# WELLOW BUSINESS SERVICES LIMITED

# DIRECTORS' REPORT AND ACCOUNTS

# FOR THE YEAR ENDED 30TH APRIL 2002

**Company No. 3558421**




Rothman Pantall & Co

Chartered Accountants

Winchester

# WELLOW BUSINESS SERVICES LIMITED

## COMPANY INFORMATION

| | |
|---|---|
| **Directors** | JS Biggs<br>MJC Biggs |
| **Secretary** | JS Biggs |
| **Company number** | 3558421 |
| **Registered office** | Furze Cottage<br>Ryedown Lane<br>East Wellow<br>Romsey<br>SO51 6BD |
| **Auditors** | Rothman Pantall & Co<br>Avebury House<br>6 St Peter Street<br>Winchester<br>Hampshire<br>SO23 8BN |
| **Bankers** | Lloyds TSB Bank<br>5 The Square<br>Petersfield<br>Hampshire<br>GU32 3HL |

# WELLOW BUSINESS SERVICES LIMITED

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# WELLOW BUSINESS SERVICES LIMITED

## DIRECTORS' REPORT

## FOR THE YEAR ENDED 30TH APRIL 2002

The directors present their report and the audited accounts for the company for the year ended 30th April 2002.

### Principal Activities

The principal activity of the Company during the year was the provision of fulfillment services to corporations, resellers and personal purchasers.

### Results and dividends

The results for the year are set out in the profit and loss account on page 5.

The directors consider the profit achieved on all activities before taxation to be £759,779. Profit achieved from ordinary activities before taxation amounted to £438,340 (2001 £270,078) whilst exceptional profit arising from subsidiary investments amounted to £321,439 (2001 £nil).

The directors consider the state of the company's affairs to be satisfactory.

### Dividends

The directors do not recommend a dividend.

### Directors and their interests

The directors who held office during the year and their beneficial interests in the company's issued share capital are given below:

| Name of director | Share type | At 30th April 2002 | At 1st May 2001 |
|---|---|---|---|
| JS Biggs | A Ordinary shares | 74 | 74 |
| | C Ordinary shares | 60 | - |
| MJC Biggs | B Ordinary shares | 26 | 26 |

### Issue of shares

On 30th April 2002 the company issued 60 C Ordinary shares to the director JS Biggs. The consideration for these shares was the transfer to the company of 2 ordinary shares in Wellow Management Services Limited held by JS Biggs.

### Introduction of the Euro

The company has a number of customers and suppliers within the European Union. Consequently the company has been handling transactions in euros during the year.

The company is continuing to monitor the impact of Economic Monetary Union on its activities. The company does not expect the costs or benefits from the introduction of the euro to have a material effect on the company's trading performance for the forseeable future.

# WELLOW BUSINESS SERVICES LIMITED

## DIRECTORS' REPORT

## FOR THE YEAR ENDED 30TH APRIL 2002

### Statement of directors' responsibilities

Company law requires the directors to prepare accounts 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 for that year. In preparing those accounts 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 accounts 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 enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Auditors

A resolution to re-appoint Rothman Pantall & Co Chartered Accountants and Registered Auditors as auditors will be put to the members at the Annual General Meeting.

By order of the Board

**JS Biggs, Director**
**30th July 2002**
Furze Cottage
Ryedown Lane
East Wellow
Romsey
SO51 6BD

# INDEPENDENT AUDITORS' REPORT TO THE

# SHAREHOLDERS OF WELLOW BUSINESS SERVICES LIMITED

We have audited the accounts of Wellow Business Services Limited for the year ended 30th April 2002 on pages 5 to 15. These accounts have been prepared under the historical cost convention and the accounting policies set out on pages 8 and 9.

## Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the accounts in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts 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 accounts, 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 contained in the Annual 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

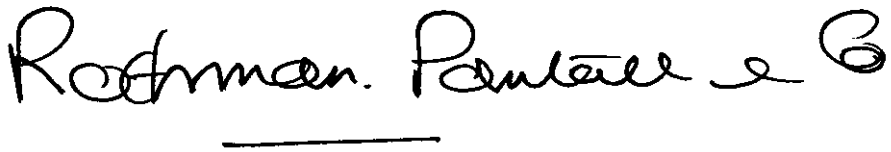
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error.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

# INDEPENDENT AUDITORS' REPORT TO THE

# SHAREHOLDERS OF WELLOW BUSINESS SERVICES LIMITED

## Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 30th April 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Rothman Pantall & Co**
Chartered Accountants and Registered Auditors
Avebury House
6 St Peter Street
Winchester
Hampshire
SO23 8BN
Date: 2nd August 2002

# WELLOW BUSINESS SERVICES LIMITED

## PROFIT AND LOSS ACCOUNT

## FOR THE YEAR ENDED 30TH APRIL 2002

| | Notes | 2002 £ | *2001 £* |
|---|---|---|---|
| **Turnover** | 2 | **7,890,951** | *5,105,746* |
| Cost of sales | | **(7,145,513)** | *(4,583,671)* |
| **Gross profit** | | **745,438** | *522,075* |
| Administrative expenses | | **(299,785)** | *(259,007)* |
| **Operating profit** | 3 | **445,653** | *263,068* |
| Exceptional income from subsidiary investments | 4 | **321,439** | - |
| | | **767,092** | *263,068* |
| Interest receivable | 5 | **954** | *7,614* |
| Interest payable and similar charges | 6 | **(8,267)** | *(604)* |
| **Profit on ordinary activities before taxation** | | **759,779** | *270,078* |
| Tax on profit on ordinary activities | 8 | **(130,766)** | *(75,519)* |
| **Profit for the financial year** | | **629,013** | *194,559* |
| **Retained profit brought forward** | | **358,651** | *164,092* |
| **Retained profit carried forward** | | **987,664** | *358,651* |

Profit on ordinary activities before taxation includes £321,439 (2001 £nil) of exceptional income from subsidiary investments. Profit arising on main trading activities amounted to £438,340 (2001 £270,078).

All amounts relate to continuing activities.

There were no recognised gains or losses for 2002 or 2001 other than those included in the profit and loss account.

# WELLOW BUSINESS SERVICES LIMITED

## BALANCE SHEET

## AS AT 30TH APRIL 2002

| | Notes | £ | 2002 £ | £ | *2001* *£* |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Intangible assets | 9 | | **120,000** | | *140,000* |
| Tangible assets | 10 | | **16,354** | | *22,044* |
| Investments | 11 | | **60** | | *-* |
| | | | **136,414** | | *162,044* |
| **Current assets** | | | | | |
| Stocks | 13 | **356,279** | | *352,648* | |
| Debtors | 14 | **1,276,739** | | *881,024* | |
| Cash at bank and in hand | | **-** | | *54,240* | |
| | | **1,633,018** | | *1,287,912* | |
| **Creditors: amounts falling due within one year** | 15 | **(693,152)** | | *(757,394)* | |
| **Net current assets** | | | **939,866** | | *530,518* |
| **Total assets less current liabilities** | | | **1,076,280** | | *692,562* |
| **Creditors: amounts falling due after more than one year** | 16 | | **(88,456)** | | *(333,811)* |
| | | | **987,824** | | *358,751* |
| **Capital and reserves** | | | | | |
| Share capital | 18 | | **160** | | *100* |
| Profit and loss account | | | **987,664** | | *358,651* |
| **Shareholders' funds** | 19 | | **987,824** | | *358,751* |

These accounts were approved by the board on 30th July 2002 and signed on its behalf by:

**JS Biggs**
Director

*The notes on pages 8 to 15 form part of these accounts.*

# WELLOW BUSINESS SERVICES LIMITED

## CASH FLOW STATEMENT

## FOR THE YEAR ENDED 30TH APRIL 2002

| | Notes | 2002 | 2001 |
|---|---|---|---|
| | | £ | £ |
| **Reconciliation of operating profit to net cash flow from operating activities** | | | |
| Operating profit | | **445,653** | *263,068* |
| Depreciation | | **8,656** | *11,594* |
| Amortisation of intangible fixed assets | | **20,000** | *20,000* |
| Profit on sale of fixed assets | | **(255)** | - |
| Increase/Decrease in stocks | | **(3,631)** | *18,379* |
| Increase in debtors | | **(395,715)** | *(296,733)* |
| Decrease/Increase in creditors | | **(399,598)** | *32,315* |
| **Net cash outflow/inflow from operating activities** | | **(324,890)** | *48,623* |

### CASH FLOW STATEMENT

| | | | |
|---|---|---|---|
| **Net cash outflow/inflow from operating activities** | | **(324,890)** | *48,623* |
| **Returns on investments and servicing of finance** | 22 | **314,126** | *7,010* |
| **Taxation** | | **(75,525)** | *(35,811)* |
| **Capital expenditure and financial investment** | 22 | **(2,770)** | *(7,652)* |
| **Cash outflow/inflow before use of liquid resources and financing** | | **(89,059)** | *12,170* |
| **Financing** | 22 | **60** | - |
| **Decrease/Increase in cash** | | **(88,999)** | *12,170* |

### Reconciliation of net cash flow to movement in net debt

| | | | |
|---|---|---|---|
| **Decrease/Increase in cash in the year** | | **(88,999)** | *12,170* |
| Cash outflow from decrease in net debt and lease financing | 23 | **245,355** | *47,347* |
| **Decrease in net debt** | | **156,356** | *59,517* |
| **Net debt at 1st May 2001** | 23 | **(279,571)** | *(339,089)* |
| **Net debt at 30th April 2002** | | **(123,215)** | *(279,572)* |

*The notes on pages 8 to 15 form part of these accounts.*

## 1 Accounting policies

### Basis of accounting

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

### Consolidation

The accounts contain information about Wellow Business Services Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under section 248 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as the group it heads qualifies as a medium-sized group.

### Turnover

Turnover comprises the value of sales excluding value added tax and trade discounts.

### Investment income

Investment income comprises dividends and interest and is accounted for on a receivable basis.

### Tangible fixed assets and depreciation

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets other than freehold land by equal annual instalments over their expected useful lives. The rates and periods generally applicable are:

| | |
|---|---|
| Tenant Improvements | Over 9 years |
| Motor vehicles | Over 5 years |
| Fixtures, fittings and equipment | Over 8 years |
| Computer equipment | Over 3 years |
| Computer software | Over 2 years |

### Investments

Investments are included at cost less amounts written off. Profits or losses arising from disposals of fixed asset investments are treated as part of the result from ordinary activities.

### Goodwill

Purchased goodwill is amortised on a straight-line basis over its estimated useful economic life of 10 years.

### Stocks

Stocks are stated at the lower of cost and net realisable value.

**Deferred taxation**

Deferred tax is provided for under the liability method using the tax rates estimated to arise when the timing differences reverse and is accounted for to the extent that it is probable that a liability or asset will crystallise.

**Foreign currencies**

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. All exchange differences are dealt with through the profit and loss account.

## 2 Turnover

The percentage of turnover attributable to overseas markets was 3% (2001: 4%).

## 3 Operating profit

| *The operating profit is arrived at after charging:* | **2002** | *2001* |
|---|---|---|
| | **£** | *£* |
| Depreciation of tangible fixed assets: | | |
| -owned assets | **8,656** | *11,594* |
| Amortisation of intangible fixed assets | **20,000** | *20,000* |
| Profit on disposal of fixed assets | **(255)** | - |
| Auditors' remuneration | **3,200** | *3,000* |

## 4 Exceptional income from subsidiary investments

| | **2002** | *2001* |
|---|---|---|
| | **£** | *£* |
| Unlisted shares in group undertakings | **321,439** | - |
| | **321,439** | - |

Following the acquisition of 100% of the issued share capital of Wellow Management Services Limited, the above exceptional income was received by the company. This represents the appropriation of income earned by Wellow Management Services Limited.

## 5 Interest receivable

| | **2002** | *2001* |
|---|---|---|
| | **£** | *£* |
| Bank interest receivable | **939** | *7,597* |
| Other interest receivable | **15** | *17* |
| | **954** | *7,614* |

## 6 Interest payable

| | **2002** | *2001* |
|---|---|---|
| | **£** | *£* |
| Bank Interest | **8,267** | *604* |
| | **8,267** | *604* |

## 7 Directors and employees

Staff costs, including directors' remuneration, were as follows:

| | 2002 | *2001* |
|---|---|---|
| | £ | *£* |
| Wages and salaries | **81,579** | *69,035* |
| Social security costs | **6,272** | *5,644* |
| Other costs | **-** | *2,575* |
| | **87,851** | *77,254* |

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

| | 2002 | *2001* |
|---|---|---|
| | Number | *Number* |
| Management | **1** | *1* |
| Administration | **5** | *4* |
| | **6** | *5* |

Directors' emoluments

| | 2002 | *2001* |
|---|---|---|
| | £ | *£* |
| Aggregate emoluments | **41,143** | *39,072* |
| | **41,143** | *39,072* |

## 8 Taxation

| | 2002 | *2001* |
|---|---|---|
| | £ | *£* |
| Based on the profit for the year: | | |
| UK corporation tax at 30% (2001 20%) | **130,760** | *75,519* |
| | **130,760** | *75,519* |
| Prior periods | | |
| UK corporation tax | **6** | *-* |
| | **130,766** | *75,519* |

## 9 Intangible fixed assets

| | Goodwill £ | Total £ |
|---|---|---|
| **Cost** | | |
| At 1st May 2001 | 200,000 | 200,000 |
| **At 30th April 2002** | **200,000** | **200,000** |
| **Amortisation** | | |
| At 1st May 2001 | 60,000 | 60,000 |
| Provided during the year | 20,000 | 20,000 |
| **At 30th April 2002** | **80,000** | **80,000** |
| **Net book value** | | |
| **At 30th April 2002** | **120,000** | **120,000** |
| *At 30th April 2001* | *140,000* | *140,000* |

## 10 Tangible fixed assets

| | Tenant Improve-ments | Motor vehicles | Fixtures, fittings & equipment | Computer equipment | Computer Software | Total |
|---|---|---|---|---|---|---|
| **Cost** | **£** | **£** | **£** | **£** | **£** | **£** |
| At 1st May 2001 | 4,948 | 13,043 | 16,253 | 19,474 | 1,165 | 54,883 |
| Additions | - | - | 1,995 | 715 | 255 | 2,965 |
| Disposals | - | - | (383) | - | - | (383) |
| **At 30th April 2002** | **4,948** | **13,043** | **17,865** | **20,189** | **1,420** | **57,465** |
| **Depreciation** | | | | | | |
| At 1st May 2001 | 1,101 | 7,826 | 7,579 | 15,399 | 933 | 32,838 |
| Charge for the year | 551 | 2,608 | 2,145 | 2,992 | 360 | 8,656 |
| Disposals | - | - | (383) | - | - | (383) |
| **At 30th April 2002** | **1,652** | **10,434** | **9,341** | **18,391** | **1,293** | **41,111** |
| **Net book value** | | | | | | |
| **At 30th April 2002** | **3,296** | **2,609** | **8,524** | **1,798** | **127** | **16,354** |
| *At 30th April 2001* | *3,847* | *5,217* | *8,674* | *4,075* | *232* | *22,045* |

## 11 Fixed asset investments

| | Shares in group undertakings | Total |
|---|---|---|
| **Cost** | **£** | **£** |
| Additions | 60 | 60 |
| **At 30th April 2002** | **60** | **60** |
| **Net book value** | | |
| **At 30th April 2002** | **60** | **60** |
| *At 30th April 2001* | - | - |

On 30th April 2002 the company acquired 2 ordinary shares in Wellow Management Services Limited, a company registered in England and Wales. This represents 100% of the issued share capital.

## 12 Shares in group undertakings

| Name of company and registered office | Country of incorporation | Details of investments | Proportion held by company | Proportion held by subsidiary | Nature of business |
|---|---|---|---|---|---|
| Wellow Management Services Ltd | England | Ordinary shares | 100% | - | Provision of management services |

The capital and reserves and profit or loss for the subsidiary before taxation as at its financial year ending with the financial year of the holding company were as follows :

| | Profit/(loss) for the year | Capital and reserves |
|---|---|---|
| | £ | £ |
| | 134,291 | 2 |

## 13 Stocks

| | 2002 | *2001* |
|---|---|---|
| | £ | *£* |
| Stocks | **356,279** | *352,648* |

## 14 Debtors

| | 2002 | *2001* |
|---|---|---|
| | £ | *£* |
| Trade debtors | **1,247,502** | *839,478* |
| Other debtors | **24,738** | *38,102* |
| Prepayments and accrued income | **4,499** | *3,444* |
| | **1,276,739** | *881,024* |

## 15 Creditors: amounts falling due within one year

| | 2002 | *2001* |
|---|---|---|
| | £ | *£* |
| Bank overdrafts (Note 17) | **34,760** | - |
| Trade creditors | **338,867** | *488,720* |
| Corporation tax | **130,760** | *75,519* |
| Other creditors | **183,965** | *180,483* |
| Accruals and deferred income | **4,800** | *12,672* |
| | **693,152** | *757,394* |

## 16 Creditors: amounts falling due after more than one year

| | 2002 | *2001* |
|---|---|---|
| | £ | *£* |
| Amounts owed to subsidiary undertakings (Note 17) | **37,804** | *234,706* |
| Directors' loans | **50,652** | *99,105* |
| | **88,456** | *333,811* |

## 17 Loans and borrowings

| | 2002 | *2001* |
|---|---|---|
| | £ | *£* |
| **Analysis of loans** | | |
| Bank loans and overdraft | **34,760** | - |
| Directors' loans | **50,652** | *99,105* |
| Amounts owed to subsidiary undertakings | **37,804** | *234,706* |
| | **123,216** | *333,811* |
| **Maturity of debt** | | |
| In one year or less, or on demand | **34,760** | - |
| In more than one year, but not more than two years | **88,456** | *333,811* |
| | **123,216** | *333,811* |

## 18 Share capital

| | 2002 | *2001* |
|---|---|---|
| | £ | *£* |
| **Authorised** | | |
| **Equity shares** | | |
| 500 A Ordinary shares of £1.00 each | **500** | *500* |
| 500 B Ordinary shares of £1.00 each | **500** | *500* |
| 60 C Ordinary shares of £1.00 each | **60** | *-* |
| | **1,060** | *1,000* |
| **Allotted** | | |
| **Equity shares** | | |
| 74 Allotted, called up and fully paid A ordinary shares of £1.00 each | **74** | *74* |
| 26 Allotted, called up and fully paid B ordinary shares of £1.00 each | **26** | *26* |
| 60 Allotted, called up and fully paid C ordinary shares of £1.00 each | **60** | *-* |
| | **160** | *100* |

The A and B shares have equal rights. The C shares have no voting rights but will be entitled to the first £374,000 of proceeds in the event of the sale or liquidation of the company. In all other respects, the C shares rank pari passu with the existing ordinary shares in the company.

## 19 Reconciliation of movement in shareholders' funds

| | 2002 | *2001* |
|---|---|---|
| | £ | *£* |
| Profit for the financial year | **629,013** | *194,559* |
| Issue of share capital | **60** | *-* |
| Increase in the shareholders' funds | **629,073** | *194,559* |
| Opening shareholders' funds | **358,751** | *164,192* |
| Closing shareholders' funds | **987,824** | *358,751* |

Profit for the financial year incorporates profits earned on ordinary activities and exceptional income from subsidiary investments.

## 20 Ultimate controlling party

The ultimate controlling party throughout the period was the director JS Biggs.

## 21 Related parties

During the year the Company paid a fee of £135,000 (2001 £100,000) for management services to Wellow Management Services Limited, a wholly owned subsidiary. Included within Creditors due after one year is £37,804 (2001 £234,706) owed to Wellow Management Services Limited.

Creditors due after one year includes £50,652 (2001 £99,105) owed to the director JS Biggs.

## 22 Gross cash flows

| | 2002 £ | *2001 £* |
|---|---|---|
| **Returns on investments and servicing of finance** | | |
| Interest received | **954** | *7,614* |
| Income from investments | **321,439** | - |
| Interest paid | **(8,267)** | *(604)* |
| | **314,126** | *7,010* |
| **Capital expenditure and financial investment** | | |
| Payments to acquire tangible fixed assets | **(2,965)** | *(7,652)* |
| Proceeds from the sale of tangible fixed assets | **255** | - |
| Purchase of investments | **(60)** | - |
| | **(2,770)** | *(7,652)* |
| **Financing** | | |
| Issue of shares | **60** | - |
| | **60** | - |

## 23 Analysis of changes in net debt

| | 2001 £ | Cash flows £ | 2002 £ |
|---|---|---|---|
| Cash at bank and in hand | 54,240 | (54,240) | - |
| Overdrafts | - | (34,760) | (34,760) |
| | 54,240 | (89,000) | (34,760) |
| Debt due after one year | (333,811) | 245,355 | (88,456) |
| | **(279,571)** | **156,355** | **(123,216)** |