

REGISTERED NUMBER 04187229 (England and Wales)

**MASTERMAILER STATIONERY LIMITED
REPORT OF THE DIRECTORS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

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MASTERMAILER STATIONERY LIMITED
FOR THE YEAR ENDED 30 JUNE 2010

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MASTERMAILER STATIONERY LIMITED
FOR THE YEAR ENDED 30 JUNE 2010

COMPANY INFORMATION

DIRECTORS	P Woods J Perry P Rogers A Baldry (resigned 1 November 2010)
COMPANY SECRETARY	Frars Management Services Limited
REGISTERED NUMBER	04187229
REGISTERED OFFICE	Bloxham Mill Barford Road Bloxham Oxfordshire OX15 4FF
AUDITORS	Kingston Smith LLP Devonshire House 60 Goswell Road London EC1M 7AD

MASTERMAILER STATIONERY LIMITED FOR THE YEAR ENDED 30 JUNE 2010

REPORT OF THE DIRECTORS

The directors present their report and the financial statements for the year ended 30 June 2010

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The company's principal activity is the selling of its worldwide-patented Mastermailer stationery products, which are manufactured for the company under a separate license agreement.

Overall Review

I am pleased to report another year of recovery for the company following the sweeping management changes of December 2008. Although it has taken longer than we would have wished and cost more than we anticipated to sort out the various legacy issues, we can see an end to those and meanwhile the company has made good progress at the trading level and its future looks promising.

Financial Results

For the year to 30 June 2010 we made a pre-tax profit before exceptional item of £56,368 compared with a loss of £86,049 for the year to June 2009. Although sales declined by 10% to £1,159,421 (2009: £1,282,616) we were able to partially offset the effect of this by improving our gross margin performance to 42.2% from 40.3% previously. Given the harsh economic climate over the year and certain competitive pressures, I feel that our overall trading performance was thus very creditable. Inevitably, however, we continued to incur significant legal costs throughout the year as we endeavoured to protect, and recover where necessary, the group's assets. This led to an exceptional charge of £161,894 (2009: £255,448) and resulted in an overall loss before tax of £105,526 (2009: £341,497).

Litigation

As previously reported to shareholders we have High Court actions running against Christopher Sandison, Stephen Black & Claudia Black and County Court cases against James Black and Emma Stokes. These have recently been put back to the second half of next year at the earliest because the defendants have been granted more time to prepare their defences. As for our action to recover the DataGuard patent we are awaiting a decision from the United Kingdom Intellectual Property Office on our application to join this action with the High Court case mentioned above, which would be the simplest and most cost effective way to resolve this issue.

MASTERMAILER STATIONERY LIMITED FOR THE YEAR ENDED 30 JUNE 2010

REPORT OF THE DIRECTORS continued

Since I last reported on the matters surrounding the Horler patent there have been several developments of note. Although Everseal Stationery Products Ltd (a Black family company) acquired the Horler patent in February of this year, by the end of July it was in irrevocable breach of the contract by which it was paying for it on deferred terms. Accordingly Mr Horler has demanded the return of the patent and Mastermailer has acquired the rights to all outstanding payments due from Everseal under that contract. I am optimistic that all matters relating to this patent can be resolved within the next six months without incurring excessive costs. Meanwhile I am pleased to report that the confusion in the marketplace which the Blacks clearly hoped to create by their actions with this patent seems to have had very little effect on our sales.

As previously advised, our complaint about alleged fraud against Mastermailer by former directors, staff and consultants has been reported to the Police who are currently investigating the matter with great diligence, for which I thank them.

Trading outlook

We are planning to devote more resource over the coming months to the development of the core business now that the bulk of the work to sort out the legacy issues seems to be behind us. Earlier this year we re-launched our website www.mastermailer.co.uk and this has been successful in raising our profile in the industry and generating new business. Apart from seeking to increase our market share in the UK payroll market we are also keen to develop a significant export business and have various initiatives planned for this year in support of that.

The current financial year has started satisfactorily at the trading level. Given that we anticipate much reduced exceptional costs, I am optimistic that we should achieve a net profit before tax and after exceptional costs this year.

In managing the business the directors monitor various key performance indicators with the objective of maintaining or enhancing them wherever possible. The key indicators for the year to 30 June 2010 were:

		2010	2009
Sales growth percentage	%	-9.6	0.8
Gross margin percentage	%	42.2	40.3
Trade debtor days	Days	58	68
Trade creditor days	Days	115	92
Stockholding days	Days	7	11

RISKS AND UNCERTAINTIES

The principal risks to the group which the directors have identified are the trends over time for payslip and other confidential data to be delivered electronically rather than in hard copy form. In addition there is the risk that competing products may be introduced to the market that offer similar functionality to the Mastermailer products at similar or lower cost. The Company will mitigate these risks by seeking new product and market opportunities and by defending its patents vigorously.

Interest rate risk

The Company finances its operations by a mix of interest free advances from its parent company and bank borrowings. The exposure to interest rate fluctuations is therefore limited and so the directors do not believe the Company is materially sensitive to interest rate risk.

Liquidity risk

The Company is exposed to liquidity risk through its normal trading cycle and through the exceptional costs referred to in note 8. The preparation of regular forecasts of the short term and long term funding requirements ensure sufficient liquidity is available for the activities of the Company. Working capital requirements are amply satisfied by the invoice discounting facility while exceptional requirements are met by the parent company.

MASTERMAILER STATIONERY LIMITED
FOR THE YEAR ENDED 30 JUNE 2010

REPORT OF THE DIRECTORS Continued

Currency risk

The Company transacts its business primarily in the UK in GBP and so has very limited exposure to currency risk

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £105,526 (2009 £341,497)

The directors have not recommended payment of a dividend

DIRECTORS

The directors who served during the year were

P Woods
J Perry
P Rogers
A Baldry

PROVISION OF INFORMATION TO AUDITORS

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that

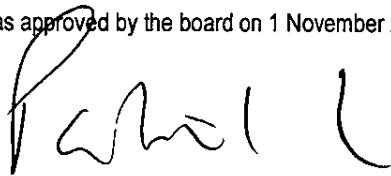
- so far as that director is aware, there is no relevant audit information of which the company and the group's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company and the group's auditors in connection with preparing their report and to establish that the company and the group's auditors are aware of that information

AUDITORS

Kingston Smith LLP were appointed auditors to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting

This report was approved by the board on 1 November 2010 and signed on its behalf

P Rogers
Director



MASTERMAILER STATIONERY LIMITED FOR THE YEAR ENDED 30 JUNE 2010

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MASTERMAILER STATIONERY LIMITED

We have audited the financial statements of Mastermailer Stationery Limited for the year ended 30 June 2010 which comprise the profit and loss account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken for no purpose other than to draw to the attention of the company's members those matters which we are required to include in an auditors' report addressed to them. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the company and company's members as a body, for our work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 3 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Qualified Opinion arising from a limitation of scope

The company was unable during the year ended 30 June 2009 to provide its auditors for that year with sufficient documentation to support the quantum of certain research and development expenditure incurred during that year and additional related party disclosures may also have been required had the quantum of such expenditure been able to be determined. As sufficient appropriate documentation was therefore also not available to us, this limited the scope of our work on the comparative financial information in this respect.

Except for the financial effects of such adjustments and additional disclosures, if any, as might have been found to be necessary had sufficient supporting documentation been available as to the quantum of this expenditure in the comparative financial information, in our opinion the financial statements -

- give a true and fair view of the state of the group's and the parent company's affairs as at 30 June 2010 and of the group's loss for the year,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting practice, and
- have been prepared in accordance with the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**MASTERMAILER STATIONERY LIMITED
FOR THE YEAR ENDED 30 JUNE 2010**

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MASTERMAILER STATIONERY LIMITED Continued

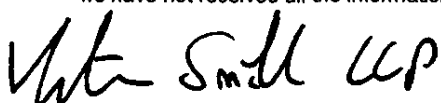
Matters on which we are required to report by exception

In respect solely of the limitation on our work described above in respect of the comparative financial information,

- We have not obtained all the information and explanations that we consider necessary for the purpose of our audit,
- We have been unable to determine whether proper accounting records have been maintained

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Matthew Meadows (Senior Statutory Auditor)
for and on behalf of Kingston Smith LLP, Statutory Auditor

1 November 2010

Devonshire House
60 Goswell Road
London
EC1M 7AD

MASTERMAILER STATIONERY LIMITED
FOR THE YEAR ENDED 30 JUNE 2010

PROFIT AND LOSS ACCOUNT

		£	2010	£	£	2009	£
TURNOVER	2			1,159,421		1,282,616	
Cost of sales				(670,141)		(765,824)	
GROSS PROFIT				<u>489,280</u>		<u>516,792</u>	
Administrative expenses		(415,853)			(569,313)		
Exceptional item	7	<u>(161,894)</u>			<u>(255,448)</u>		
Total administrative expenses				(577,747)		(824,761)	
OPERATING LOSS	3			<u>(88,467)</u>		<u>(307,969)</u>	
Interest payable and similar charges	6			(17,059)		(33,528)	
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION				<u>(105,526)</u>		<u>(341,497)</u>	
Tax on loss on ordinary activities	8			-		-	
LOSS FOR THE FINANCIAL YEAR AFTER TAXATION	15			<u>(105,526)</u>		<u>(341,497)</u>	

All amounts relate to continuing operations

There were no recognised gains and losses for 2010 or 2009 other than those included in the profit and loss account.

The notes on pages 10 to 17 form part of these financial statements

MASTERMAILER STATIONERY LIMITED
FOR THE YEAR ENDED 30 JUNE 2010

REGISTERED NUMBER 04390634 (England and Wales)

BALANCE SHEET

	Notes	£	2010	£	£	2009	£
FIXED ASSETS							
Intangible fixed assets	9			-			29,020
Tangible fixed assets	10			3,970			3,681
				<u>3,970</u>			<u>32,701</u>
CURRENT ASSETS							
Stocks	11	13,279			23,824		
Debtors	12	267,501			294,076		
Cash at bank and in hand		990			19,431		
		<u>281,770</u>			<u>337,331</u>		
CREDITORS							
Amounts falling due within one year	13	(2,474,774)			(2,453,540)		
NET CURRENT LIABILITIES							
				(2,193,004)			(2,116,209)
NET LIABILITIES							
				<u>(2,189,034)</u>			<u>(2,083,508)</u>
CAPITAL AND RESERVES							
Called up share capital	14			2,400			2,400
Profit and loss account	15			(2,191,434)			(2,085,908)
SHAREHOLDERS' DEFICIT							
	16			<u>(2,189,034)</u>			<u>(2,083,508)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 1 November 2010



J Perry

Director

The notes on pages 10 to 17 form part of these financial statements

MASTERMAILER STATIONERY LIMITED
FOR THE YEAR ENDED 30 JUNE 2010

NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and are in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently

Going concern

The accounts have been prepared on the basis that the group will continue as a going concern for the foreseeable future. The directors have prepared projected cash flow information for the period ending 30 June 2012 and on the basis of this information the directors are satisfied that the group should be able to continue to trade profitably in the future and has adequate resources to meet its working capital requirements. The Company has also received confirmation that its parent company will continue to support it.

Cash flow

The company, being a subsidiary undertaking where 90% or more of the voting rights are controlled within the group whose consolidated financial statements are publicly available, is exempt from the requirement to draw up a cash flow statement in accordance with FRS 1.

Turnover

Turnover is measured at the fair value of the consideration received or receivable for goods and services supplied in the normal course of business, net of trade discounts and value added tax.

Sales of goods or services are recognised when they have been supplied.

Intangible fixed assets and amortisation

Intangible fixed assets are valued at cost less amortisation and impairment. Amortisation is calculated to write off the cost in equal installments over their estimated useful life.

Amortisation is provided at the following rates:

Patents	-	5% on a straight line basis
Development expenditure	-	10% on a straight line basis

Development expenditure is only amortised where the product is fully developed and brought into commercial use.

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 of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Office furniture and equipment	-	25% on a reducing balance basis
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Operating leases

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

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks.

MASTERMAILER STATIONERY LIMITED
FOR THE YEAR ENDED 30 JUNE 2010

NOTES TO THE FINANCIAL STATEMENTS continued

Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse

Research and development

Development costs are capitalised within intangible assets where they can be identified with a specific product or project anticipated to produce future benefits, and are amortised on the straight line basis over the anticipated life of the benefits arising from the completed product or project

Deferred research and development costs are reviewed annually, and where future benefits are deemed to have ceased or to be in doubt, the balance of any related research and development is written off to the profit and loss account

Government grants

Government grants relating to tangible fixed assets are treated as deferred income and released to the profit and loss account over the expected useful lives of the assets concerned. Other grants are credited to the profit and loss account as the related expenditure is incurred. Where conditions attach to the grant the income is deferred until these conditions are met

Invoice discounting

The Company discounts its trade invoices with amounts receivable included within trade debtors due within one year and cash advances within bank loans and overdrafts due within one year. The debts are with full recourse and the accounting treatment in accordance with FRS 5 is to present the debtors and the liability separately. Discounting fees and interest are charged to the profit and loss when incurred

Preference shares

The preference shares in issue are redeemable and as such we consider that there is a contractual obligation to repay the capital introduced and have therefore disclosed these as a liability rather than equity

2 TURNOVER

The whole of the turnover is attributable to selling stationery products

A geographical analysis of turnover is as follows

	2010 £	2009 £
United Kingdom	1,159,421	1,277,811
Rest of World	-	4,805
	<u>1,159,421</u>	<u>1,282,616</u>

MASTERMAILER STATIONERY LIMITED
FOR THE YEAR ENDED 30 JUNE 2010

NOTES TO THE FINANCIAL STATEMENTS continued

3 OPERATING LOSS

The operating loss is stated after charging

	2010 £	2009 £
Amortisation – intangible fixed assets	12,003	12,003
Depreciation of tangible fixed assets owned by the company	1,134	1,123
Auditors' remuneration	14,500	15,540
Fees payable to the company auditor for non audit services	2,300	27,690
Operating lease rentals – other operating leases	44,344	17,629
Exceptional administrative expenses	<u>161,894</u>	<u>255,448</u>

4 STAFF COSTS

Staff costs, including directors' remuneration, were as follows

	2010 £	2009 £
Wages and salaries	149,610	144,690
Social security costs	<u>15,963</u>	<u>12,587</u>
	<u>165,573</u>	<u>157,277</u>

The average monthly number of employees, including the directors, during the year was as follows

	2010 No.	2009 No.
Administration and selling	<u>4</u>	<u>5</u>

5 DIRECTORS' REMUNERATION

	2010 £	2009 £
Emoluments	<u>111,410</u>	<u>97,885</u>

During the year the company paid Wharton Corporate Development £nil (2009 £15,341) in respect of the services of Mr P Rogers as a non-executive director. Mr Rogers is a director of Mastermailer Stationery Ltd.

6 INTEREST PAYABLE

	2010 £	2009 £
On bank loans and overdrafts	919	9,697
On other loans	16,120	22,793
Other interest payable	<u>20</u>	<u>1,038</u>
	<u>17,059</u>	<u>33,528</u>

MASTERMAILER STATIONERY LIMITED
FOR THE YEAR ENDED 30 JUNE 2010

NOTES TO THE FINANCIAL STATEMENTS continued

7 EXCEPTIONAL ITEMS

	2010 £	2009 £
Impairment of intangibles	-	66,787
Net write off of invalid accounting ledger balances	-	155,163
Professional fees	161,894	33,498
	<u>161,894</u>	<u>255,448</u>

The professional fees incurred during the current and prior year are ongoing and in respect of actions taken to recover assets that are alleged to have been misappropriated by the previous directors

8 TAXATION

	2010 £	2009 £
ANALYSIS OF TAX CHARGE/(CREDIT) IN THE YEAR		
CURRENT TAX	-	-
DEFERRED TAX		
Origination and reversal of timing differences	-	-
TAX ON LOSS ON ORDINARY ACTIVITIES	-	-

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is higher than (2009 higher than) the standard rate of corporation tax in the UK (21%) The differences are explained below

	2010 £	2009 £
Loss on ordinary activities before tax	(105,526)	(341,497)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of (21%) (2009 21%)	(22,160)	(71,714)
EFFECTS OF		
Expenses not deductible for tax purposes	542	33,629
Depreciation in excess of capital allowances for the year	1,926	11,242
Utilisation of tax losses	19,692	26,843
CURRENT TAX CHARGE/(CREDIT) FOR THE YEAR	-	-

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

At 30 June 2010 the company had tax losses carried forward of £722,194 (2009 £628,422)

A deferred tax asset of £150,359 (2009 £133,865) has not been recognized within the financial statements on the grounds that there is insufficient evidence that the amount would be recoverable

Due to the ongoing legal cases, referred to in note 7, it is possible the tax losses may require amendment if further detail comes to light regarding the company's historical expenditure

MASTERMAILER STATIONERY LIMITED
FOR THE YEAR ENDED 30 JUNE 2010

NOTES TO THE FINANCIAL STATEMENTS continued

9 INTANGIBLE FIXED ASSETS

	Patents and trademarks £	Deferred development expenditure £	Totals £
COST			
At 1 July 2009	250,882	618,755	869,637
Disposals	(250,882)	-	(250,882)
At 30 June 2010	-	618,755	618,755
AMORTISATION			
At 1 July 2009	221,862	618,755	840,617
Charge for the year	12,003	-	12,003
Eliminated on disposal	(233,865)	-	(233,865)
At 30 June 2010	-	618,755	618,755
NET BOOK VALUE			
At 30 June 2010	-	-	-
At 30 June 2009	29,020	-	29,020

The directors have conducted a review of intangible fixed assets, as a result of which, the assets were impaired at 30 June 2009 and 2010. This has resulted in a reduction in the carrying value of patents and deferred development expenditure.

10. TANGIBLE FIXED ASSETS

	Office furniture and equipment £
COST	
At 1 July 2009	6,712
Additions	1,423
Disposals	-
At 30 June 2010	8,135
DEPRECIATION	
At 1 July 2009	3,031
Charge for the year	1,134
Eliminated on disposal	-
At 30 June 2010	4,165
NET BOOK VALUE	
At 30 June 2010	3,970
At 1 July 2009	3,681

MASTERMAILER STATIONERY LIMITED
FOR THE YEAR ENDED 30 JUNE 2010

NOTES TO THE FINANCIAL STATEMENTS continued

11 STOCKS

	2010 £	2009 £
Finished goods and goods for resale	<u>13,279</u>	<u>23,824</u>

12 DEBTORS

	2010 £	2009 £
Trade debtors	212,623	275,777
Other debtors	54,878	18,299
	<u>267,501</u>	<u>294,076</u>

13 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	2010 £	2009 £
Bank loans and overdraft	170,093	-
Trade creditors	373,204	370,500
Amounts owed to group undertakings	736,156	780,074
Taxation and social security	7,926	4,311
Other creditors	340,610	498,655
Accruals and deferred income	46,785	-
Share capital treated as debt	800,000	800,000
	<u>2,474,774</u>	<u>2,453,540</u>

Disclosure of the terms and conditions attached to the non-equity shares are made in note 14

Borrowings included in bank loans and overdrafts are secured on the assets of the company by fixed and floating charges registered on 20 May 2008 and 1 August 2008 by our bankers. These borrowings are all repayable on demand and have variable interest rates of 2.5% to 4.65% above bank base rate.

Included in other creditors is deferred grant income for which we have no maturity profile and so it has been treated as repayable on demand. There is no interest chargeable in respect of these liabilities.

We have considered the exposure of the financial instruments included above to interest rate risk, liquidity risk and currency risk and comments as follows:

Interest rate risk

The Company finances its operations by a mix of interest free advances from its parent company and bank borrowings. The exposure to interest rate fluctuations is therefore limited and so the directors do not believe the Company is materially sensitive to interest rate risk.

MASTERMAILER STATIONERY LIMITED
FOR THE YEAR ENDED 30 JUNE 2010

NOTES TO THE FINANCIAL STATEMENTS continued

Liquidity risk

The Company is exposed to liquidity risk through its normal trading cycle and through the exceptional costs referred to in note 8. The preparation of regular forecasts of the short term and long term funding requirements ensure sufficient liquidity is available for the activities of the Company. Working capital requirements are amply satisfied by the invoice discounting facility while exceptional requirements are met by the parent company.

Currency risk

The Company transacts its business primarily in the UK in GBP and so has very limited exposure to currency risk.

14 SHARE CAPITAL

	2010 £	2009 £
SHARES CLASSIFIED AS CAPITAL		
AUTHORISED, ALLOTTED, CALLED UP AND FULLY PAID		
2,400 Ordinary shares of £1 each	<u>2,400</u>	<u>2,400</u>
	2010 £	2009 £
SHARES CLASSIFIED AS DEBT		
AUTHORISED, ALLOTTED, CALLED UP AND FULLY PAID		
800,000 Preference shares of £1 each	<u>800,000</u>	<u>800,000</u>

The preference shares carry no right to receive a dividend. On winding up of the company the holder is entitled to receive the par value of the shares. The preference shares were due to be redeemed at par value on 30 June 2007. The preference shares were not redeemed at that date as the company did not have sufficient distributable reserves.

15. RESERVES

	Profit and loss account £
At 1 July 2009	(2,085,908)
Loss for the year	(105,526)
At 30 June 2010	<u>(2,191,434)</u>

MASTERMAILER STATIONERY LIMITED
FOR THE YEAR ENDED 30 JUNE 2010

NOTES TO THE FINANCIAL STATEMENTS continued

16 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' DEFICIT

	2010 £	2009 £
Opening shareholders' deficit	(2,083,508)	(1,709,471)
Prior year adjustments	-	(32,540)
Opening shareholders' deficit	<u>(2,083,508)</u>	<u>(1,742,011)</u>
Loss for the year	(105,526)	(341,497)
Closing shareholders' deficit	<u>(2,189,034)</u>	<u>(2,083,508)</u>

The prior year adjustment relates to Mastermailer Stationery Ltd and the discovery of a substantial number of supplier invoices after the completion of the financial statement for the year ended 30 June 2008. This resulted in an understatement of trade creditors as at 30 June 2008 and the loss for the year then ended.

17 COMMITMENTS UNDER OPERATING LEASES

At 30 June 2010 the company had commitments under non-cancellable operating leases as follows

	2010 £	2009 £
Land and buildings		
Expiring within one year	<u>18,450</u>	<u>21,600</u>

18. TRANSACTIONS WITH DIRECTORS

During the year the company paid rent of £30,000 (2009 £12,500) to Mr P Rogers, a director of the company in the period, for the use of his London Premises.

19 RELATED PARTY DISCLOSURES

As at 30 June 2010 the amount due to Mastermailer Holdings Plc, ultimate parent undertaking, included in creditors was £736,156 (2009 £786,074). The Company has taken advantage of FRS8 and has not disclosed intra group transactions in these accounts.

In the opinion of the directors in the year ended 30 June 2009 there may be additional related party transactions with ex-directors and companies associated with them which it has not been possible to quantify.

20. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The company is a wholly owned subsidiary of Mastermailer Holdings Plc, a public limited company registered in England and Wales whose shares are listed on the London PLUS market. The parent company does not have an ultimate controlling party.