accounting convention**

The financial statements are prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002).

Going Concern

The accounts have been prepared on the basis that the company will continue as a going concern for the foreseeable future. As disclosed in note 9, loans from its holding company of £504,575 were capitalised shortly after the balance sheet date. In addition, the Directors are confident of raising further funds from the shareholders of the holding company. The Directors are therefore satisfied that the company has adequate resources to meet its current working capital requirements.

1.2 Turnover

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

1.3 Patents

Patents are valued at cost less accumulated amortisation. Amortisation is calculated to write off the cost in equal annual instalments over their estimated useful lives.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets 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 from the commencement of its productive use in business, as follows:

Plant and machinery	10% straight line
Fixtures, fittings & equipment	25% reducing balance

1.5 Investments

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

2 Operating loss**2002****£**

Operating loss is stated after charging:

Amortisation of intangible assets

7,420

Directors' emoluments

4,765

MASTERMAILER STATIONERY LIMITED



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 30 JUNE 2002

3 Intangible fixed assets

	Patents £
Cost	
Additions	148,405
At 30 June 2002	148,405
Amortisation	
Charge for the period	7,420
At 30 June 2002	7,420
Net book value	
At 30 June 2002	140,985

4 Tangible fixed assets

	Plant and machinery etc £
Cost	
Additions	626,761
At 30 June 2002	626,761
Depreciation	
At 30 June 2002	-
Net book value	
At 30 June 2002	626,761

MASTERMAILER STATIONERY LIMITED



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 30 JUNE 2002

5 Fixed asset investments

	Shares in group undertakings and participating interests £
Cost	
Additions	100
At 30 June 2002	<u>100</u>

Fixed asset investments represent a 100% holding of the ordinary share capital of Mastermailer Stationery Trading Limited. At 30 June 2002 Mastermailer Stationery Trading Limited had net assets of £100. It did not trade during the year and hence made no profit or loss. This company, which has remained non-trading, was resold to its original owner at book value on 19 September 2002.

6 Debtors	2002 £
Trade debtors	36,532
Other debtors	11,641
	<u>48,173</u>

7 Creditors: amounts falling due within one year	2002 £
Trade creditors	596,066
Amounts owed to group undertakings and undertakings in which the company has a participating interest	504,675
Other creditors	79,141
	<u>1,179,882</u>

8 Creditors: amounts falling due after more than one year	2002 £
Liabilities arising from the acquisition of fixed assets	<u>21,816</u>

MASTERMAILER STATIONERY LIMITED



NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 30 JUNE 2002

9 Share capital	2002
	£
Authorised	
2,400 Ordinary of £ 1 each	2,400

Allotted, called up and fully paid

2,400 Ordinary of £ 1 each	2,400
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On 24 July 2002, the issued and fully paid share capital was increased by the issue of 800,000 £1 redeemable preference shares. These were subscribed in full by Mastermailer Holdings Limited. Loans totalling £504,575 were repaid by the Company out of the proceeds of that issue. The balance of the investment was required for current and future working capital.

10 Statement of movements on profit and loss account

**Profit and
loss
account
£**

Retained loss for the period	(278,875)
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11 Financial commitments

At 30 June 2002 the company had annual commitments under non-cancellable operating leases as follows:

	2002
	£
Expiry date:	
Within one year	36,000
Between two and five years	54,000
	90,000

12 Capital commitments

**2002
£**

At 30 June 2002 the company had capital commitments as follows:

Authorised but not contracted for	173,239
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE PERIOD ENDED 30 JUNE 2002

13 Related party transactions

Included within legal and professional costs is an amount of £63,441 paid to Sandison & Co. for professional services. Mr C Sandison, a director of the company, is principal of Sandison & Co.

At the year end an amount of £1,055 was due to S Black, a director of the company.

14 Post balance sheet events

Since the year end, a liability of £394,800 included within trade creditors relating to the acquisition of machinery has been settled by way of a sale and lease back agreement. The full amount will be settled over the term of a five year lease.