

Brightsource Limited
(formerly Target Direct Print Limited)

REPORT AND FINANCIAL STATEMENTS

for the year ended
31 December 2007

Brightsource Limited (formerly Target Direct Print Limited)

DIRECTORS AND OFFICERS

DIRECTORS

P Frings
B Hosey
M Huynh
K B Steeds
M Bentley
M Scott
G Hundleby
A Carolan

SECRETARY

M Huynh

COMPANY NUMBER

4322798

REGISTERED OFFICE

St James's House
St James Square
Cheltenham
GL50 3PR

AUDITOR

Baker Tilly UK Audit LLP
Chartered Accountants
4th Floor, Hartwell House
55-61 Victoria Street
Bristol
BS1 6AD

BANKERS

The Royal Bank of Scotland
62/63 Threadneedle Street
PO Box 412
London
EC2R 8LA

Brightsource Limited (formerly Target Direct Print Limited)

DIRECTORS' REPORT

for the year ended 31 December 2007

The directors submit their report and the financial statements of Brightsource Limited (formerly Target Direct Print Limited) for the year ended 31 December 2007.

PRINCIPAL ACTIVITY

The principal activity of the company during the year was that of print management.

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

For the sixth consecutive year, the company has delivered strong growth in both turnover and profitability.

Turnover was up by 72% on 2006 (from £14,226k to £24,498k), gross margin by 55% (from £1,436k to £2,230k) and PBT (excluding share based payments) by 16% (from £465k to £538k). The company's innovative downstream access postal product, FASTRACK, continues to make a significant contribution to growth. Income from print management also increased strongly – client wins in 2007 included Lloyds TSB, Resolution plc, and CAFOD. New data management and document composition services were added to the company's offer during the year.

The company will continue to innovate and develop new services in 2008, ensuring that we build on our position as the leading specialist print management company for direct marketing campaigns. The directors are therefore confident that the company will continue to expand during 2008.

The directors resolved to change the name of the company to Brightsource Limited on 10 January 2008.

DIVIDENDS

The directors do not recommend the payment of an interim dividend (2006: £329,333).

BUSINESS RISK

The Board considers the principal risks of the business are as follows:

Client relationships

Close client relationships underpin our success. The risk from loss of key clients is mitigated by the profile of our client base. No single client contributes more than 12% of our gross margin; and over 25 clients contribute up to 80% of our gross margin.

Key staff

Our directors and staff are critical to the servicing of existing business and the winning of new accounts. Senior staff are subject to financial lock-ins and long-term incentive arrangements, and all staff participate in a bonus scheme.

Supplier relationships

We avoid over-dependence on individual suppliers by careful monitoring of our portfolio of supplier relationships. In all supply categories (with the exception of downstream access postal services) we ensure we have close relationships with a minimum of 3 suppliers. Suppliers are audited regularly, and annual reviews conducted with all of our leading suppliers.

Credit Risk

The directors regard the scale and spread of clients as being a safeguard against the risk of default. The majority of our turnover is with large UK charities and blue chip financial service companies which are considered by the directors to be of extremely low credit risk.

Brightsource Limited (formerly Target Direct Print Limited)

DIRECTORS' REPORT *(continued)*

for the year ended 31 December 2007

DIRECTORS

The present membership of the Board is as listed on page 1. The following changes took place during the year and following the year end:

K B Steeds	appointed 24 April 2007
M Bentley	appointed 24 April 2007
M Scott	appointed 24 April 2007
M Newcombe	resigned 3 August 2007
G James	appointed 3 August 2007, resigned 17 April 2008
M H Marshall	appointed 21 September 2007, resigned 24 April 2008
A Carolan	appointed 31 December 2007
S Pidgeon	resigned 31 December 2007
M Huynh	appointed 28 February 2008
G Hundleby	appointed 24 April 2008

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

None of the directors in office at the year end held any interest in the share capital of the company during the year or at the year end.

The interests of Messrs Bentley, Scott and Steeds in the share capital of Cello Group plc are disclosed in the accounts of that company, copies of which are available from its registered office.

Brightsource Limited (formerly Target Direct Print Limited)

DIRECTORS' REPORT *(continued)*

for the year ended 31 December 2007

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and 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). The financial statements are required by law to 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:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and estimates that are reasonable and prudent;
- c. state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- d. 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the requirements of 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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditor is unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

AUDITOR

Baker Tilly UK Audit LLP has indicated its willingness to continue in office.

Approved by the Board of Directors and signed on behalf of the Board

.....
Director

Date:

Brightsource Limited (formerly Target Direct Print Limited)

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2007

We have audited the financial statements on pages 6 to 14.

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'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

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition, we report to you if, in our opinion, 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 other transactions 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 International Standards on Auditing (UK and Ireland) 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 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 consider 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended, and have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

BAKER TILLY UK AUDIT LLP

Registered Auditor

Chartered Accountants

4th Floor, Hartwell House

55-61 Victoria Street

Bristol

BS1 6AD

Date:

Brightsource Limited (formerly Target Direct Print Limited)
PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2007

	Notes	2007 £	2006 £
TURNOVER	2	24,498,236	14,225,660
Cost of sales		(22,267,837)	(12,789,954)
Gross profit		<u>2,230,399</u>	<u>1,435,706</u>
Share based payments		(103,156)	(57,182)
Other administration expenses		(1,686,958)	(973,660)
Total administration expenses		<u>(1,790,114)</u>	<u>(1,030,842)</u>
OPERATING PROFIT	3	440,285	404,864
Interest receivable		9,296	6,126
Interest payable and similar charges	4	(14,946)	(2,900)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>434,635</u>	<u>408,090</u>
Taxation	6	(181,347)	(114,370)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	12	<u><u>253,288</u></u>	<u><u>293,720</u></u>

The result for the year arises from the company's continuing operations.

No separate statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the profit and loss account.

Brightsource Limited (formerly Target Direct Print Limited)

BALANCE SHEET

31 December 2007

	Notes	2007 £	2006 £
FIXED ASSETS			
Tangible assets	7	158,780	77,297
CURRENT ASSETS			
Work in progress		838,076	257,849
Debtors	8	5,047,911	4,849,542
Cash at bank and in hand		1,531,277	563,264
		<u>7,417,264</u>	<u>5,670,655</u>
CREDITORS: Amounts falling due within one year	9	(6,644,724)	(5,173,456)
NET CURRENT ASSETS		<u>772,540</u>	<u>497,199</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		931,320	574,496
Provisions for liabilities and charges	10	(380)	-
		<u>930,940</u>	<u>574,496</u>
CAPITAL AND RESERVES			
Called up share capital	11	1,000	1,000
Profit and loss account	12	706,602	453,314
Capital reserves		223,338	120,182
EQUITY SHAREHOLDER'S FUNDS	12	<u>930,940</u>	<u>574,496</u>

Approved by the board and authorised for issue on and signed on its behalf by:

.....
Director

Brightsource Limited (formerly Target Direct Print Limited)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2007

1 ACCOUNTING POLICIES

BASIS OF ACCOUNTING

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

CASH FLOW STATEMENT

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its ultimate parent publishes a consolidated cash flow statement.

TANGIBLE FIXED ASSETS

Fixed assets are stated at historical cost less depreciation.

Depreciation is provided on all tangible fixed assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows:-

Computer equipment	- 3 years
Fixtures & fittings	- 4 years
Leasehold improvements	- remaining life of the lease

DEFERRED TAXATION

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

LEASED ASSETS

The annual rentals on operating leases are charged to the profit and loss account on a straight line basis over the lease term.

WORK IN PROGRESS

Work in progress is stated at the lower of cost and net realisable value.

PENSIONS

The company contributes to the personal pension scheme of certain employees, or to a Standard Life Group Personal Pension Plan. The assets of the schemes are held separately from those of the company in independently administered funds.

The pension costs charged against profits represents the amount of contribution payable to the schemes in respect of the accounting period.

Brightsource Limited (formerly Target Direct Print Limited)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2007

1 ACCOUNTING POLICIES *(continued)*

TURNOVER

The turnover shown in the profit and loss account represents amounts invoiced during the year, as adjusted to take into account contracts in progress at each year end.

SHARE BASED PAYMENTS

The company has applied the requirements of FRS20 Share-based payment which requires the fair value of share-based payments to be recognised as an expense. In accordance with the transitional provisions, FRS20 has been applied to such equity instruments that were granted after 7 November 2002 and which had not vested by 1 January 2006.

This standard has been applied to the acquisition related employee remuneration and share option expenses.

2 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The company's turnover and profit before taxation were all derived from its principal activity which was wholly undertaken in the United Kingdom.

3 OPERATING PROFIT

	2007	2006
	£	£
Operating profit is stated after charging:		
Depreciation of tangible fixed assets	39,497	23,023
Auditor's remuneration - audit services	13,000	15,000
- non-audit services	1,500	1,500
	<u> </u>	<u> </u>

In respect of auditor's remuneration, the 2006 fees were payable to Baker Tilly. The 2007 fees were payable to Baker Tilly UK Audit LLP and its related entities.

4 INTEREST PAYABLE AND SIMILAR CHARGES

	2007	2006
	£	£
Interest paid to group undertakings	18,025	2,012
Interest received from group undertakings	(4,382)	-
Net group interest payable	<u>13,643</u>	<u>2,012</u>
Bank charges	1,303	888
Interest payable and similar charges	<u>14,946</u>	<u>2,900</u>

Brightsource Limited (formerly Target Direct Print Limited)

NOTES TO THE FINANCIAL STATEMENTS (*continued*)

for the year ended 31 December 2007

5 EMPLOYEES

The average monthly number of persons (including directors) employed by the company during the year was:

	2007 No	2006 No
Number of employees	21	13

Staff costs for the above persons:

	2007 £	2006 £
Wages and salaries	900,252	597,414
Social security costs	123,962	51,527
Other pension costs	25,230	21,055
Share based payments	103,156	57,182
	<u>1,152,600</u>	<u>727,178</u>

DIRECTORS

	2007 £	2006 £
Remuneration in respect of directors was as follows:		
Emoluments	185,490	178,614
Value of company pension contributions to money purchase scheme	5,670	7,475
Share based payments	103,156	57,182
	<u>294,316</u>	<u>243,271</u>

The number of directors to whom retirement benefits are accruing under money purchase pension schemes is two (2006: three).

The amounts, excluding share based payments, paid in respect of the highest paid director were £101,090 (2006: £89,829).

Brightsource Limited (formerly Target Direct Print Limited)

NOTES TO THE FINANCIAL STATEMENTS (*continued*)

for the year ended 31 December 2007

6 TAXATION

	2007 £	2006 £
Current taxation:		
UK corporation tax	174,782	133,781
(Over)/Under Provision for prior years	33,142	(2,256)
	<u>207,924</u>	<u>131,525</u>
Deferred tax (note 10)		
Deferred tax relating to acquisition related employee remuneration expense	(26,577)	(17,155)
	<u>181,347</u>	<u>114,370</u>
Tax on profit on ordinary activities	<u>181,347</u>	<u>114,370</u>
Factors affecting the tax charge for the year:		
Profit on ordinary activities before taxation	434,635	408,090
	<u>130,391</u>	<u>122,426</u>
Profit on ordinary activities at 30% (2006: 30%)	130,391	122,426
Effects of:		
Expenses not deductible for tax	13,445	
Timing differences in relation to acquisition related employee remuneration expense	30,947	17,155
Other timing differences	-	(5,800)
Under/(Over) provision in prior years	33,142	(2,256)
	<u>207,924</u>	<u>131,525</u>
Current tax charge for the year	<u>207,924</u>	<u>131,525</u>

7 TANGIBLE FIXED ASSETS

	Leasehold improvements £	Computer equipment £	Fixtures & Fittings £	Total £
Cost				
At 1 January 2007	21,122	92,581	3,279	116,982
Additions	53,948	40,908	26,124	120,980
	<u>75,070</u>	<u>133,489</u>	<u>29,403</u>	<u>237,962</u>
At 31 December 2007	75,070	133,489	29,403	237,962
Depreciation				
At 1 January 2007	509	38,655	521	39,685
Charged in the year	3,889	33,058	2,550	39,497
	<u>4,398</u>	<u>71,713</u>	<u>3,071</u>	<u>79,182</u>
At 31 December 2007	4,398	71,713	3,071	79,182
Net book value				
At 31 December 2007	<u>70,672</u>	<u>61,776</u>	<u>26,332</u>	<u>158,780</u>
At 1 January 2007	<u>20,613</u>	<u>53,926</u>	<u>2,758</u>	<u>77,297</u>

Brightsource Limited (formerly Target Direct Print Limited)

NOTES TO THE FINANCIAL STATEMENTS (*continued*)

for the year ended 31 December 2007

8 DEBTORS

	2007	2006
	£	£
Trade debtors	3,387,831	3,271,100
Amounts owed by group undertakings	1,298,411	1,274,645
Other debtors	226,547	258,695
Prepayments and accrued income	72,110	9,047
Deferred taxation (note 10)	63,012	36,055
	<u>5,047,911</u>	<u>4,849,542</u>

9 CREDITORS: Amounts falling due within one year

	2007	2006
	£	£
Trade creditors	5,234,022	4,107,069
Amounts owed to group undertakings	509,127	491,633
Corporation tax	95,283	63,340
Other taxation and social security	58,700	15,989
Accruals and deferred income	747,592	495,425
	<u>6,644,724</u>	<u>5,173,456</u>

The amounts due to group undertakings are unsecured, bear interest at a commercial rate and have no fixed date of repayment.

10 DEFERRED TAX BALANCES

	2007	2006
	£	£
Deferred Tax Assets		
Unrelieved share-based payment expense	63,012	36,055
	<u>63,012</u>	<u>36,055</u>
Deferred Tax Liabilities		
On Fixed Assets	(380)	-
	<u>62,632</u>	<u>36,055</u>
Total Deferred Tax balances		
	36,055	18,900
Deferred Tax Charge/(Credit) for the year	<u>(26,577)</u>	<u>(17,155)</u>

Brightsource Limited (formerly Target Direct Print Limited)

NOTES TO THE FINANCIAL STATEMENTS (*continued*)

for the year ended 31 December 2007

11	SHARE CAPITAL		
		2007	2006
		£	£
	Authorised:		
	1,000 ordinary shares of £1 each	1,000	1,000
		=====	=====
	Allotted, called up and fully paid:		
	1,000 ordinary shares of £1 each	1,000	1,000
		=====	=====

SHARE-BASED PAYMENTS

The Cello group operates a number of share option schemes. During the year, employees of this company were granted 75,000 options (2006: nil) over the shares of the ultimate parent company under the PSP Options Scheme.

PSP Option Scheme

On 13 March 2006 the Group established a new Performance Share Plan. Under this plan participants are awarded options over fully paid shares of the parent company with an exercise price equal to the nominal value of shares, currently 10p per share. Options are exercisable three or four years after grant subject to the extent to which an earnings per share growth criteria of up to 15% compound has been met.

The Group uses a Black-Scholes model to calculate the fair value of options. The key inputs relating to the Group are as follows:

	PSP Options
	2007
Weighted average share price	148p
Weighted average exercise price	10p
Expected volatility	17.6%
Expected life	4 years
Risk free rate	6.75%
Dividend yield	1%
Weighted average remaining contractual life	9.5 years

Expected volatility has been determined by calculating the historical volatility of the Group's share price over the previous 2 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of the non-transferability, exercise restrictions and behavioural considerations.

No share options under the PSP scheme have vested at 31 December 2007 (2006: nil).

The fair value of options issued in the year was £61,120.

Brightsource Limited (formerly Target Direct Print Limited)

NOTES TO THE FINANCIAL STATEMENTS (*continued*)

for the year ended 31 December 2007

12 RECONCILIATION OF SHAREHOLDER'S FUNDS AND MOVEMENT ON RESERVES

	Share capital £	Profit and loss account £	Capital reserve £	Total shareholders funds £
At 1 January 2006	1,000	488,927	63,000	552,927
Share-based payments	-	-	57,182	57,182
Retained profit for the year	-	293,720	-	293,720
Dividends paid	-	(329,333)	-	(329,333)
At 31 December 2006	<u>1,000</u>	<u>453,314</u>	<u>120,182</u>	<u>574,496</u>
Share-based payments	-	-	103,156	103,156
Retained profit for the year	-	253,288	-	253,288
At 31 December 2007	<u>1,000</u>	<u>706,602</u>	<u>223,338</u>	<u>930,940</u>

13 CONTINGENT LIABILITIES

The company has a cross guarantee with other Target group undertakings. At the end of the year, there were no bank borrowings (2006: £28,220) guaranteed.

14 RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption available under FRS 8 from disclosing transactions with members of the Target Direct (Holdings) Limited group of companies as it is a wholly owned subsidiary company. The results of the Target Group are consolidated into those of Cello Group plc.

15 IMMEDIATE AND ULTIMATE PARENT UNDERTAKING

The immediate parent company is Target Direct (Holdings) Limited.

The directors consider that the ultimate parent undertaking of this company is Cello Group plc, a company incorporated in England and Wales.

Cello Group plc is a publicly listed company trading on the Alternative Investment Market. A list of its shareholders can be seen in the annual report of this company.

Target Direct (Holdings) Limited does not produce consolidated financial statements. Cello Group plc is the smallest and largest company into which the results of the company are consolidated.