

Target Direct Print Limited

REPORT AND FINANCIAL STATEMENTS

for the year ended
31 December 2005

Target Direct Print Limited

DIRECTORS AND OFFICERS

DIRECTORS

Stephen Pidgeon
Peter Frings
Marie Newcombe
Barnaby Hosey

SECRETARY

Marie Newcombe

COMPANY NUMBER

4322798

REGISTERED OFFICE

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

AUDITORS

Baker Tilly
Chartered Accountants
1 Georges Square
Bristol BS1 6BP

BUSINESS ADDRESS

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

BANKERS

Lloyds TSB Bank plc
Ley Court
Barnett Way
Gloucester
GL4 3RT

Target Direct Print Limited

DIRECTORS' REPORT (*continued*)

The directors submit their report and the financial statements of Target Direct Print Limited for the year ended 31 December 2005.

PRINCIPAL ACTIVITY

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

REVIEW OF THE BUSINESS AND FUTURE DEVELOPMENTS

Target Direct Print continues to perform strongly in its fourth year of trading. Turnover increased by 27% to £8,890,000, whilst PBT grew by 18% to £357,000. Our net profit margin of 4% remains comfortably higher than the sector average for print management companies. Other benchmarks provide further evidence of the company's operational efficiency and effectiveness. For the second year running, the annual PrintWeek Top 500 Survey ranked Target Direct Print with the highest sales per employee of any company in the print sector. An average PBT of £35,700 per employee is also a highly creditable performance in the print management sector, which operates on much lower margins than most other marketing services companies.

The company continues to innovate, with new services exploiting the deregulated postal market due to launch in 2006. The appointment of Barney Hosey to the Board as Client Service Director will strengthen both the management team and the company's client relationships. We continue to attract highly experienced staff who are able to deliver our mission of being the most agile and flexible print management company in the country. Finally, our strategy of offering a specialist print management service focused on direct marketing campaigns continues to resonate with clients.

The directors are therefore confident that the company will continue to expand during 2006.

DIVIDENDS

The directors do not recommend the payment of a dividend (2004: £nil).

DIRECTORS

The following directors have held office during the year and since the year end:

Stephen Pidgeon
Peter Frings
Simon Samuel (resigned 1 April 2005)
Marie Newcombe (appointed 1 April 2005)
Barnaby Hosey (appointed 4 January 2006)

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 directors at the year end held the following beneficial interests in the share capital of Cello Group plc, the ultimate parent company, during the year:

	At 31 December 2005 Ordinary 10p shares	At 1 January 2005 (or subsequent date of appointment) Ordinary 10p shares
Stephen Pidgeon	869,619	869,619
Peter Frings	72,202	72,202
Marie Newcombe	-	-
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Target Direct Print Limited

DIRECTORS' REPORT (*continued*)

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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:

- a. select suitable accounting policies and then 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 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.

AUDITORS

A resolution to reappoint Baker Tilly, Chartered Accountants, as auditors will be put to the member at the Annual General Meeting.

By order of the board

Director

Date:

We have audited the financial statements on pages 5 to 11.

This report is made solely to the company's member, 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 member those matters we are required to state in an auditors' 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 member 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 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 other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs at 31 December 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Registered Auditor
Chartered Accountants
1 Georges Square
Bristol
BS1 6BP

Date:

Target Direct Print Limited

PROFIT AND LOSS ACCOUNT

for the year ended 31 December 2005

	Notes	2005 £	2004 £
TURNOVER	1	8,890,674	7,023,039
Cost of sales		(7,876,485)	(6,220,444)
Gross profit		<u>1,014,189</u>	<u>802,595</u>
Administration expenses		(718,262)	(500,304)
OPERATING PROFIT	2	<u>295,927</u>	<u>302,291</u>
Interest receivable		4,035	342
Interest payable and similar charges	3	(1,136)	(499)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>298,826</u>	<u>302,134</u>
Taxation	5	(85,634)	(92,167)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND RETAINED FOR THE YEAR	11	<u><u>213,192</u></u>	<u><u>209,967</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.

Target Direct Print Limited

BALANCE SHEET

31 December 2005

	<i>Notes</i>	2005 £	2004 £
FIXED ASSETS			
Tangible assets	6	31,476	35,289
		<u> </u>	<u> </u>
CURRENT ASSETS			
Work in progress		77,108	120,736
Debtors	7	1,855,718	2,528,233
Cash at bank and in hand		547,465	300,140
		<u>2,480,291</u>	<u>2,949,109</u>
CREDITORS: Amounts falling due within one year	8	<u>(1,974,183)</u>	<u>(2,658,384)</u>
NET CURRENT ASSETS		<u>506,108</u>	<u>290,725</u>
		<u> </u>	<u> </u>
TOTAL ASSETS LESS CURRENT LIABILITIES		537,854	326,014
Provisions for liabilities and charges	9	(719)	(2,071)
		<u>537,135</u>	<u>323,943</u>
		<u> </u>	<u> </u>
CAPITAL AND RESERVES			
Called up share capital	10	1,000	1,000
Profit and loss account	11	536,135	322,943
		<u>537,135</u>	<u>323,943</u>
EQUITY SHAREHOLDER'S FUNDS	11	<u>537,135</u>	<u>323,943</u>
		<u> </u>	<u> </u>

Approved by the board on

Director

Target Direct Print Limited

ACCOUNTING POLICIES

BASIS OF ACCOUNTING

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

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

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.

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.

Target Direct Print Limited

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2005

1	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.		
2	OPERATING PROFIT	2005	2004
		£	£
	Operating profit is stated after charging:		
	Depreciation of tangible fixed assets	14,198	4,089
	Auditors' remuneration - audit services	9,250	9,250
	- non-audit services	1,500	1,500
		<u> </u>	<u> </u>
3	INTEREST PAYABLE AND SIMILAR CHARGES	2005	2004
		£	£
	Bank interest and charges	1,136	499
		<u> </u>	<u> </u>
4	EMPLOYEES		
	The average monthly number of persons (including directors) employed by the company during the year was:		
		2005	2004
		No	No
	Number of employees	10	8
		<u> </u>	<u> </u>
	Staff costs for the above persons:		
		2005	2004
		£	£
	Wages and salaries	422,575	286,593
	Social security costs	45,453	34,260
	Other pension costs	14,592	9,262
		<u> </u>	<u> </u>
		482,620	330,115
		<u> </u>	<u> </u>
	DIRECTORS	2005	2004
		£	£
	Remuneration in respect of directors was as follows:		
	Emoluments	88,519	70,000
	Value of company pension contributions to money purchase scheme	3,500	3,000
		<u> </u>	<u> </u>
		92,019	73,000
		<u> </u>	<u> </u>

The number of directors to whom retirement benefits are accruing under money purchase pension schemes is one (2004: one).

Target Direct Print Limited

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2005

5	TAXATION			2005 £	2004 £
	Current taxation:				
	UK corporation tax			87,217	90,000
	(Over) / under provision for prior years			(231)	96
				<u>86,986</u>	<u>90,096</u>
	Deferred tax (note 9)			(1,352)	2,071
	Tax on profit on ordinary activities			<u>85,634</u>	<u>92,167</u>
	Factors affecting the tax charge for the year:				
	Profit on ordinary activities before taxation			298,826	302,134
	Profit on ordinary activities at 30% (2004: 30%)			89,648	90,640
	Effects of:				
	Expenses not deductible for tax purposes			-	1,858
	Capital allowances for period in excess of depreciation			-	(2,099)
	Group relief			(20,708)	(399)
	(Over) / under provision in prior years			(231)	96
	Other timing differences			18,277	-
	Current tax charge for the year			<u>86,986</u>	<u>90,096</u>
6	TANGIBLE FIXED ASSETS	Computer equipment £	Fixtures & Fittings £		Total £
	Cost				
	At 1 January 2005	37,033	720		37,753
	Additions	10,385	-		10,385
	At 31 December 2005	<u>47,418</u>	<u>720</u>		<u>48,138</u>
	Depreciation				
	At 1 January 2005	2,434	30		2,464
	Charged in the year	14,018	180		14,198
	At 31 December 2005	<u>16,452</u>	<u>210</u>		<u>16,662</u>
	Net book value				
	At 31 December 2005	<u>30,966</u>	<u>510</u>		<u>31,476</u>
	At 1 January 2005	<u>34,599</u>	<u>690</u>		<u>35,289</u>

Target Direct Print Limited

NOTES TO THE FINANCIAL STATEMENTS (*continued*)

for the year ended 31 December 2005

7	DEBTORS	2005	2004	
		£	£	
	Trade debtors	797,527	1,668,161	
	Amounts owed by group undertakings	966,998	836,712	
	Other debtors	88,012	23,360	
	Prepayments and accrued income	3,181	-	
		<u>1,855,718</u>	<u>2,528,233</u>	
8	CREDITORS: Amounts falling due within one year	2005	2004	
		£	£	
	Invoice discounting facility	-	300,995	
	Trade creditors	1,809,006	2,075,700	
	Amounts owed to group undertakings	-	127,367	
	Corporation tax	87,487	90,000	
	Other taxation and social security	12,350	10,522	
	Accruals and deferred income	65,340	53,800	
		<u>1,974,183</u>	<u>2,658,384</u>	
9	PROVISIONS FOR LIABILITIES AND CHARGES	2005	2004	
		£	£	
	Deferred taxation	719	2,071	
		<u>719</u>	<u>2,071</u>	
	The provision for deferred taxation relates entirely to accelerated capital allowances.			
10	SHARE CAPITAL	2005	2004	
		£	£	
	Authorised:			
	1,000 ordinary shares of £1 each	1,000	1,000	
		<u>1,000</u>	<u>1,000</u>	
	Allotted, issued and fully paid:			
	1,000 ordinary shares of £1 each	1,000	1,000	
		<u>1,000</u>	<u>1,000</u>	
11	RECONCILIATION OF SHAREHOLDER'S FUNDS AND MOVEMENT ON RESERVES			
		Share capital	Profit and loss account	Total shareholders funds
		£	£	£
	At 1 January 2004	1,000	112,976	113,976
	Retained profit for the year	-	209,967	209,967
	At 31 December 2004	<u>1,000</u>	<u>322,943</u>	<u>323,943</u>
	Retained profit for the year	-	213,192	213,192
	At 31 December 2005	<u>1,000</u>	<u>536,135</u>	<u>537,135</u>

Target Direct Print Limited

NOTES TO THE FINANCIAL STATEMENTS (*continued*)

for the year ended 31 December 2005

12 CONTINGENT LIABILITIES

The company has a cross guarantee with other group undertakings. At the end of the year, bank borrowings of £nil (2004: £568,365) were guaranteed.

13 RELATED PARTY TRANSACTIONS

The company has taken advantage of the exemption available under FRS 8 from disclosing transactions with member 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.

14 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.