

# Target Direct Print Limited

## REPORT AND FINANCIAL STATEMENTS

for the year ended  
31 December 2006

# Target Direct Print Limited

## DIRECTORS AND OFFICERS

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### DIRECTORS

S M Pidgeon  
P Frings  
B Hosey  
G James  
K B Steeds  
M Bentley  
M Scott  
M H Marshall

### SECRETARY

G James

### COMPANY NUMBER

4322798

### REGISTERED OFFICE

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

### AUDITOR

Baker Tilly UK Audit LLP  
Chartered Accountants  
1 Georges Square  
Bath Street  
Bristol  
BS1 6BP

### BANKERS

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

# Target Direct Print Limited

## DIRECTORS' REPORT

for the year ended 31 December 2006

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The directors submit their report and the financial statements of Target Direct Print Limited for the year ended 31 December 2006.

### 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 fifth consecutive year, Target Direct Print has delivered strong growth in both turnover and profitability. Turnover was up by 60% on 2005 (from £8,891k to £14,226k) and PBT by 59% (from £244k to £408k). A significant contribution to the company's growth came from FASTRACK, an innovative downstream access postal product launched in May 2006, but there was also a healthy increase in the volume of print management turnover.

The company will continue to innovate and develop new services in 2007, 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 2007.

### DIVIDENDS

The directors recommended the payment of an interim dividend of £329,333 (2005: £nil).

### 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 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 our 20 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.

# Target Direct Print Limited

## DIRECTORS' REPORT *(continued)*

for the year ended 31 December 2006

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### 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:

B Hosey	appointed 4 January 2006
G James	appointed 3 August 2007
K B Steeds	appointed 24 April 2007
M Bentley	appointed 24 April 2007
M Scott	appointed 24 April 2007
M H Marshall	appointed 21 September 2007
M Newcombe	resigned 3 August 2007

### 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 2006 Ordinary 10p shares	At 1 January 2006 Ordinary 10p shares
S M Pidgeon	869,619	869,619
P Frings	16,202	72,202
M Newcombe	-	-
B Hosey	-	-

### STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting practice.

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; and
- 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.

### 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.

# Target Direct Print Limited

DIRECTORS' REPORT *(continued)*

for the year ended 31 December 2006

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## AUDITOR

The directors, having been notified of the cessation of the partnership know as Baker Tilly, resolved that Baker Tilly UK Audit LLP be appointed as successor audit with effect from 1 April 2007, in accordance with the provisions of the Companies Act 1989, S26(5). 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

S Pidgeon  
Director

Date: 31<sup>st</sup> October 2007

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TARGET DIRECT PRINT LIMITED

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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 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 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, and whether the information given in the Directors' Report is consistent with the financial statements. We also 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 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.

## **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 2006 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

1 Georges Square

Bath Street

Bristol

BS1 6BP

Date 31<sup>st</sup> October 2007

# Target Direct Print Limited

## PROFIT AND LOSS ACCOUNT for the year ended 31 December 2006

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	Notes	2006 £	2005 as restated £
TURNOVER	2	14,225,660	8,890,674
Cost of sales		(12,789,954)	(7,876,485)
Gross profit		<u>1,435,706</u>	<u>1,014,189</u>
Administration expenses		(1,030,842)	(772,262)
OPERATING PROFIT	3	<u>404,864</u>	<u>241,927</u>
Interest receivable		6,126	4,035
Interest payable and similar charges	4	(2,900)	(1,136)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>408,090</u>	<u>244,826</u>
Taxation	6	(114,370)	(72,542)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	12	<u><u>293,720</u></u>	<u><u>172,284</u></u>

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

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 December 2006

	Notes	2006 £	2005 £
Profit for the financial year		293,720	172,284
Prior year adjustment	13	(44,100)	<u>172,284</u>
Total recognised gains and losses recognised since last annual report		<u><u>249,620</u></u>	

# Target Direct Print Limited

## BALANCE SHEET

31 December 2006

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	<i>Notes</i>	2006 £	2005 as restated £
<b>FIXED ASSETS</b>			
Tangible assets	7	77,297	31,476
		<hr/>	<hr/>
<b>CURRENT ASSETS</b>			
Work in progress		257,849	77,108
Debtors	8	4,849,542	1,874,618
Cash at bank and in hand		563,264	547,465
		<hr/>	<hr/>
		5,670,655	2,499,191
<b>CREDITORS: Amounts falling due within one year</b>	9	(5,173,456)	(1,977,021)
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		497,199	522,170
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		574,496	553,646
Provisions for liabilities and charges	10	-	(719)
		<hr/>	<hr/>
		574,496	552,927
		<hr/>	<hr/>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	11	1,000	1,000
Profit and loss account	12	453,314	488,927
Capital reserves		120,182	63,000
		<hr/>	<hr/>
<b>EQUITY SHAREHOLDER'S FUNDS</b>	12	574,496	522,927
		<hr/>	<hr/>

Approved by the board and authorised for issue on 31<sup>st</sup> October 2007

S Pidgeon  
Director

# Target Direct Print Limited

## NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2006

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### 1 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 *(continued)*

for the year ended 31 December 2006

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### 1 ACCOUNTING POLICIES *(continued)*

#### 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 expense.

Having regard to the basis for conclusions behind FRS20 and in accordance with FRS18 Accounting policies, the company has revised its accounting policy for certain payments made to employees in respect of earn out arrangements. These payments are now treated as remuneration within the profit and loss account.

### 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

	2006	2005
	£	£
Operating profit is stated after charging:		
Depreciation of tangible fixed assets	23,023	14,198
Auditors' remuneration - audit services	15,000	9,250
- non-audit services	1,500	1,500
	<u>          </u>	<u>          </u>

### 4 INTEREST PAYABLE AND SIMILAR CHARGES

	2006	2005
	£	£
Bank interest and charges	2,900	1,136
	<u>          </u>	<u>          </u>

# Target Direct Print Limited

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2006

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### 5 EMPLOYEES

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

	2006 No	2005 No
Number of employees	13	10

Staff costs for the above persons:

	2006 £	2005 as restated £
Wages and salaries	597,414	422,575
Social security costs	51,527	45,453
Other pension costs	21,055	14,592
Acquisition related employee remuneration expense	57,182	54,000
	<u>727,178</u>	<u>536,620</u>

### DIRECTORS

	2006 £	2005 as restated £
Remuneration in respect of directors was as follows:		
Emoluments	178,614	88,519
Value of company pension contributions to money purchase scheme	7,475	3,500
Acquisition related employee remuneration expense	57,182	54,000
	<u>243,271</u>	<u>146,019</u>

The number of directors to whom retirement benefits are accruing under money purchase pension schemes is three (2005: one).

The amounts paid in respect of the highest paid director were £147,011 (including acquisition related employee remuneration expense).

# Target Direct Print Limited

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2006

### 6 TAXATION

	2006 £	2005 as restated £
Current taxation:		
UK corporation tax	133,781	90,325
Over provision for prior years	(2,256)	(231)
	<u>131,525</u>	<u>90,094</u>
Deferred tax (note 10)	-	(1,352)
Deferred tax relating to acquisition related employee remuneration expense	(17,155)	(16,200)
	<u>114,370</u>	<u>72,542</u>
Tax on profit on ordinary activities	<u>114,370</u>	<u>72,542</u>
Factors affecting the tax charge for the year:		
Profit on ordinary activities before taxation	<u>408,090</u>	<u>244,826</u>
Profit on ordinary activities at 30% (2005: 30%)	122,426	73,448
Effects of:		
Timing differences in relation to acquisition related employee remuneration expense	17,155	16,200
Other timing differences	(5,800)	677
Over provision in prior years	(2,256)	(231)
Current tax charge for the year	<u>131,525</u>	<u>90,094</u>

A deferred tax asset of £36,055 has arisen in relation to acquisition related employee remuneration expense. This has been provided for at the rate of 30% on the accumulated expense.

### 7 TANGIBLE FIXED ASSETS

	Leasehold improvements £	Computer equipment £	Fixtures & Fittings £	Total £
Cost				
At 1 January 2006	-	47,418	720	48,138
Additions	21,122	45,163	2,559	68,844
At 31 December 2006	<u>21,122</u>	<u>92,581</u>	<u>3,279</u>	<u>116,982</u>
Depreciation				
At 1 January 2006		16,452	210	16,662
Charged in the year	509	22,203	311	23,023
At 31 December 2006	<u>509</u>	<u>38,655</u>	<u>521</u>	<u>39,685</u>
Net book value				
At 31 December 2006	<u>20,613</u>	<u>53,926</u>	<u>2,758</u>	<u>77,297</u>
At 1 January 2006	<u>-</u>	<u>30,966</u>	<u>510</u>	<u>31,476</u>

# Target Direct Print Limited

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2006

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8	DEBTORS	2006 £	2005 as restated £
	Trade debtors	3,271,100	797,527
	Amounts owed by group undertakings	1,274,645	966,998
	Other debtors	258,695	88,012
	Prepayments and accrued income	9,047	3,181
	Deferred taxation (note 6)	36,055	18,900
		<u>4,849,542</u>	<u>1,874,618</u>

9	CREDITORS: Amounts falling due within one year	2006 £	2005 £
	Trade creditors	4,107,069	1,809,006
	Amounts owed to group undertakings	491,633	-
	Corporation tax	63,340	90,595
	Other taxation and social security	15,989	12,080
	Accruals and deferred income	495,425	65,340
		<u>5,173,456</u>	<u>1,977,021</u>

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

10	PROVISIONS FOR LIABILITIES AND CHARGES	2006 £	2005 £
	Deferred taxation	-	719
		<u>-</u>	<u>719</u>

The provision for deferred taxation related entirely to accelerated capital allowances.

11	SHARE CAPITAL	2006 £	2005 £
	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	<u>1,000</u>	<u>1,000</u>

# Target Direct Print Limited

## NOTES TO THE FINANCIAL STATEMENTS *(continued)*

for the year ended 31 December 2006

### 12 RECONCILIATION OF SHAREHOLDER'S FUNDS AND MOVEMENT ON RESERVES

	Share capital £	Profit and loss account £	Capital reserve £	Total shareholders funds £
At 1 January 2005 – as previously stated	1,000	322,943	-	323,943
Prior year adjustment (note 13)	-	(6,300)	9,000	2,700
At 1 January 2005 as restated	<u>1,000</u>	<u>316,643</u>	<u>9,000</u>	<u>326,643</u>
Retained profit for the year	-	172,284	54,000	226,284
At 31 December 2005	<u>1,000</u>	<u>488,927</u>	<u>63,000</u>	<u>552,927</u>
Retained profit for the year	-	293,720	57,182	350,902
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>

### 13 PRIOR YEAR ADJUSTMENTS

As described on page 8, the company adopted FRS20 Share based payment in the year. The effect of this is on the profit and loss reserve as at 1 January 2005 is below:

	Pre tax adjustment £	Tax relief £	Total £
Acquisition related employee remuneration expenses	9,000	(2,700)	6,300

The cumulative effect of the adoption of FRS20 is to reduce accumulated profit and loss reserves at 31 December 2006 by £84,128. The effect to the profit and loss account is to increase the administration costs in the year to 31 December 2006 by £57,182 (2005: £54,000). Deferred tax is provided based upon the expected future tax deductions as a result of these transactions.

### 14 CONTINGENT LIABILITIES

The company has a cross guarantee with other group undertakings. At the end of the year, bank borrowings of £28,220 (2005: £568,365) were guaranteed.

### 15 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.

# Target Direct Print Limited

NOTES TO THE FINANCIAL STATEMENTS (*continued*)  
for the year ended 31 December 2006

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## 16 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.