

3950310

MUSCLE ENVELOPE COMPANY LIMITED

Annual Report & Financial Statements 2003



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

Directors' Report

The directors present their annual report and the audited financial statements for the year ended 30 November 2003.

1. Principal activity

The company has not traded during the year.

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 year and their interests in the shares of the company are as set out below:-

	Ordinary shares of 1p each	
	30 November 2003	1 December 2002
A S Gill	-	-
J Gill	-	-
J R Croisdale	30,000	30,000
M J Williamson	20,000	20,000
S Gill	20,000	20,000

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

4. Auditors

A resolution to re-appoint Brown Butler will be proposed at the forthcoming Annual General Meeting.

The directors have taken advantage, in the preparation of their report, of the special provisions of Part VII of the Companies Act 1985 relating to small companies.

By order of the Board

J Gill
Secretary



25 JUNE 2004

We have audited the financial statements on pages 6 to 9 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

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 members as a body, for our audit work, for this report or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of 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.

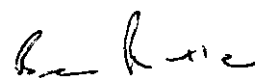
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

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 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Yorkshire Bank Chambers
Infirmary Street
Leeds
LS1 2JT

25 June 2004



Brown Butler
Chartered Accountants
and Registered Auditor

Muscle Envelope Company Limited

Profit and Loss Account
Year ended 30 November 2003

	Note	2003 £	2002 £
Administrative expenses		609	2,197
Operating loss		(609)	(2,197)
Interest receivable		19	-
Loss on ordinary activities transferred against reserves	7	(590)	(2,197)

The company had no recognised gains or losses other than the loss for the year, and the above results derive from continuing operations.

The notes on pages 8 and 9 form part of these financial statements.

Muscle Envelope Company Limited

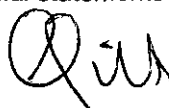
Balance Sheet
30 November 2003

	Note	2003 £	2002 £
Current assets			
Debtors	4	184	9,195
Cash at bank		35,302	42,817
		<u>35,486</u>	<u>52,012</u>
Creditors: amounts falling due within one year	5	<u>27,678</u>	<u>43,614</u>
Total assets less current liabilities		<u>7,808</u>	<u>8,398</u>
Capital and reserves			
Called up equity share capital	6	10,900	10,900
Profit and loss account - adverse balance	7	<u>(3,092)</u>	<u>(2,502)</u>
Shareholders' funds	8	<u>7,808</u>	<u>8,398</u>

The directors have taken advantage, in the preparation of the financial statements, of the special provisions of Part VII of the Companies Act 1985 relating to small companies.

These financial statements were approved by the board on 25 June 2004.

A S Gill



Director.

The notes on pages 8 and 9 form part of these financial statements.

Muscle Envelope Company Limited

Notes to the Financial Statements
Year ended 30 November 2003

1 Accounting policies

(a) Accounting convention

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

(b) 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 Directors' emoluments

The directors did not receive any emoluments during the year (2002:£nil).

3 Loss on ordinary activities

The loss is after charging:-

	2003 £	2002 £
Auditor's remuneration	500	1,000

4 Debtors

	2003 £	2002 £
Trade debtors	184	184
Other debtors	-	9,011
	<u>184</u>	<u>9,195</u>

5 Creditors

Amounts falling due within one year:-

	2003 £	2002 £
Amounts owed to group undertakings	27,178	43,614
Accruals	500	-
	<u>27,678</u>	<u>43,614</u>

6 Called up equity share capital

	2003 £	2002 £
Authorised 10,000,000 Ordinary shares of 1p each	<u>100,000</u>	<u>100,000</u>
Allotted, called up and fully paid 1,090,000 Ordinary shares of 1p each	<u>10,900</u>	<u>10,900</u>

Muscle Envelope Company Limited

Notes to the Financial Statements
Year ended 30 November 2003

7	Profit and loss account	2003 £	2002 £
	At 1 December 2002	(2,502)	(305)
	Loss for the year	(590)	(2,197)
	At 30 November 2003	<u>(3,092)</u>	<u>(2,502)</u>
8	Reconciliation of movements in shareholders' funds	2003 £	2002 £
	Loss for the year	(590)	(2,197)
	Opening shareholders' funds	8,398	10,595
	Closing shareholders' funds	<u>7,808</u>	<u>8,398</u>
9	Related party transactions		
	At the year end the company owed £27,178 (2002 : £43,614) in respect of monies received on behalf of Encore Direct Plc.		
10	Controlling party		
	The parent company is Encore Direct plc, a company controlled by A S Gill and J Gill.		