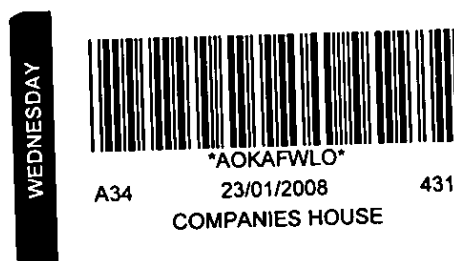


Directors' Report & Financial Statements

For the year ended 31 December 2006

Heritage Envelopes Limited

Registered No 2035889



HERITAGE ENVELOPES LIMITED

COMPANY INFORMATION

DIRECTORS

D Sears
J Jackson
M Sears
S Bromley
T Whittaker
M Salt
I Walmsley
F Glaizal
P Haeffner
R Kavangah
G Pegg
J L Pettifer
W Tavernier
P Blasenbauer
J De Couespel

SECRETARY

J Jackson

COMPANY NUMBER

2035889

REGISTERED OFFICE

Heritage House
Davyfield Road
Blackburn
Lancashire
BB1 2LU

AUDITORS

Mazars LLP
Merchant Exchange
Whitworth Street West
Manchester
M1 5WG

BANKERS

Barclays Bank plc
8/14 Darwen Street
Blackburn
Lancashire
BB2 2BZ

HERITAGE ENVELOPES LIMITED

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Cash flow statement	6
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Schedule of administrative expenses	21

HERITAGE ENVELOPES LIMITED

DIRECTORS' REPORT

For the year ended 31 December 2006

The directors present their report and the financial statements for the year ended 31 December 2006

Principal activities and review of the business

The principal activity of the company continued to be that of an envelope manufacturer

Results and dividends

The results for the year are set out on page 4

Turnover increased by 3.4% on the same period last year, which is consistent with the strategy of volume expansion. The company has continued to focus on expanding contracts with its major customers in addition to increasing the size of its customer base.

We managed to maintain gross margins at a satisfactory level of 28% (2005: 29%) and also to limit the increase in overheads leading to strong net profits.

The company continues to maintain its strong relationship with key customers and suppliers and is expecting turnover and profits to increase in 2007.

The company continues to manage its principal business risks.

Directors

The following directors have held office since 1 January 2006

D Sears	P Haeffner
J Jackson	R Kavanagh
M Sears	G C Pegg
S Bromley	J L Pettier
T Whittaker	W Tavernier
M Salt	P Blasenbauer
I Walmsley	J De Cousepel

Directors' interests

The only directors with any interest in the shares of the company are as stated below

	Ordinary shares of £1 each	
	31 December 2006	1 January 2006
D Sears	140	140
J Jackson	140	140
M Sears	70	70

Political and charitable contributions

During the period the company made charitable donations amounting to £420 (2005: £1,140)

HERITAGE ENVELOPES LIMITED

DIRECTORS' REPORT

For the year ended 31 December 2006

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that Mazars LLP be re-appointed as auditors of the company will be put to the Annual General Meeting

Statement of disclosure to auditor

- (a) So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware and
- (b) 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 the company's auditors are aware of that information

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 of the company 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 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 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



J Jackson
Secretary

17 April 2007

HERITAGE ENVELOPES LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS OF HERITAGE ENVELOPES LIMITED For the year ended 31 December 2006

We have audited the financial statements of Heritage Envelopes Limited for the year ended 31 December 2006 which comprise the Profit and Loss account, Balance Sheet, cash Flow Statement and related notes. These financial statements have been prepared under the accounting policies set out therein.

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

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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, whether the financial statements 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 transactions with the company is not disclosed.

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 as at 31 December 2006 and of its profit for the year then ended,
- the financial statements 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.

Mazars LLP

Mazars LLP
Chartered Accounts and Business Advisers
Merchant Exchange
Whitworth Street West
Manchester M1 5WG

19 May 2007

HERITAGE ENVELOPES LIMITED

PROFIT AND LOSS ACCOUNT For the year ended 31 December 2006

		2006 £	Fourteen months to 31 December 2005 £
TURNOVER	1, 2	19,750,296	22,011,353
Cost of sales		(14,593,872)	(15,557,600)
GROSS PROFIT		5,156,424	6,453,753
Administrative expenses		(3,282,187)	(4,117,661)
Other operating income	3	5,040	5,881
OPERATING PROFIT	4	1,879,277	2,341,973
Interest receivable		6,463	8,773
Interest payable	7	(374,398)	(578,294)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,511,342	1,772,452
TAX ON PROFIT ON ORDINARY ACTIVITIES	8	(508,575)	(512,871)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		1,002,767	1,259,581

All amounts relate to continuing operations

There are no recognised gains and losses other than those included in the profit and loss account

HERITAGE ENVELOPES LIMITED

BALANCE SHEET

For the year ended 31 December 2006

	Note	2006		2005	
		£	£	£	£
FIXED ASSETS					
Tangible fixed assets	10		7,446,414		8,212,436
Investments	11		<u>152,725</u>		<u>152,725</u>
			7,599,139		8,365,161
CURRENT ASSETS					
Stocks	12	1,427,469		1,158,641	
Debtors	13	5,634,068		5,204,094	
Cash at bank & in hand		<u>576,349</u>		<u>468,803</u>	
		7,637,886		6,831,538	
CREDITORS amounts falling due within one year	14	<u>(6,580,454)</u>		<u>(6,196,834)</u>	
TOTAL CURRENT ASSETS/(LIABILITIES)			<u>1,057,432</u>		<u>634,704</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			8,656,571		8,999,865
CREDITORS amounts falling due after more than one year	15		(3,372,994)		(4,687,486)
PROVISIONS FOR LIABILITIES & CHARGES					
Deferred taxation	16		<u>(820,601)</u>		<u>(852,170)</u>
NET ASSETS			<u>4,462,976</u>		<u>3,460,209</u>
CAPITAL & RESERVES					
Called up share capital	17		1,000		1,000
Revaluation reserve			147,287		147,287
Other reserves			250		250
Profit & loss account			<u>4,314,439</u>		<u>3,311,672</u>
SHAREHOLDERS' FUNDS – all equity	18		<u>4,462,976</u>		<u>3,460,209</u>

The financial statements were approved by the Board on []

D Sears
Director



17 April 2007

HERITAGE ENVELOPES LIMITED

CASH FLOW STATEMENT

For the year ended 31 December 2006

	Note	2006 £	2005 £
Net cash flow from operating activities	19	2,785,355	2,452,418
Returns on investments and servicing of finance	20	(667,935)	(579,857)
Taxation		(509,952)	(207,435)
Capital expenditure and financial investment	20	(173,418)	36,433
CASH INFLOW BEFORE FINANCING		1,434,050	1,701,559
Financing	20	(1,328,659)	(1,826,141)
(DECREASE)/INCREASE IN CASH IN THE PERIOD		105,391	(124,582)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT (Note 21)

For the year ended 31 December 2006

	2006 £	2005 £
(Decrease)/increase in cash in period	105,391	(124,582)
Cash outflow from decrease in debt & lease financing	1,328,659	1,826,141
New finance lease	-	(749,078)
MOVEMENT IN NET DEBT IN THE YEAR	1,434,050	952,481
Opening net debt	(5,246,375)	(6,198,856)
Closing net debt	(3,812,325)	(5,246,375)

HERITAGE ENVELOPES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006

1. ACCOUNTING POLICIES

1.1. Accounting convention

The financial statements have been prepared under the historical cost convention modified to include the revaluation of freehold land

The comparative period covers a fourteen month period from 1 November 2004 to 31 December 2005

1.2. Compliance with accounting standards

The financial statements are prepared in accordance with applicable accounting standards, which have been applied consistently (except as otherwise stated)

1.3. Exemption from group accounts

The company is itself a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of Section 228 of the Companies Act 1985. These financial statements therefore present information about the company as an individual undertaking and not about its group

1.4. Going concern

These financial statements have been prepared on a going concern basis

1.5. Turnover

Turnover comprises the invoiced value of goods and services supplied by the company, exclusive of Value Added Tax and trade discounts

1.6. Tangible fixed assets

Tangible fixed assets other than freehold land are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation less estimated residual value of each asset over its expected useful life, as follows

Land and buildings freehold	- 2% straight line
Land and buildings leasehold	- 2% straight line
Plant and machinery	- 15% reducing balance
Fixtures, fittings and equipment	- 15% - 25% reducing balance
Motor vehicles	- 25% reducing balance

1.7. Revaluation of tangible fixed assets

As permitted by the transitional provisions of FRS15 Tangible Fixed Assets, the company has elected not to adopt a policy of revaluation of tangible fixed assets. The company has retained the book value of freehold land, previously revalued, by the directors, at 31 October 1999 and have not updated the valuation since then

1.8. Leasing and hire purchase

Finance leases

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period

Operating leases

Rentals payable under operating leases are charged against income on a straight-line basis over the lease term

HERITAGE ENVELOPES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006 (continued)

1. ACCOUNTING POLICIES (continued)

1.9. Investments

Investments in subsidiary undertakings are stated at cost less any provision for permanent diminution in value

1.10 Stock

Stock and work in progress are valued at the lower of cost and net realisable value. Cost is calculated using the 'first in, first out' method and consists of material and direct labour costs, together with an appropriate proportion of production overheads

1.11. Pensions

The company operates a defined contribution pension scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable

1.12. Deferred taxation

Deferred tax is provided for in respect of the tax effect of all timing differences that have originated but not reversed at the balance sheet date

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be available tax profits from which the future reversal of the underlying timing differences can be deducted

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

1.13 Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction. Exchange differences are taken into account in arriving at the operating result

1.14. Government grants

Government grants relating to tangible fixed assets are treated as deferred income and released to the profit and loss account over the expected useful lives of the assets concerned. Other grants are credited to the profit and loss account as the related expenditure is incurred

2. TURNOVER

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom

HERITAGE ENVELOPES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006 (continued)

3. OPERATING PROFIT

The operating profit is stated after charging

	2006 £	Fourteen months to 31 December 2005 £
Depreciation of tangible fixed assets	939,440	1,269,749
Loss on disposal of tangible assets	-	28,125
Loss on foreign exchange transactions	242	1,100
Operating lease rentals – plant & machinery	60,727	87,072
Auditors' remuneration	17,500	9,850
And after crediting Government grants	<u>5,040</u>	<u>5,881</u>

4. INVESTMENT INCOME

	2006 £	Fourteen months to 31 December 2005 £
Bank interest	<u>6,463</u>	<u>8,773</u>

5. STAFF COSTS

Staff costs, including directors' remuneration, were as follows

	2006 £	Fourteen months to 31 December 2005 £
Wages and salaries	3,696,087	3,996,869
Social Security costs	358,760	390,470
Other pension costs	190,564	212,652
	<u>4,245,411</u>	<u>4,599,991</u>

The average monthly number of employees, including directors, during the year was as follows

	2006 No	Fourteen months to 31 December 2005 No
Administration	40	41
Production	129	126
	<u>169</u>	<u>167</u>

HERITAGE ENVELOPES LIMITED

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

6 DIRECTORS' EMOLUMENTS

	2006 £	Fourteen months to 31 December 2005 £
Emoluments for qualifying services	544,845	624,900
Company pension contributions to money purchase pension schemes	91,236	113,159
	<u>636,081</u>	<u>738,059</u>

The number of directors for whom retirement benefits are accruing under defined benefit schemes amounted to seven (2005 – six)

Emoluments disclosed above include the following amounts paid to the highest paid director

	2006 £	Fourteen months to 31 December 2005 £
Emoluments for qualifying services	103,203	138,941
Company pension contributions to money purchase schemes	43,802	49,733
	<u>147,005</u>	<u>188,674</u>

7. INTEREST PAYABLE

	2006 £	Fourteen months to 31 December 2005 £
On bank loans and overdrafts	143,281	182,143
Lease finance charges	227,494	396,151
On overdue tax	3,623	-
	<u>374,398</u>	<u>578,294</u>

HERITAGE ENVELOPES LIMITED

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

8. TAXATION

	2006 £	Fourteen months to 31 December 2005 £
Domestic current year tax		
UK corporation tax	474,236	447,116
Adjustment for prior years	65,908	(63,325)
Current tax charge	<u>540,144</u>	<u>383,791</u>
Deferred tax		
Origination and reversal of time differences	364	129,080
Deferred tax adjustments arising in previous periods	(31,933)	-
	<u>(31,569)</u>	<u>129,080</u>
	<u>508,575</u>	<u>512,871</u>

Factors affecting tax charge for the year

	2006 £	Fourteen months to 31 December 2005 £
Profit on ordinary activities before taxation	<u>1,511,342</u>	<u>1,772,452</u>
Profit on ordinary activities multiplied by the relevant standard rate of corporation tax in the UK of 30% (2005 30%)	<u>453,403</u>	<u>531,736</u>
Effects of.		
Non-deductible expenses	21,198	9,475
Capital allowances	(364)	(13,152)
Tax losses utilised	-	(88,771)
Adjustments to previous periods	65,907	(63,325)
Differences in calculations of chargeable gains	-	7,828
	<u>86,741</u>	<u>(147,945)</u>
Current tax charge for period	<u>540,144</u>	<u>383,791</u>

HERITAGE ENVELOPES LIMITED

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

9 DIVIDENDS

	2006 £	Fourteen months to 31 December 2005 £
On equity shares		
Total dividends proposed	-	300,000
	<u>-</u>	<u>300,000</u>

10. TANGIBLE FIXED ASSETS

	Freehold land & buildings £	Plant & machinery £	Motor vehicles £	Furniture, fixtures & equipment £	Total £
Cost or valuation					
At 1 Jan 06	2,769,703	9,894,458	242,714	477,893	13,384,768
Additions	21,060	65,820	3,750	82,788	173,418
At 31 Dec 06	<u>2,790,763</u>	<u>9,960,278</u>	<u>246,464</u>	<u>560,681</u>	<u>13,558,186</u>
Depreciation					
At 1 Jan 06	265,145	4,473,236	135,071	298,880	5,172,332
Charge for the period	49,815	819,572	27,614	42,439	939,440
At 31 Dec 06	<u>314,960</u>	<u>5,292,808</u>	<u>162,685</u>	<u>341,319</u>	<u>6,111,772</u>
Net book value					
At 31 Dec 06	<u>2,475,803</u>	<u>4,667,470</u>	<u>83,779</u>	<u>219,362</u>	<u>7,446,414</u>
At 31 Dec 05	<u>2,504,558</u>	<u>5,421,222</u>	<u>107,643</u>	<u>179,013</u>	<u>8,212,436</u>

Included in land and buildings is freehold land at valuation of £300,000 (cost £152,713) which is not depreciated

	Plant & Machinery £	Motor vehicles £	Total £
Net book values			
At 31 December 2006	<u>3,346,864</u>	<u>22,024</u>	<u>3 368 888</u>
At 31 December 2005	<u>4,212,448</u>	<u>29,365</u>	<u>4,241,813</u>
Depreciation charge for the year			
At 31 December 2006	<u>590,625</u>	<u>7,341</u>	<u>597,966</u>
At 31 December 2005	<u>694,853</u>	<u>9,788</u>	<u>704,641</u>

HERITAGE ENVELOPES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006 (continued)

11. FIXED ASSET INVESTMENTS

	Shares in subsidiary undertakings £
Cost or valuation:	
At 1 January and 31 December 2006	152,725
Net book value:	
At 31 December 2006	152,725
At 31 December 2005	152,725

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies

Company	Country of registration of incorporation	Shares held	
		Class	%
Subsidiary undertakings			
Just Networks Limited		Ordinary	100
Allied Envelopes Limited		Ordinary	100

The aggregate amount of capital and reserve and the results of these undertakings for the last relevant financial year were as follows

	Principal activity	Capital & Reserves £	Profit for the year £
Just Networks Limited	Dormant	152,724	-
Allied Envelopes Limited	Dormant	1	-

12. STOCKS

	2006 £	2005 £
Raw materials and consumables	732,266	581,803
Finished goods and goods for resale	695,203	576,838
	<u>1,427,469</u>	<u>1,158,641</u>

HERITAGE ENVELOPES LIMITED

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

13. DEBTORS

	2006 £	2005 £
Trade debtors	5,052,440	4,636,924
Amounts owed by fellow subsidiary undertakings	246,909	295,488
Other debtors	257,383	209,163
Prepayments and accrued income	77,336	62,519
	<u>5,634,068</u>	<u>5,204,094</u>

14. CREDITORS: amounts falling due within one year

	2006 £	2005 £
Bank loans and overdrafts	115,603	113,448
Net obligations under finance leases and hire purchase obligations	980,789	999,951
Trade creditors	4,156,763	3,726,171
Amounts owed to group undertakings	152,714	152,714
Corporation tax	268,963	238,771
Social Security and other taxes	326,185	401,272
Amounts due to parent undertaking – dividends	-	300,000
Directors' current accounts	3,961	3,961
Other creditors	196	46,051
Accruals and deferred income	575,280	214,495
	<u>6,580,454</u>	<u>6,196,834</u>

HERITAGE ENVELOPES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006 (continued)

15. CREDITORS: amounts falling due after more than one year

	2006 £	2005 £
Bank loans	1,852,119	1,965,567
Net obligations under finance leases and hire purchase contracts	1,440,163	2,636,212
Government grants received	80,712	85,707
	<u>3,372,994</u>	<u>4,687,486</u>

Included with the above are amounts falling due as follows

	2006 £	2005 £
Between one and two years		
Bank loans	<u>113,448</u>	<u>113,448</u>
Between two and five years		
Bank loans	<u>340,334</u>	<u>340,344</u>
Over five years		
Bank loans	<u>1,398,327</u>	<u>1,511,775</u>

The bank loans comprise several loan facilities subject to variable interest rate arrangements. Two of the arrangements have interest rates set at 1.9% over the LIBOR rate. The loans are secured by a debenture incorporating a legal charge over the freehold deeds of the company's premises.

A further facility is a variable interest rate arrangement and is repayable in equal instalments over 20 years up to 20 November 2024. The loan is secured by debenture incorporating a legal charge over the freehold deeds of the company's premises.

15. CREDITORS: amounts falling due after more than one year (continued)

Obligations under finance leases and hire purchase contracts, included above, are payable as follows

	2006 £	2005 £
Between two and five years	1,421,382	2,484,368
After five years	18,781	151,844
	<u>1,440,163</u>	<u>1,663,619</u>

The finance lease and hire purchase liabilities are secured on the assets to which they relate.

HERITAGE ENVELOPES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006 (continued)

16. PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred tax liability £
At 1 January 2006	852,170
Charge for the period	(31,569)
At 31 December 2006	<u>820,601</u>

The deferred tax provision is made up as follows

	2006 £	2005 £
Accelerated capital allowances	<u>820,601</u>	<u>852,170</u>

17. SHARE CAPITAL

	2006 £	2005 £
Authorised		
2,000 ordinary shares of £1 each	<u>2,000</u>	<u>2,000</u>
Allotted, called up and fully paid		
1,000 ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

18. STATEMENT OF MOVEMENTS ON RESERVES

	Revaluation reserve £	Other reserves (see below) £	Profit & loss account £
Balance at 1 January 2006	147,287	250	3,311,672
Retained profit for the period	-	-	1,002,767
Balance at 31 December 2006	<u>147,287</u>	<u>250</u>	<u>4,314,439</u>
Other reserves			
Capital redemption reserve			
Balance at 1 January 2006 & 31 December 2006		<u>250</u>	

HERITAGE ENVELOPES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006 (continued)

19 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2006 £	2005 £
Profit for the year	1,002,767	1,259,581
Dividends	-	(300,000)
	<u>1,002,767</u>	<u>959,581</u>
Opening shareholders' funds	3,460,209	2,500,628
	<u>4,462,976</u>	<u>3,460,209</u>
At 31 December 2006		

20. NET CASH FLOW FROM OPERATING ACTIVITIES

	2006 £	2005 £
Operating profit	1,879,277	2,341,973
Depreciation of tangible fixed assets	939,440	1,269,749
Profit on disposal of tangible fixed assets	-	28,125
Government grants	(4,995)	(5,881)
(Increase) in stocks	(268,828)	(425,612)
(Increase) in debtors	(478,553)	(288,929)
Decrease/(increase) in amounts owed by group undertakings	48,579	(295,488)
Increase/(decrease) in creditors	670,435	(171,519)
Net cash inflow from operations	<u>2,785,355</u>	<u>2,452,418</u>

21. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2006 £	2005 £
Returns on investments and servicing of finance		
Dividends paid	(300,000)	-
Interest received	6,463	8,773
Interest paid	(146,904)	(192,479)
Interest element of finance lease rentals	(227,494)	(396,151)
Net cash outflow from returns on investments and servicing of finance	<u>(667,935)</u>	<u>(579,857)</u>

HERITAGE ENVELOPES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006 (continued)

21. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT (continued)

	2006 £	2005 £
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(173,418)	(6,853)
Sale of tangible fixed assets	-	43,226
Net cash (outflow)/inflow from capital expenditure	<u>(173,418)</u>	<u>36,433</u>

	2006 £	2005 £
Financing		
Repayment of loans	(113,448)	(138,448)
Capital element of finance lease contracts	(1,215,211)	(1,687,693)
Net cash outflow from financing	<u>(1,328,659)</u>	<u>(1,826,141)</u>

22. ANALYSIS OF CHANGES IN DEBT

	2005 £	Cash flow £	Other non-cash changes £	2006 £
Cash at bank and in hand	468,803	107,546	-	576,349
Bank overdrafts	-	(2,155)	-	(2,155)
	<u>468,803</u>	<u>105,391</u>	<u>-</u>	<u>574,194</u>
Debt				
Finance leases	(3,636,163)	1,215,211	-	(2,420,952)
Debts due within one year	(113,448)	-	-	(113,448)
Debts falling due after more than one year	(1,965,567)	113,448	-	(1,852,119)
	<u>(5,715,178)</u>	<u>1,328,659</u>	<u>-</u>	<u>(4,386,519)</u>
Net debt	<u>(5,246,375)</u>	<u>1,434,050</u>	<u>-</u>	<u>(3,812,325)</u>

23. CAPITAL COMMITMENTS

At 31 December 2006 the company had capital commitments as follows

	2006 £	2005 £
Contracted for but not provided in these financial statements	<u>-</u>	<u>20,100</u>

HERITAGE ENVELOPES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2006 (continued)

24. PENSION COMMITMENTS

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £190,564 (2005: £212,652). No contributions were payable to the fund at the balance sheet date.

25. FINANCIAL COMMITMENTS

At 31 December 2006 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 December 2007:

	2006 £	2005 £
Expiry date		
Within one year	4,104	4,131
Between two and five years	29,735	19,664
After more than five years	-	-
	<u>33,839</u>	<u>23,795</u>

26. RELATED PARTY TRANSACTIONS

During the period the company paid Mrs V Sears, the wife of Mr D Sears, the managing director, an amount of £45,000 (2005: £52,400) for consultancy services provided.

During the year the company made sales of £491,087 and was owed an amount of £246,909 at year end from Chapman Envelopes Limited and sales to Classic Envelopes Limited amounted to £35,543 during the year. Both companies are members of the same group. The amount of £152,714 in relation to the purchase of land acquired in 1999 from Just Networks Limited, a subsidiary of Heritage Envelopes Limited, is still owed by the company.

Spring Valley Services Limited, which was a company controlled by Mr D Sears, a director of the company, was dissolved during the year.

27. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate and ultimate parent undertaking is GPV SA, a company registered and incorporated in France.

The consolidated financial statements of GPV SA can be obtained from GPC SA, Zone Industriel, La Lombardiere, 07430 Cedex, Davezieux, France.

HERITAGE ENVELOPES LIMITED

DETAILED TRADING AND PROFIT AND LOSS ACCOUNT For the year ended 31 December 2006 (continued)

		Year ended 31 December 2006 £		14 months to 31 December 2005 £
Turnover				
Sales class 1 – UK		19,750,296		22,011,353
Cost of sales				
Opening stock of finished goods	1,158,641		733,029	
Purchases	11,206,838		11,996,880	
Wages and salaries (excl NI)	2,784,673		2,931,174	
Employers NI contributions	270,310		275,236	
Repairs to plant and machinery	301,508		441,842	
Packaging and distribution costs	299,371		338,080	
		<hr/>	<hr/>	
	16,021,341		16,716,241	
Closing stock of finished goods	(1,427,469)		(1,158,641)	
		<hr/>	<hr/>	
		(14,593,872)		(15,557,600)
Gross profit	26 11%	5,156,424	29,32%	6,453,753
Administrative expenses		(3,282,187)		(4,117,661)
		<hr/>		<hr/>
		1,874,237		2,336,092
Other operating income				
Government grants received		5,040		5,881
		<hr/>		<hr/>
Operating profit		1,879,277		2,341,973
Other interest receivable and similar income				
Bank interest received		6,463		8,773
Interest payable				
Bank interest paid	143,281		182,143	
Lease finance charges paid	227,494		396,151	
Interest on overdue tax paid	3,623		-	
		<hr/>	<hr/>	
		(374,398)		(578,294)
Profit before taxation	7 65%	1,511,342	8 05%	1,772,452
		<hr/>	<hr/>	

HERITAGE ENVELOPES LIMITED

SCHEDULE OF ADMINISTRATIVE EXPENSES

For the year ended 31 December 2006 (continued)

	Year ended 31 December 2006 £	14 months to 31 December 2005 £
ADMINISTRATIVE EXPENSES		
Wages and salaries (excluding NI)	366,569	440,795
Directors' remuneration	544,845	624,900
Employer's NI contributions	88,450	115,234
Directors' pension costs	91,236	113,159
Staff pension costs	99,328	99,493
Rates	93,735	109,356
Insurance	47,588	203,316
Light and heat	367,994	300,392
Repairs and maintenance	43,235	57,355
Printing, postage and stationery	29,365	37,143
Advertising	7,494	18,287
Telephone	27,974	35,716
Computer running costs	35,855	58,767
Hire of equipment	43,780	64,754
Motor vehicle leasing	16,947	22,318
Motor running expenses	101,203	95,129
Travelling expenses	23,905	32,110
Legal and professional fees – allowable	107,750	96,304
Accountancy	-	28,817
Audit fees	17,500	9,850
Bank charges	7,645	7,112
Bad and doubtful debts	66,437	40,069
Profit/loss on foreign currency	242	1,100
Sundry expenses – allowable	113,670	114,988
Depreciation on freehold property	32,309	57,624
Amortisation on long leasehold	17,506	8,330
Depreciation on plant and machinery	862,011	1,114,478
Depreciation on FF & E	-	47,196
Depreciation on motor vehicles	27,614	42,121
Profits/losses on disposal of tangibles	-	28,125
Irrecoverable VAT	-	93,323
	3,282,187	4,117,661