

Webmaster Limited

Directors' report and financial statements

31 December 2003

Registered number 1426093



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2003.

Principal activity

The principal activity of the company is that of the manufacture of pressure sensitive label stock and width slitting of this and related products.

Business review

The results for the year and the state of affairs of the company are shown in the attached financial statements.

Proposed dividend

The directors do not recommend the payment of a dividend (2002: *£nil*).

Directors and directors' interests

The directors who held office during the year were as follows:

Mr CS Dixon (Chairman)

Mr M Braddock

Mr TG Hughes

None of the directors who held office at the end of the financial year had any disclosable interest in the shares of the company.

Mr CS Dixon is also a director of the parent company, LS Dixon Group Limited, and his interest in the shares of group companies are disclosed in the financial statements of that company. Mr M Braddock and Mr TG Hughes had no interest in the shares of any group company at either the beginning or end of the year.

Political and charitable contributions

The company made no political contributions or donations to UK charities during the year.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the reappointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



CS Dixon
Chairman

Lowerhouse Mills
Bollington
Macclesfield
SK10 5HW

15/7/2004

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 maintaining 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 Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP

St James' Square
Manchester
M2 6DS
United Kingdom

Independent auditors' report to the members of Webmaster Limited

We have audited the financial statements on pages 4 to 15.

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 are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

Chartered Accountants
Registered Auditor

21st July 2004

Profit and loss account
for the year ended 31 December 2003

	<i>Note</i>	2003 £	2002 £
Turnover – continuing operations		770,396	1,102,524
Cost of sales		(602,915)	(830,181)
		<hr/>	<hr/>
Gross profit		167,481	272,343
Administrative expenses		(275,602)	(347,423)
		<hr/>	<hr/>
Operating loss – continuing operations		(108,121)	(75,080)
Interest payable and similar charges	5	(14,050)	(17,375)
		<hr/>	<hr/>
Loss on ordinary activities before taxation	2-5	(122,171)	(92,455)
Tax on loss on ordinary activities	6	35,207	29,877
		<hr/>	<hr/>
Retained loss for the financial year		(86,964)	(62,578)
		<hr/>	<hr/>

The company has no recognised gains or losses other than the loss for the years reported above and therefore no separate statement of recognised gains or losses has been presented.

Balance sheet
at 31 December 2003

	Note	2003	2002
		£	£
Fixed assets			
Tangible assets	7	426,559	443,920
Current assets			
Stocks	8	154,487	130,345
Debtors	9	220,424	271,157
Cash at bank and in hand		-	20,276
		<u>374,911</u>	<u>421,778</u>
Creditors: amounts falling due within one year	10	<u>(1,177,859)</u>	<u>(1,171,152)</u>
Net current liabilities		<u>(802,948)</u>	<u>(749,374)</u>
Total assets less current liabilities		<u>(376,389)</u>	<u>(305,454)</u>
Creditors: amounts falling due after more than one year	11	(8,250)	(1,333)
Provisions for liabilities and charges	12	(9,112)	-
Net liabilities		<u>(393,751)</u>	<u>(306,787)</u>
Capital and reserves			
Called up share capital	14	2	2
Revaluation reserve	15	279,636	314,395
Profit and loss account	15	(673,389)	(621,184)
Equity shareholders' funds		<u>(393,751)</u>	<u>(306,787)</u>

These financial statements were approved by the board of directors on 15/7/04 and were signed on its behalf by:


CS Dixon
Director

Note of historical cost profit and losses
for the year ended 31 December 2003

	2003 £	2002 £
Reported loss on ordinary activities before taxation	(122,171)	(92,455)
Realisation of property revaluation gains of previous years	-	4,021
Difference between a historical cost depreciation charge and the actual depreciation charge calculated on the revalued amount	34,759	38,621
Historical cost loss on ordinary activities before taxation	(87,412)	(49,813)
Historical cost loss for the year retained after taxation and dividends	(52,205)	(19,936)

Reconciliation of movements in shareholders' funds
for the year ended 31 December 2003

	2003 £	2002 £
Loss for the financial year	(86,964)	(62,578)
Net addition to shareholders' deficit	(86,964)	(62,578)
Opening shareholders' deficit	(306,787)	(244,209)
Closing shareholders' deficit	(393,751)	(306,787)

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, modified to include the revaluation of some plant and machinery.

Under Financial Reporting Standard No 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds of its size.

As the company is a wholly owned subsidiary of LS Dixon Group Limited, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of LS Dixon Group Limited, within which this company is included, can be obtained from the address given in note 18.

Going concern

The financial statements have been prepared on a going concern basis which assumes the company will continue in existence. The validity of this assumption is dependent upon the continued support of the group, which has been confirmed by the holding company.

Fixed assets and depreciation

Depreciation is provided to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Leasehold improvements	-	25% reducing balance basis
Plant and machinery	-	10% reducing balance basis
Motor vehicles	-	25% reducing balance basis
Fixtures, fittings and computers	-	25% reducing balance basis

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Research and development expenditure

Expenditure on research and development is written off against profits in the year in which it is incurred.

Stocks

Stocks are stated at the lower of cost and net realisable value. For work in progress and finished goods cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

Notes (continued)

1 Accounting policies (continued)

Taxation

The charge for taxation is based on the loss for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised without discounting in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of pressure sensitive label stock and related products to external customers. Turnover is stated less returns.

2 Loss on ordinary activities before taxation

	2003 £	2002 £
<i>Loss on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration	3,975	3,410
Depreciation and other amounts written off tangible fixed assets:		
Owned	47,654	53,013
Leased	5,624	1,998
Hire of plant and machinery - rentals payable under operating leases	6,726	2,785
Hire of other assets - operating leases	10,462	23,269
	<hr/>	<hr/>

3 Remuneration of directors

None of the directors who served during the year received any remuneration in respect of their services to Webmaster Limited (2002:£nil).

Notes *(continued)*

4 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2003	2002
Sales and administration	2	3
Production	4	7
	<hr/>	<hr/>
	6	10
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	2003	2002
	£	£
Wages and salaries	126,996	194,594
Social security costs	10,503	14,821
	<hr/>	<hr/>
	137,499	209,415
	<hr/>	<hr/>

5 Interest payable and similar charges

	2003	2002
	£	£
Finance charges payable in respect of finance leases and hire purchase contracts	1,305	689
Other interest payable	12,745	16,686
	<hr/>	<hr/>
	14,050	17,375
	<hr/>	<hr/>

Notes (continued)

6 Taxation

Analysis of charge in year

	2003 £	2003 £	2002 £	2002 £
<i>UK corporation tax</i>				
Current tax on income for the year	(28,291)		(18,115)	
Adjustments in respect of prior year	-		(8,807)	
	<hr/>		<hr/>	
Total current tax		(28,291)		(26,922)
<i>Deferred tax (see note 13)</i>				
Origination/reversal of timing differences		(6,916)		(2,955)
		<hr/>		<hr/>
Tax on loss on ordinary activities		(35,207)		(29,877)
		<hr/>		<hr/>

Factors affecting the tax charge for the current year

The current tax charge for the year is higher (2002 : *higher*) than the standard rate of corporation tax in the UK (30%, 2002 : 30%). The differences are explained below.

	2003 £	2002 £
<i>Current tax reconciliation</i>		
Loss on ordinary activities before tax	(122,171)	(92,455)
	<hr/>	<hr/>
Current tax at 30% (2002 : 30%)	(36,651)	(27,737)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	168	361
Depreciation on ineligible assets	1,276	1,418
Movement in timing differences	6,916	7,843
Adjustments to tax charge in respect of previous years	-	(8,807)
	<hr/>	<hr/>
Total current tax charge (see above)	(28,291)	(26,922)
	<hr/>	<hr/>

Notes (continued)

7 Tangible fixed assets

	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Total £
Cost or valuation				
At beginning of year	539,043	56,492	27,575	623,110
Additions	26,209	-	16,500	42,709
Disposals	-	-	(12,075)	(12,075)
At end of year	565,252	56,492	32,000	653,744
Depreciation				
At beginning of year	120,709	43,692	14,789	179,190
Charge for year	44,454	3,200	5,624	53,278
On disposals	-	-	(5,283)	(5,283)
At end of year	165,163	46,892	15,130	227,185
Net book value				
At 31 December 2003	400,089	9,600	16,870	426,559
At 31 December 2002	418,334	12,800	12,786	443,920

Included in the total net book value of motor vehicles is £16,870 (2002: £5,994) in respect of assets held under finance leases and similar hire purchase contracts. Depreciation for the year on these assets was £5,624 (2002: £1,998).

Certain plant and machinery was revalued at £503,000 on 30 August 2000 by Rushton International, a firm of chartered surveyors. The basis of the revaluation was value of plant and machinery to the business.

The following information relates to assets carried at revalued amounts which have been retained under the transitional provisions set out in FRS 15 'Tangible fixed assets'.

Plant and machinery	2003 £	2002 £
At 2000 value of plant and machinery to the business	503,000	503,000
Aggregate depreciation thereon	(148,536)	(109,151)
Net book value	354,464	393,849
Historical cost of revalued assets	340,062	340,062
Aggregate depreciation based on historical cost	(298,425)	(293,799)
Historic cost net book value of revalued assets	41,637	46,263

Notes (continued)

8 Stocks

	2003 £	2002 £
Raw materials and consumables	96,050	77,531
Finished goods and goods for resale	58,437	52,814
	<u>154,487</u>	<u>130,345</u>

9 Debtors

	2003 £	2002 £
Trade debtors	156,092	175,081
Amounts owed by group undertakings	44,180	83,533
Corporation tax	3,887	3,887
Deferred tax asset (see note 13)	9,871	2,955
Prepayments and accrued income	6,394	5,701
	<u>220,424</u>	<u>271,157</u>

10 Creditors: amounts falling due within one year

	2003 £	2002 £
Bank loans and overdraft – secured	157,784	97,591
Obligations under finance leases and hire purchase contracts (see note 11)	6,283	4,000
Trade creditors	113,594	204,223
Amounts owed to group undertakings	884,001	842,139
Other taxation and social security	6,548	15,836
Accruals and deferred income	9,649	7,363
	<u>1,177,859</u>	<u>1,171,152</u>

Notes (continued)

11 Creditors: amounts falling due after more than one year

	2003 £	2002 £
Obligations under finance leases and hire purchase contracts	8,250	1,333

The maturity of obligations under finance leases and hire purchase contracts is as follows:

	2003 £	2002 £
Within one year	6,283	4,000
In the second to fifth years	8,250	1,333
	14,533	5,333

12 Provisions for liabilities and charges

	Onerous lease provision £
At beginning of year	-
Charge to the profit and loss for the year	9,112
At end of year	9,112

The provision relates to the previous business premises of the company which are currently unutilised.

13 Deferred tax

	Deferred taxation £
At beginning of year	2,955
Credit to the profit and loss for the year (see note 6)	6,916
At end of year (see note 9)	9,871

The elements of deferred taxation are as follows:

	2003 £	2002 £
Difference between accumulated depreciation and capital allowances	91,776	98,692
Other timing differences	(101,647)	(101,647)
Deferred tax asset	(9,871)	(2,955)

Notes (continued)

14 Called up share capital

	2003 £	2002 £
<i>Authorised</i>		
5,000 ordinary shares of £1 each	<u>5,000</u>	<u>5,000</u>
<i>Allotted, called up and fully paid</i>		
2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

15 Reserves

	Revaluation Reserve £	Profit and loss account £
At beginning of year	314,395	(621,184)
Retained loss for the year	-	(86,964)
Transfers	<u>(34,759)</u>	<u>34,759</u>
At end of year	<u>279,636</u>	<u>(673,389)</u>

16 Contingent liabilities

The company has entered into an unlimited cross-guarantee structure in favour of National Westminster Bank PLC in respect of overdraft and loan facilities granted to other fellow subsidiary undertakings and LS Dixon Group Limited. The cross-guarantee structure is supported by mortgage debentures in favour of National Westminster Bank PLC over the assets and undertaking of the company and the group. Total group borrowings at 31 December 2003 amounted to £1,510,365 (2002:£1,789,118).

Notes (continued)

17 Commitments

- (a) Capital commitments at the end of the financial year for which no provision has been made are as follows:

	2003 £	2002 £
Contracted	-	12,000

- (b) Annual commitments under non-cancellable operating leases are as follows:

	2003		2002	
	Land and buildings £	Other £	Land and buildings £	Other £
Operating leases which expire:				
Within one year	-	-	-	-
In the second to fifth years inclusive	11,592	2,720	11,592	2,720
	<u>11,592</u>	<u>2,720</u>	<u>11,592</u>	<u>2,720</u>

18 Parent company

The company is a subsidiary undertaking of LS Dixon Group Limited incorporated in England – the ultimate controlling party. The consolidated accounts of the group are available to the public and may be obtained from:

Lowerhouse Mills
Bollington
Macclesfield
SK10 5HW