

MOSAIC PRINT MANAGEMENT LIMITED

Annual Report & Financial Statements 2014

Company Registration Number 4724321



Brown Butler
Chartered Accountants
Leeds

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Mosaic Print Management Limited

Officers and Professional Advisers

Directors

S K Smith
A S Gill
J Gill
K A Perrins

Secretary

K A Perrins

Registered Office

Leigh House
28-32 St Paul's Street
Leeds
LS1 2JT

Company Registration Number

4724321

Statutory Auditor

Brown Butler
Chartered Accountants
Leigh House
28-32 St Paul's Street
Leeds
LS1 2JT

Bankers

National Westminster Bank plc
8 Park Row
Leeds
LS1 1QS

The directors present their annual report and the audited financial statements for the year ended 31 July 2014.

1. Activities and review of the business

The principal activity of the company and its subsidiaries is that of print management and design. There have been no significant changes in the company's or its subsidiaries' principal activities in the period under review.

2. Results and dividends

The results of the group for the year ended 31 July 2014 are shown in the consolidated profit and loss account on page 9.

The profit for the year after taxation amounted to £1,738,229 (2013: £1,660,122).

Dividends of £350,418 (2013: £410,000) were paid during the year. No final dividend has been declared.

3. Going concern

After considering future forecasts and cashflows based on trading performance during the year, the group is forecast to be cash generative going forwards. The group has no external debt and has significant reserves and cash resources.

The directors have a reasonable expectation that the group has sufficient resources to continue in operational existence for the foreseeable future even taking into consideration the uncertain economic outlook. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

4. Directors' responsibilities

The directors are responsible for preparing the annual 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 the group and of the profit or loss of the group for that period.

In preparing those financial statements, the directors are required to:-

- (a) Select suitable accounting policies and apply them consistently;
- (b) Make judgements and estimates that are reasonable and prudent;
- (c) Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy, at any time, the financial position of the company and the group, 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

5. Directors

The present composition of the board is set out on page 2 and the directors who held office during the year are as set out below:-

S K Smith

A S Gill

J Gill

K A Perrin (appointed 7 March 2014)

6. Audit enquiries

So far as the directors are aware, there is no information relevant to the audit of which the company's and the group's auditors are unaware. The directors have taken the necessary steps to ensure they themselves are aware of all relevant audit information and made sure that the company's and the group's auditors are also aware of that information.

On behalf of the Board



.....
A S Gill
Director

16 April 2015

Business Review

The directors are pleased with the group's results for the financial year and whilst they acknowledge the continuing uncertainty in the economy in general they are optimistic about the forthcoming year.

As part of the group's strategic growth the group has successfully increased the investment in Untangled Print Solutions Limited and diversified its product range and capabilities.

The directors expect a bright future is ahead and as challenging as the recession years may have been, the business has still managed to grow and mature. The directors anticipate that the forthcoming financial year is going to be the best year yet both in terms of turnover and profit.

Financial key performance indicators

The group's key performance indicators during the year were as follows:

KPI	Progress
Revenue	Group turnover has increased by £3.6m in the year to 31 July 2014 from £29.8m in the year to 31 July 2013
Margin	Gross Profit margin was 17.4% in the year to 31 July 2014 compared to 16.9% in the prior year
Cash management	The group manages its capital to ensure that it is able to continue as a going concern while minimising costs and liquidity risk. As at 31 July 2014, the group had cash and cash equivalents of £4 million (2013: £3 million). This is sufficient for the ongoing working capital requirements of the group

Principal risks and uncertainties

The group uses various financial instruments, which include, cash and other items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the group's operations.

The existence of these financial instruments exposes the group to a number of financial risks. These are in the main liquidity risk and credit risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Liquidity risk

The group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs, by the use of bank facilities and loans, and to invest cash assets safely and profitably.

Credit risk

The group's debtors relate to amounts owed by UK Corporates and Government agencies. Given the size and stability of the core debtors, the directors do not believe that credit risk to the group is significant. However, the directors monitor any default credit risk on an ongoing basis.

In addition the group is exposed to the following additional risk

Price risk

The group seeks to manage price risk by continuous monitoring of market pricing and through profitability analysis ahead of entering into any significant contracts.

Future developments

The group will further develop its core business by strengthening its relationship with existing customers and pro-actively generating new opportunities via targeted sales and marketing activity.

The directors intend to grow the business both organically and where appropriate by strategic acquisitions.

The directors intend to continue to focus on providing quality service and finished product to the group's customers.

On behalf of the Board



.....
A S Gill
Director

16 April 2015

We have audited the financial statements of the group and the parent company for the year ended 31 July 2014 which comprise the Consolidated Profit and Loss Account, the Group and Parent Company Balance Sheets, the Consolidated Cash Flow Statement 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 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 directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out in the Directors' Report, 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 Ethical Standards for Auditors.

Scope of the audit

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 group's and the parent 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. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent company's affairs as at 31 July 2014 and of the profit of the group for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters 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.

Continued on page 8

Continued from page 7

Matters on which we are required to report by exception

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 parent company's 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.



Denis Cross (Senior Statutory Auditor)
For and on behalf of Brown Butler
Chartered Accountants and Statutory Auditor

Leigh House
28-32 St Paul's Street
Leeds LS1 2JT

16 April 2015

Mosaic Print Management Limited

Consolidated Profit and Loss Account
Year ended 31 July 2014

	Note	2014 £	2013 £
Turnover		33,457,338	29,820,622
Cost of sales		27,622,476	24,769,491
Gross profit		5,834,862	5,051,131
Administrative and selling expenses		4,339,208	3,567,907
Other operating income		8,650	9,000
Group operating profit		1,504,304	1,492,224
Share of operating profit in joint ventures		608,233	580,405
Total operating profit : group and share of joint ventures		2,112,537	2,072,629
Interest receivable	2	249,691	62,486
Interest payable		629	216
Profit on ordinary activities before taxation	4	2,361,599	2,134,899
Tax on profit on ordinary activities	5	623,370	474,777
Profit on ordinary activities after taxation		1,738,229	1,660,122
Equity minority interests		27,122	36,811
Profit for the financial year	18	1,711,107	1,623,311

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

The notes on pages 13 to 24 form part of these financial statements.

Consolidated Balance Sheet
Year ended 31 July 2014

	Note	2014 £	2013 £
Fixed assets			
Intangible assets	6	525,356	528,302
Tangible assets	7	291,651	187,121
Interests in joint ventures	9		
Share of gross assets		73,850	930,089
Share of gross liabilities		(13,658)	(168,119)
		<u>60,192</u>	<u>761,970</u>
		877,199	1,477,393
Current assets			
Stock	10	44,405	35,092
Debtors	11	8,052,839	5,763,883
Cash at bank and in hand		4,051,394	3,059,630
		<u>12,148,638</u>	<u>8,858,605</u>
Creditors: amounts falling due within one year	12	8,275,652	7,636,938
Net current assets		<u>3,872,986</u>	<u>1,221,667</u>
Total assets less current liabilities		4,750,185	2,699,060
Provisions for liabilities and charges	13	48,967	8,250
		<u>4,701,218</u>	<u>2,690,810</u>
Capital and reserves			
Called up share capital	14	10,000	10,000
Share premium account	15	44,235	44,235
Capital redemption reserve	16	1,765	1,765
Profit and loss account	17	3,958,688	2,597,999
Shareholders' funds	18	4,014,688	2,653,999
Minority interests		686,530	36,811
Capital employed		<u>4,701,218</u>	<u>2,690,810</u>

These financial statements were approved and authorised for issue by the board on 16 April 2015 and signed on its behalf by:



A S Gill

Director

The notes on pages 13 to 24 form part of these financial statements.

Company Balance Sheet
31 July 2014

	Note	2014 £	2013 £
Fixed assets			
Tangible assets	7	112,149	74,059
Investments	8	1,014,532	411,087
Interests in joint ventures	9	50	100
		<u>1,126,731</u>	<u>485,246</u>
Current assets			
Stock	10	44,405	35,092
Debtors	11	6,480,461	4,577,437
Cash at bank and in hand		3,699,952	2,606,806
		<u>10,224,818</u>	<u>7,219,335</u>
Creditors: amounts falling due within one year	12	<u>8,696,757</u>	<u>5,941,089</u>
Net current assets		<u>1,528,061</u>	<u>1,278,246</u>
Total assets less current liabilities		<u>2,654,792</u>	<u>1,763,492</u>
Provisions for liabilities	13	<u>15,622</u>	<u>8,250</u>
		<u>2,639,170</u>	<u>1,755,242</u>
Capital and reserves			
Called up share capital	14	10,000	10,000
Share premium account	15	44,235	44,235
Capital redemption reserve	16	1,765	1,765
Profit and loss account	17	2,583,170	1,699,242
Shareholders' funds	18	<u>2,639,170</u>	<u>1,755,242</u>

These financial statements were approved and authorised for issue by the board on 16 April 2015 and signed on its behalf by:



A S Gill

Director

The notes on pages 13 to 24 form part of these financial statements.

Mosaic Print Management Limited

Consolidated Cash Flow Statement
Year ended 31 July 2014

	Note	2014 £	2013 £
Net cash inflow from operating activities	25a	2,187,551	1,205,383
Returns on investments and servicing of finance			
Interest received		249,691	62,486
Interest paid		(629)	(216)
Dividends received from joint venture company		120,000	125,250
Net cash inflow from returns on investments and servicing of finance		369,062	187,520
Taxation			
Corporation tax paid		(461,308)	(284,208)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(194,305)	(125,743)
Net cash outflow from capital expenditure and financial investment		(194,305)	(125,743)
Acquisitions and disposals			
Purchase of shares in subsidiary undertaking		(553,395)	-
Net cash balances acquired with subsidiaries		5,416	-
Net cash outflow from acquisitions and disposals		(547,979)	-
Dividends paid		(359,620)	(410,000)
Financing			
Repayment of director's loan		(1,637)	(2,330)
Net cash outflow from financing		(1,637)	(2,330)
Increase in cash	25b	991,764	570,622

The notes on pages 13 to 24 form part of these financial statements.

1. Accounting policies

(a) Accounting convention and going concern

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

The financial statements have been prepared on the going concern basis. In the opinion of the directors, the group has sufficient financial resources to trade at its forecast level of business activity for the foreseeable future.

(b) Consolidation

The consolidated financial statements incorporate the financial statements of Mosaic Print Management Limited and its subsidiary companies and include the company's share of the profits or losses of its interests in joint ventures in the consolidated profit and loss account and its share of their net assets within 'Interests in joint ventures' in the consolidated balance sheet.

A profit and loss account is not presented for the company as permitted by Section 408 of the Companies Act 2006.

(c) Turnover

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

(d) Goodwill

Goodwill on the acquisition of subsidiary undertakings is included in the consolidated balance sheet and is being amortised by equal instalments over five years. The directors consider this period does not exceed its useful economic life.

(e) 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:-

Leasehold property improvements	50% reducing balance basis
Plant and computer equipment	33% straight line or 25%/50% reducing balance basis
Fixtures and fittings	15%/50% reducing balance basis
Motor vehicles	25% reducing balance basis

(f) Stock

Stock is stated at the lower of cost and net realisable value.

(g) Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed by the balance sheet date. Deferred tax is not recognised when assets are revalued unless, by the balance sheet date, the company has entered into a binding agreement to sell the assets and recognised the gains or losses expected to arise on sale.

1. Accounting policies - continued

(h) Foreign currency translation

Transactions in foreign currency are translated at the ruling rate at the date of the transaction.

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date or the contracted rate if applicable.

All exchange differences are taken to the profit and loss account.

2. Interest receivable

	2014 £	2013 £
Bank interest receivable	15,093	3,022
Other interest receivable	234,598	59,464
	<u>249,691</u>	<u>62,486</u>

3. Staff costs

Employee costs, including directors, during the year:-

	2014 £	2013 £
Wages and salaries	2,491,613	2,162,500
Social security costs	229,575	212,004
Other pension costs	100,867	79,072
	<u>2,822,055</u>	<u>2,453,576</u>

The average number of employees, including directors, during the year:-

	£	£
Sales and administration	<u>68</u>	<u>59</u>

Directors' remuneration:-

	£	£
Aggregate remuneration – salaries	<u>15,300</u>	<u>14,960</u>

4. Profit on ordinary activities before taxation

The profit is after charging:-

	2014 £	2013 £
Depreciation of owned assets	95,598	71,124
Amortisation of goodwill	135,082	135,082
Operating lease charges – land and buildings	185,370	46,281
Exchange losses	1,054	361
Auditor's remuneration	<u>15,900</u>	<u>16,393</u>

5. Tax on profit on ordinary activities

	2014 £	2013 £
Corporation tax		
Current year	397,459	404,168
Adjustments for prior year	48,144	(76,489)
Share of corporation tax of joint ventures	137,050	143,571
	<u>582,653</u>	<u>471,250</u>
Current tax charge	582,653	471,250
Transfer in respect of deferred tax	40,717	3,527
	<u>623,370</u>	<u>474,777</u>

The standard rate of corporation tax is the full rate of United Kingdom corporation tax applicable for the year.

A reconciliation of the current tax charge for the year to the charge that would result from applying the standard rate of tax to the profit on ordinary activities before tax is set out below:-

	2014 £	2013 £
Profit on ordinary activities before tax	<u>2,361,599</u>	<u>2,134,899</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax of 22.33% (2013: 23.67%)	527,345	505,331
Effects of:-		
Expenses not deductible for tax purposes	46,077	51,561
Depreciation in excess of capital allowances	(35,923)	(139)
Adjustment in respect of marginal relief	(1,002)	(4,148)
Adjustments in respect of prior periods	48,144	(76,489)
Utilisation of losses brought forward	-	(4,866)
Group relief	(1,988)	-
	<u>582,653</u>	<u>471,250</u>
Current tax charge	582,653	471,250

The transfer in respect of deferred tax is made up as follows:-

	2014 £	2013 £
Origination and reversal of timing differences	<u>40,717</u>	<u>3,527</u>
	<u>40,717</u>	<u>3,527</u>

6. Intangible assets

Group	Purchased goodwill £	Total £
Cost		
At 1 August 2013	691,155	691,155
Additions	132,136	132,136
At 31 July 2014	<u>823,291</u>	<u>823,291</u>
Amortisation		
At 1 August 2013	162,853	162,853
Charge for the year	135,082	135,082
At 31 July 2014	<u>297,935</u>	<u>297,935</u>
Net book value		
At 31 July 2013	<u>528,302</u>	<u>528,302</u>
At 31 July 2014	<u>525,356</u>	<u>525,356</u>

7. Tangible assets

Group	Improvements to leasehold property £	Motor vehicles £	Plant and computer equipment £	Fixtures and fittings £	Total £
Cost					
At 1 August 2013	-	-	303,308	149,155	452,463
On acquisition of subsidiary undertaking	-	-	8,510	-	8,510
Additions	19,640	19,800	114,646	40,219	194,305
At 31 July 2014	19,640	19,800	426,464	189,374	655,278
Depreciation					
At 1 August 2013	-	-	232,545	32,797	265,342
On acquisition of subsidiary undertaking	-	-	2,687	-	2,687
Charge for the year	3,873	2,475	66,475	22,775	95,598
At 31 July 2014	3,873	2,475	301,707	55,572	363,627
Net book value					
At 31 July 2013	-	-	70,763	116,358	187,121
At 31 July 2014	15,767	17,325	124,757	133,802	291,651
Company					
Cost					
At 1 August 2013			219,495	72,181	291,676
Additions			31,458	36,080	67,538
At 31 July 2014			250,953	108,261	359,214
Depreciation					
At 1 August 2013			199,060	18,557	217,617
Charge for the year			19,288	10,160	29,448
At 31 July 2014			218,348	28,717	247,065
Net book value					
At 31 July 2013			20,435	53,624	74,059
At 31 July 2014			32,605	79,544	112,149

Mosaic Print Management Limited

Notes to the Financial Statements
Year ended 31 July 2014

8. Investments

Company

Shares in subsidiary undertakings at cost:-	£
At 1 August 2013	411,087
Transfer on acquisition of subsidiary	50
Additions	603,395
At 31 July 2014	<u>1,014,532</u>

The subsidiary undertakings are as follows:-

	Description and proportion of shares held		Main activity
	Shares	%	
Mosaic Document Management Limited	Ordinary	67	Dormant
Mosaic Print Management (York) Limited	Ordinary	100	Print management
G8 Communications Limited	Ordinary	75	Print management
Direct Marketing Strategies Limited	Ordinary	100	Direct marketing
Untangled Print Solutions Limited	Ordinary	70	Print management
Mosaic Point of Purchase Limited	Ordinary	75	Print management

The company acquired an additional 20% of the issued share capital of Untangled Print Solutions Limited on 31 July 2014, increasing its shareholding from 50% to 70%. As at that date the investment in that company was reclassified from a joint venture to a subsidiary undertaking.

9. Interests in joint ventures

Group	£
At 1 August 2013 – net assets	761,970
Share of retained profits for the year	351,183
Transfer on acquisition of subsidiary	(1,052,961)
At 31 July 2014 – net assets	<u>60,192</u>

Company

Shares in joint ventures at cost	£
At 1 August 2013	100
Transfer on acquisition of subsidiary	(50)
At 31 July 2014	<u>50</u>

Untangled Print Solutions Limited is incorporated in England and its principal activity is that of print management and design. Untangled Print Solutions Limited became a subsidiary of Mosaic Print Management Limited on 31 July 2014 (note 8).

The company owns 50% of the issued share capital of Mosaic Plus Limited which is incorporated in England. Its principal activity is that of print management and design.

9. Interests in joint ventures - continued

The aggregate share of Mosaic Print Management Limited in the results for the year ended 31 July 2014 and the assets and liabilities of the joint ventures as at 31 July 2014 is as follows:-

	2014 £	2013 £
Turnover	4,183,233	4,128,794
Profit before tax	608,233	580,405
Taxation	137,050	143,571
Profit after tax	471,183	436,834
Gross assets:		
Fixed assets	124	875
Current assets	73,827	929,214
	73,951	930,089
Gross liabilities:		
Liabilities due within one year	13,658	168,119

Untangled Print Solutions Limited was the principal joint venture company of Mosaic Print Management Limited up to the date of its acquisition as a subsidiary company on 31 July 2014. Following the acquisition the assets and liabilities of Untangled Print Solutions Limited have been included in the group consolidated balance sheet and, accordingly, the gross assets and liabilities of joint ventures at 31 July 2014 shown above relate only to Mosaic Plus Limited.

10. Stock

Group and company	2014 £	2013 £
Goods for resale	44,405	35,092

11. Debtors

	Group		Company	
	2014 £	2013 £	2014 £	2013 £
Trade debtors	4,787,871	3,571,115	4,121,067	2,746,170
Amounts recoverable on contracts	704,075	371,066	-	-
Amounts owed by parent undertaking	1,929,000	-	1,929,000	-
Amounts owed by subsidiary undertaking	-	-	-	138,353
Other debtors	267,213	1,306,265	162,012	1,256,856
Corporation tax	-	4,831	-	-
Prepayments	364,680	510,606	268,382	436,058
	8,052,839	5,763,883	6,480,461	4,577,437

12. Creditors

Amounts falling due within one year:-

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Trade creditors	6,800,488	5,306,923	4,994,971	3,661,384
Amounts owed to subsidiary undertakings	-	-	2,723,632	165,280
Amounts owed to joint ventures	143,127	1,823,878	143,127	1,823,878
Corporation tax	507,332	270,167	168,026	132,826
Social security and other taxes	147,793	84,264	21,940	30,615
Director's loan	13,229	14,866	13,229	14,866
Other creditors	556,726	-	553,320	-
Accruals and deferred income	106,957	136,840	78,512	112,240
	<u>8,275,652</u>	<u>7,636,938</u>	<u>8,696,757</u>	<u>5,941,089</u>

13. Provisions for liabilities

Deferred tax is analysed over the following timing differences:-

	Group		Company	
	2014	2013	2014	2013
	£	£	£	£
Capital allowances in excess of depreciation	<u>48,697</u>	<u>8,250</u>	<u>15,622</u>	<u>8,250</u>

Movements on the provision for deferred tax are as follows:-

	Group	Company
	2014	2013
	£	£
At 1 August 2013	8,250	8,250
Charge in profit and loss accounts	40,717	14,772
At 31 July 2014	<u>48,967</u>	<u>15,622</u>

14. Called up share capital

Group and company

	2014	2013
	£	£
Allotted, called up and fully paid		
5,000 'A' Ordinary shares of £1 each	5,000	5,000
5,000 'B' Ordinary shares of £1 each	5,000	5,000
	<u>10,000</u>	<u>10,000</u>

The 'A' and 'B' ordinary shares of £1 each rank pari passu in all respects except that no shareholder is entitled to any dividend or distribution declared on any other class of shares.

Mosaic Print Management Limited

Notes to the Financial Statements
Year ended 31 July 2014

15. Share premium account

	2014 £	2013 £
Group and company		
At 1 August 2013 and 31 July 2014	<u>44,235</u>	<u>44,235</u>

16. Capital redemption reserve

	2014 £	2013 £
Group and company		
At 1 August 2013 and 31 July 2014	<u>1,765</u>	<u>1,765</u>

17. Profit and loss account

	Group		Company	
	2014 £	2013 £	2014 £	2013 £
At 1 August 2013	2,597,999	1,384,688	1,699,242	1,133,898
Profit for the financial year	1,711,107	1,623,311	1,234,346	975,344
Dividends paid	(350,418)	(410,000)	(350,418)	(410,000)
At 31 July 2014	<u>3,958,688</u>	<u>2,597,999</u>	<u>2,583,170</u>	<u>1,699,242</u>

18. Reconciliation of movements in shareholders' funds

	Group		Company	
	2014 £	2013 £	2014 £	2013 £
Profit for the financial year	1,711,107	1,623,311	1,234,346	975,344
Dividends paid	(350,418)	(410,000)	(350,418)	(410,000)
Net addition to shareholders' funds	<u>1,360,689</u>	<u>1,213,311</u>	<u>883,928</u>	<u>565,344</u>
Opening shareholders' funds	<u>2,653,999</u>	<u>1,440,688</u>	<u>1,755,242</u>	<u>1,189,898</u>
Closing shareholders' funds	<u>4,014,688</u>	<u>2,653,999</u>	<u>2,639,170</u>	<u>1,755,242</u>

19. Leasing commitments

At 31 July 2014 the group and the company had operating lease commitments for the following year as set out below:-

	2014	Other	2013	Land and buildings	
	2014		2013	2014	2013
	£		£	£	£
Operating leases which expire:-					
Within one year	3,396	-	-	14,366	14,366
Within two and five years	4,944	-	-	-	12,805
Over five years	-	-	-	154,992	154,992
	<u>8,340</u>	<u>-</u>	<u>-</u>	<u>169,358</u>	<u>182,163</u>

20. Share based payments

At 31 July 2014 and 31 July 2013 no share options had been granted by the company. Direct Marketing Strategies Limited, a 100% subsidiary company, has granted unapproved share options to its senior members of staff on its ordinary shares of £1 each at an exercise price of £1 per share. At 31 July 2014 the number of options outstanding represented 27% of that company's share capital. The options can only be exercised on sale. These share options are immaterial to the results and financial position of the group.

21. Related party transactions

During the year the group made the following transactions with related parties:

	Sales	Purchases
	£	£
Entourage Plc	-	305,300
Mosaic Fulfilment Solutions Limited	46,645	833,709
Complissoft Limited	-	157,672
Character Machinery plc Executive Pension Scheme	-	114,996

The companies listed above are under the control of A S and J Gill who are also trustees and beneficiaries of the Character Machinery plc Executive Pension Scheme.

Interest of £6,610 was received from Mosaic Fulfilment Solutions Limited in respect a loan of £150,000 made by the company in 2011. At the year end the amount outstanding on this loan was £nil (2013: £62,956).

Interest of £216,481 was received from Prime Active Capital Plc, a company which A S Gill is a director and shareholder, in respect of a £1,000,000 loan made by the company in 2013. At the year end the amount outstanding on this loan was £nil (2013: £1,000,000)

The trade and activities of the joint venture companies are carried out solely via Mosaic Print Management Limited. Details of these companies and their results for the year are shown in note 9.

During the year the company paid dividends of £81,250 each to Mr A S Gill, Mrs J Gill and Mr S K Smith.

22. Acquisition of subsidiary undertakings

The company increased its shareholding in Untangled Print Solutions Limited from 50% to 70% on 31 July 2014 for a total consideration, including expenses, of £553,320.

This purchase has been accounted for as an acquisition.

In its last financial year to 31 July 2014 Untangled Print Solutions Limited made a profit after tax of £877,057.

The assets and liabilities of Untangled Print Solutions Limited at the date of acquisition were as follows:-

	Fair value £
Fixed assets	
Tangible assets	5,824
Other net liabilities	2,100,094
Net liabilities required	<u>2,105,918</u>
Assets acquired (20%)	421,184
Goodwill	132,136
Consideration	<u><u>553,320</u></u>
Consideration satisfied by:	
Cash paid, including expenses	<u><u>553,320</u></u>

During the year, the company also acquired a 75% interest in Mosaic Point of Purchase Limited for a consideration of £75. The effect of these acquisitions on the results of the group for the year were immaterial.

23. Contingent liability

The company has guaranteed the loan liabilities of its parent company which at 31 July 2014 amounted to £1,008,904.

24. Ultimate parent company and controlling party

From 28 May 2014 the ultimate parent company is Mosaic Print Management Holdco Limited. Mosaic Print Management Holdco Limited is a company controlled by Mr A S Gill and Mrs J Gill, the directors, by virtue of their directorships and their interest in the entire issued share capital of the company.

Prior to 28 May 2014 the company had been under the control of Mr A S Gill, Mrs J Gill and Mr S Smith.

25. Cash flow statement

a) Reconciliation of operating profit to net cash inflow from operating activities

	2014 £	2013 £
Operating profit	1,504,304	1,492,224
Depreciation of tangible assets	95,598	71,124
Amortisation of intangible assets	135,082	135,082
(Increase)/decrease in stocks	(9,313)	23,560
Increase in debtors	(2,288,956)	(1,722,022)
Increase in creditors	2,750,836	1,205,415
Net cash inflow from operating activities	<u>2,187,551</u>	<u>1,205,383</u>

b) Reconciliation of net cash flow to movement in net funds

	2014 £	2013 £
Increase in cash	991,764	570,622
Cash to repay director's loan	1,637	2,330
Movements in net funds in the year	<u>993,401</u>	<u>572,952</u>
Net funds at beginning of year	3,044,764	2,471,812
Net funds at end of year	<u>4,038,165</u>	<u>3,044,764</u>

c) Analysis of changes in net debt

	At 01 08 13 £	Cash flows £	At 31 07 14 £
Cash at bank	3,059,630	991,764	4,051,394
Increase in cash		991,764	
Debts due within one year	(14,866)	1,637	(13,229)
Total	<u>3,044,764</u>	<u>993,401</u>	<u>4,038,165</u>