

MUSCLE ENVELOPE COMPANY LIMITED

Company Registration Number 3950310

Report & Financial Statements 2000



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06/04/01

Brown Butler
Chartered Accountants
Leeds

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Muscle Envelope Company Limited

Officers and Professional Advisers

Directors	A S Gill J Gill J R Croisdale M J Williamson S Gill
Secretary	J Gill
Registered Office	York House Wetherby Road Long Marston York YO26 7NH
Company Registration Number	3950310
Registered Auditor	Brown Butler Chartered Accountants Yorkshire Bank Chambers Infirmary Street Leeds LS1 2JT
Bankers	National Westminster Bank Plc 8 Park Row Leeds LS1 1QS
Solicitors	Eversheds Cloth Hall Court Infirmary Street Leeds LS1 2JB

Muscle Envelope Company Limited

Directors' Report

The directors present their report and the audited financial statements for the period 17 March 2000 to 30 November 2000.

1. Incorporation and principal activity

The principal activity of the company is the supply of high quality tear-resistant envelopes.

The company was incorporated on 17 March 2000 and commenced trading on 1 December 2000.

2. 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 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 to operate.

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 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.

3. Directors and their interests

The present composition of the board is set out on page 2.

The directors who held office during the period and their interests in the shares of the company are as set out below:-

	Ordinary shares of 1p each	
	30 November 2000	17 March 2000
A S Gill	-	-
J Gill	-	-
J R Croisdale	30,000	-
M J Williamson	20,000	-
S Gill	20,000	-

AS Gill and J Gill were both appointed to the board of directors on 17 March 2000. JR Croisdale and MJ Williamson were appointed on 22 September 2000, whilst S Gill was appointed on 12 October 2000.

The interests of the directors in the shares of the parent company are given in the financial statements of that company.

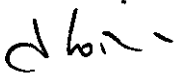
Muscle Envelope Company Limited

Directors' Report

4. Auditors

Brown Butler 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.

By order of the Board


J Gill
Secretary

9 March 2001

Muscle Envelope Company Limited

Auditor's Report to the Shareholders of Muscle Envelope Company Limited

We have audited the financial statements on pages 6 to 8 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described in the directors' report the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 November 2000 and have been properly prepared in accordance with the Companies Act 1985.

Yorkshire Bank Chambers
Infirmary Street
Leeds
LS1 2JT

9 March 2001



Brown Butler
Chartered Accountants
and Registered Auditor

Muscle Envelope Company Limited

Balance Sheet
30 November 2000

	Note	£
Fixed assets		
Intangible assets	2	4,380
Tangible assets	3	1,029
		<u>5,409</u>
Current assets		
Debtors	4	34,789
Cash at bank		10,900
		<u>45,689</u>
Creditors: amounts falling due within one year	5	<u>40,198</u>
Net current assets		<u>5,491</u>
Total assets less current liabilities		<u>10,900</u>
Capital and reserves		
Called up equity share capital	6	10,900
Shareholders' funds	7	<u>10,900</u>

These financial statements were approved by the board on 9 March 2001.

A S Gill

J Gill

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[Handwritten signatures]

Directors

The notes on pages 7 and 8 form part of these financial statements.

Muscle Envelope Company Limited

Notes to the Financial Statements

Period 17 March 2000 to 30 November 2000

1 Accounting policies

(a) Accounting convention

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

(b) Trademarks

Trademarks are valued at cost less accumulated amortisation. No amortisation has been charged since the trademarks have not yet been brought into use

(c) Depreciation

Depreciation of tangible fixed assets is provided on cost over their estimated useful lives. The annual rates and methods of depreciation are as follows:-

Plant and machinery	10% straight line basis
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(d) Cash flow statement

The company is a wholly owned subsidiary of a company registered in England. The directors have taken advantage of the exemption under FRS 1 not to prepare a cash flow statement.

2 Intangible assets

	Trademarks £
Cost	
Additions	4,380
	<u> </u>

3 Tangible assets

	Plant and machinery £
Cost	
Additions	1,029
	<u> </u>

4 Debtors

	30 11 00 £
Other debtors	440
Prepayments	34,349
	<u> </u>
	<u>34,789</u>

Muscle Envelope Company Limited

Notes to the Financial Statements

Period 17 March 2000 to 30 November 2000

5 Creditors

Amounts falling due within one year:-

30 11 00
£

Amounts owed to group undertakings

40,198

40,198

6 Called up equity share capital

30 11 00
£

Authorised

10,000,000 Ordinary shares of 1p each

100,000

Allotted, called up and fully paid

Ordinary shares of 1p each

Issued during the period

10,900

On incorporation one ordinary shares of £1 each was issued at par. On 26 September 2000 the authorised share capital of the company was subdivided into 10,000,000 ordinary shares of 1p each from the original figure of 100,000 ordinary shares of £1 each. On 20 October 2000 a further 1,089,900 ordinary shares of 1p each were issued, again, at par.

7 Reconciliation of movements in shareholders' funds

30 11 00
£

Proceeds from issue of shares

10,900

Closing shareholders' funds

10,900

8 Ultimate parent company

The ultimate parent undertaking is Encore Direct plc.