

**SUNLINE DIRECT MAIL
LIMITED**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 OCTOBER 2002



Company no 3341560

SUNLINE DIRECT MAIL LIMITED

FINANCIAL STATEMENTS

For the year ended 31 October 2002

Company registration number: 3341560

Registered office: Cotton Way
Weldon Road Industrial Estate
Loughborough
Leicestershire
LE11 5FJ

Directors: N Maybury
K M Brown
P R Chappelow
N T Roberts

Secretary: N Maybury

Auditors: Grant Thornton
Registered Auditors
Chartered Accountants
8 West Walk
Leicester
LE1 7NH

SUNLINE DIRECT MAIL LIMITED

FINANCIAL STATEMENTS

For the year ended 31 October 2002

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SUNLINE DIRECT MAIL LIMITED

REPORT OF THE DIRECTORS

The directors present their report together with financial statements for the year ended 31 October 2002.

Principal activities

The principal activity of the company in the year under review was that of packaging of goods.

Business review

There was a profit for the year after taxation amounting to £476,230 (2001 £465,274). The directors recommend payment of dividends of £92,381 (2001: £95,879), leaving £383,849 (2001: £369,395) to be transferred to reserves.

The directors are pleased with the company's results, and plans are under review for the continued growth of the business.

Directors

The present membership of the the board is disclosed below. All served throughout the year, apart from Mr N T Roberts, who was appointed to the Board on 1 June 2002.

The interests of the directors and their families in the shares of the company as at 31 October 2002 and 1 November 2001 were as follows:

| | Ordinary shares | |
|---------------|--------------------|---|
| | 31 October 2002 | 1 November 2001 or date of appointment |
| N Maybury | 30,000 | 30,000 |
| K M Brown | 30,000 | 30,000 |
| P R Chappelow | - | - |
| N T Roberts | - | - |

Mr P R Chappelow has been granted options in the company during the year. The number of options granted, and the price at which these are exercisable, is dependent upon certain future criteria.

Directors' responsibilities for the 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:

- 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, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

SUNLINE DIRECT MAIL LIMITED

REPORT OF THE DIRECTORS

Auditors

Grant Thornton offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD

A handwritten signature in black ink, appearing to read 'N Maybury', with a large, stylized flourish at the end.

N Maybury
Director
13 February 2003

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF SUNLINE DIRECT MAIL LIMITED

We have audited the financial statements of Sunline Direct Mail Limited for the year ended 31 October 2002 which comprise the principal accounting policies, the profit and loss account, the balance sheet, the cash flow statement, the statement of total recognised gains and losses and notes 1 to 20 on pages 4 to 16. 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

The directors' responsibilities for preparing the directors' report and the financial statements in accordance with United Kingdom law and accounting standards 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 United Kingdom auditing standards.

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 directors' report, and consider whether it is consistent with the audited financial statements. 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.

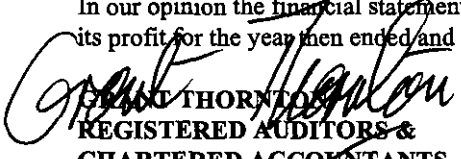
Basis of opinion

We conducted our audit in accordance with United Kingdom 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 October 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


GRANT THORNTON
**REGISTERED AUDITORS &
CHARTERED ACCOUNTANTS**
Leicester
13 February 2003

SUNLINE DIRECT MAIL LIMITED

PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION

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

The company is exempt from preparing consolidated financial statements on the grounds that, taken together with its subsidiary, it qualifies as a medium-sized group under section 248 of the Companies Act 1985. These financial statements therefore present information about the company as an individual undertaking and not about its group.

The principal accounting policies of the company have remained unchanged from the previous year and are set out below.

TURNOVER

Turnover is the net invoiced sales of goods, excluding value added tax.

TANGIBLE FIXED ASSETS AND DEPRECIATION

Depreciation is calculated to write down the cost less estimated residual value of tangible fixed assets over their estimated useful lives or, if held under finance leases, over the shorter of the lease term and estimated useful life, at the following rates:

| | |
|-----------------------|----------------------------|
| Plant and machinery | 15% on reducing balance |
| Motor vehicles | 25% on reducing balance |
| Fixtures and fittings | 15% on reducing balance |
| Computer equipment | 33.33% on reducing balance |

PURCHASED GOODWILL

Purchased goodwill represents the excess of the fair value of the consideration given over the fair value of the acquired business' net assets.

Purchased goodwill is included in the balance sheet and amortised on a straight-line basis over its estimated useful economic life of 20 years.

STOCKS

Stocks are stated at the lower of cost and net realisable value.

DEFERRED TAXATION

Deferred tax is provided for using the tax rates estimated to arise when the timing differences reverse and is accounted for to the extent that it is probable that a liability or asset will crystallise. Unprovided deferred tax is disclosed as a contingent liability.

CONTRIBUTIONS TO PENSION FUNDS

Defined contribution scheme

The pension costs charged against profits represent the amount of the contributions payable to the scheme in respect of the accounting period.

LEASED ASSETS

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight-line basis over the lease term.

SUNLINE DIRECT MAIL LIMITED**PROFIT AND LOSS ACCOUNT**

For the year ended 31 October 2002

| | Note | 2002 £ | 2001 £ |
|---|------|-------------|-------------|
| Turnover | 1 | 4,147,899 | 4,355,739 |
| Cost of sales | | (2,516,859) | (2,692,184) |
| Gross profit | | 1,631,040 | 1,663,555 |
| Administrative expenses | | (867,135) | (863,182) |
| Operating profit | | 763,905 | 800,373 |
| Net interest | 2 | (88,574) | (97,811) |
| Profit on ordinary activities before taxation | 1 | 675,331 | 702,562 |
| Tax on profit on ordinary activities | | (199,101) | (237,288) |
| Profit for the financial year | 15 | 476,230 | 465,274 |
| Dividends - Equity | 5 | (92,381) | (95,879) |
| Profit transferred to reserves | 14 | 383,849 | 369,395 |

The accompanying accounting policies and notes form an integral part of these financial statements.

SUNLINE DIRECT MAIL LIMITED

BALANCE SHEET AT 31 OCTOBER 2002

| | Note | 2002 £ | 2002 £ | Restated 2001 £ | Restated 2001 £ |
|--|------|-------------|------------------|-----------------------|-----------------------|
| Fixed assets | | | | | |
| Goodwill | 6 | | 660,637 | | 704,624 |
| Tangible assets | 7 | | 941,790 | | 864,129 |
| | | | <u>1,602,427</u> | | <u>1,568,753</u> |
| Current assets | | | | | |
| Stocks | 8 | 75,374 | | 51,558 | |
| Debtors | 9 | 1,080,954 | | 1,074,075 | |
| Cash at bank and in hand | | 350,972 | | 247,820 | |
| | | | <u>1,507,300</u> | <u>1,373,453</u> | |
| Creditors: amounts falling due within one year | 10 | (1,369,958) | | (1,281,589) | |
| Net current assets | | | <u>137,342</u> | | <u>91,864</u> |
| Total assets less current liabilities | | | <u>1,739,769</u> | | <u>1,660,617</u> |
| Creditors: amounts falling due after more than one year | 11 | | (580,119) | | (900,954) |
| Provisions for liabilities and charges | 12 | | (142,322) | | (126,184) |
| | | | <u>1,017,328</u> | | <u>633,479</u> |
| Capital and reserves | | | | | |
| Called up share capital | 13 | | 119,601 | | 119,601 |
| Other reserves | 14 | | 79,734 | | 79,734 |
| Profit and loss account | 14 | | 817,993 | | 434,144 |
| Shareholders' funds | 15 | | <u>1,017,328</u> | | <u>633,479</u> |

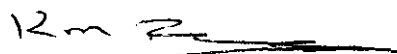
The financial statements were approved by the Board of Directors on 13 February 2003.

N Maybury



Director

K M Brown



Director

The accompanying accounting policies and notes form an integral part of these financial statements.

SUNLINE DIRECT MAIL LIMITED**CASH FLOW STATEMENT**

For the year ended 31 October 2002

| | Note | 2002 £ | 2001 £ |
|---|------|-----------|-----------|
| Net cash inflow from operating activities | 16 | 974,096 | 734,794 |
| Returns on investments and servicing of finance | | | |
| Interest received | | 12,810 | 21,950 |
| Interest paid | | (101,384) | (119,761) |
| Net cash outflow from returns on investments and servicing of finance | | (88,574) | (97,811) |
| Taxation | | (179,963) | (117,278) |
| Capital expenditure and financial investment | | | |
| Purchase of tangible fixed assets | | 23,781 | (74,969) |
| Sale of tangible fixed assets | | 4,200 | 123,600 |
| Net cash inflow from capital expenditure and financial investment | | 27,981 | 48,631 |
| Equity dividends paid | | (95,879) | (30,722) |
| Financing | | | |
| Decrease in borrowings | | (319,649) | (64,679) |
| Purchase of own shares | | - | (464,000) |
| Capital repayment of hire purchase contracts | | (214,860) | (141,452) |
| Net cash outflow from financing | | (534,509) | (670,131) |
| Increase/(decrease) in cash | 17 | 103,152 | (132,517) |

The accompanying accounting policies and notes form an integral part of these financial statements.

SUNLINE DIRECT MAIL LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 October 2002

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

| | 2002 | 2001 |
|--|-----------------------|-----------------------|
| | £ | £ |
| Profit for the financial year and total recognised gains for the year | 476,230 | 465,274 |
| Prior year adjustment | <u>(79,734)</u> | <u>-</u> |
| Total gains and losses recognised since last financial statements | <u>396,496</u> | <u>465,274</u> |

The accompanying accounting policies and notes form an integral part of these financial statements.

SUNLINE DIRECT MAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 October 2002

1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Turnover and profit before taxation are attributable to the continuing activity of the packaging of goods.

The profit on ordinary activities is stated after:

| | 2002 £ | 2001 £ |
|--|-----------|-----------|
| Auditors' remuneration | 5,500 | 5,300 |
| Depreciation and amortisation: | | |
| Goodwill | 43,987 | 43,987 |
| Tangible fixed assets, owned | 68,041 | 80,097 |
| Tangible fixed assets, held under finance leases and hire purchase contracts | 81,021 | 63,972 |
| Hire of plant and machinery | 6,036 | 9,719 |
| Other operating lease rentals | 98,021 | 92,000 |

2 NET INTEREST

| | 2002 £ | 2001 £ |
|--|---------------|---------------|
| Interest payable and similar charges | 101,384 | 119,761 |
| Interest receivable and similar income | (12,810) | (21,950) |
| | <u>88,574</u> | <u>97,811</u> |

3 DIRECTORS AND EMPLOYEES

Staff costs during the year were as follows:

| | 2002 £ | 2001 £ |
|-----------------------|------------------|------------------|
| Wages and salaries | 1,667,528 | 1,473,673 |
| Social security costs | 148,612 | 135,507 |
| Other pension costs | 9,283 | 10,820 |
| | <u>1,825,423</u> | <u>1,620,000</u> |

The average number of employees of the company during the year was 98 (2001: 92).

Remuneration in respect of directors was as follows:

| | 2002 £ | 2001 £ |
|---|----------------|----------------|
| Emoluments | 149,836 | 156,480 |
| Pension contributions to money purchase pension schemes | 8,083 | 9,620 |
| | <u>157,919</u> | <u>166,100</u> |

During the year 2 directors (2001: 2) participated in money purchase pension schemes.

SUNLINE DIRECT MAIL LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 October 2002

4 TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax charge represents:

| | 2002 £ | 2001 £ |
|--|-----------|-----------|
| UK Corporation tax at 26.9% (2001: 25.5%) | 182,000 | 179,000 |
| Adjustments in respect of previous years: | | |
| Corporation tax | 963 | - |
| Total current tax | 182,963 | 179,000 |
| Total deferred tax charge (see note 12) | 16,138 | 58,288 |
| Tax on profit on ordinary activities | 199,101 | 237,288 |
| Profit on ordinary activities before tax | 675,331 | 702,562 |
| Profit on ordinary activities multiplied by the standard rate of UK corporation tax of 30% (2001: 30%) | 202,599 | 210,769 |
| Effect of | | |
| Expenses not deductible for tax purposes | 1,257 | 3,585 |
| Depreciation for the period in excess of capital allowances | (13,662) | (26,815) |
| Goodwill amortisation | 13,196 | 13,196 |
| Marginal relief | (21,390) | (21,735) |
| Adjustments to tax charges in respect of prior years | 963 | - |
| Current tax charge for year | 182,963 | 179,000 |

5 DIVIDENDS

| | 2002 £ | 2001 £ |
|--|-----------|-----------|
| Interim dividend (on 'A' Ordinary shares) of 8.5p (2001: 8.5p) per share | 5,066 | 5,066 |
| Proposed final dividend | 87,315 | 90,813 |
| | 92,381 | 95,879 |

The proposed final dividend is made up of the 'A' Ordinary shares at 68.7p (2001: 71.5p) and the Ordinary shares at 76.2p (2001: 80p).

SUNLINE DIRECT MAIL LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 October 2002

6 GOODWILL

| | Purchased goodwill £ |
|---|---------------------------------|
| Cost | |
| At 1 November 2001 and at 31 October 2002 | 879,721 |
| Amortisation | |
| At 1 November 2001 | 175,097 |
| Charge for the year | 43,987 |
| At 31 October 2002 | <u>219,084</u> |
| Net book amount at 31 October 2002 | <u><u>660,637</u></u> |
| Net book amount at 31 October 2001 | <u><u>704,624</u></u> |

The purchased goodwill is in respect of the trade of Sunline Limited, acquired on 24 November 1997 and now carried on by this company.

At 31 October 2002 and 31 October 2001 the capital and reserves of Sunline Limited were £40, representing its ordinary share capital. This is included in the amount above.

7 TANGIBLE FIXED ASSETS

| | Plant and machinery £ | Motor vehicles £ | Fixtures and fittings £ | Computer equipment £ | Total £ |
|------------------------------------|----------------------------------|-----------------------------|------------------------------------|---------------------------------|-----------------------|
| Cost | | | | | |
| At 1 November 2001 | 1,431,489 | 114,326 | 20,577 | 15,884 | 1,582,276 |
| Additions | 222,348 | - | 657 | 8,214 | 231,219 |
| Disposals | - | (14,750) | - | - | (14,750) |
| At 31 October 2002 | <u>1,653,837</u> | <u>99,576</u> | <u>21,234</u> | <u>24,098</u> | <u>1,798,745</u> |
| Depreciation | | | | | |
| At 1 November 2001 | 665,603 | 32,267 | 11,687 | 8,590 | 718,147 |
| Charge for the year | 123,903 | 19,618 | 1,391 | 4,150 | 149,062 |
| Eliminated on disposal | - | (10,254) | - | - | (10,254) |
| At 31 October 2002 | <u>789,506</u> | <u>41,631</u> | <u>13,078</u> | <u>12,740</u> | <u>856,955</u> |
| Net book amount at 31 October 2002 | <u><u>864,331</u></u> | <u><u>57,945</u></u> | <u><u>8,156</u></u> | <u><u>11,358</u></u> | <u><u>941,790</u></u> |
| Net book amount at 31 October 2001 | <u><u>765,886</u></u> | <u><u>82,059</u></u> | <u><u>8,890</u></u> | <u><u>7,294</u></u> | <u><u>864,129</u></u> |

The net book values stated above include assets held under finance leases and similar hire purchase contracts of £589,111 (2001: £472,970).

SUNLINE DIRECT MAIL LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 October 2002

8 STOCKS

| | 2002 £ | 2001 £ |
|-------------------------------|---------------|---------------|
| Raw materials and consumables | 36,936 | 28,370 |
| Short-term work in progress | 38,438 | 23,188 |
| | <u>75,374</u> | <u>51,558</u> |

9 DEBTORS

| | 2002 £ | 2001 £ |
|--------------------------------|------------------|------------------|
| Trade debtors | 1,054,689 | 1,048,710 |
| Prepayments and accrued income | 26,265 | 25,365 |
| | <u>1,080,954</u> | <u>1,074,075</u> |

10 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2002 £ | 2001 £ |
|---|------------------|------------------|
| Term loan | 101,079 | 101,080 |
| Bank loans | 166,209 | 158,696 |
| Trade creditors | 364,132 | 336,697 |
| Corporation tax | 182,000 | 179,000 |
| Social security and other taxes | 164,214 | 206,768 |
| Proposed dividends | 87,315 | 90,813 |
| Other creditors | 10,946 | 10,082 |
| Loans from former directors | 52,000 | 52,000 |
| Accruals and deferred income | 89,610 | 27,814 |
| Amounts due under hire purchase contracts | 152,453 | 118,639 |
| | <u>1,369,958</u> | <u>1,281,589</u> |

11 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

| | 2002 £ | 2001 £ |
|---|----------------|----------------|
| Term loan | 202,162 | 303,240 |
| Bank loan | 1,316 | 175,399 |
| Other creditors | 40 | 40 |
| Loan from former directors | 143,000 | 195,000 |
| Amounts due under hire purchase contracts | 233,601 | 227,275 |
| | <u>580,119</u> | <u>900,954</u> |

SUNLINE DIRECT MAIL LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 October 2002

Included within other creditors above is £40 (2001: £40) owed to the subsidiary undertaking.

The loan from directors relates to a former director, Mr P A Whiteman, is repayable at £13,000 per quarter and is unsecured. Interest is charged at a floating rate.

Borrowings are repayable as follows:

| | 2002 £ | 2001 £ |
|---------------------------------|------------------|------------------|
| Within one year | | |
| Bank and other borrowings | 319,288 | 311,776 |
| Hire purchase contracts | 152,453 | 118,639 |
| After one and within two years | | |
| Bank and other borrowings | 154,395 | 327,535 |
| Hire purchase contracts | 102,837 | 114,695 |
| After two and within five years | | |
| Bank and other borrowings | 192,083 | 346,104 |
| Hire purchase contracts | 130,764 | 112,580 |
| | <u>1,051,820</u> | <u>1,331,329</u> |

The bank loan is repayable quarterly at £47,000 per quarter. Interest is charged at both fixed and floating rates. Repayment of the long term loan started in 2001 and is repayable annually on 31 October at £101,080 per annum.

12 PROVISIONS FOR LIABILITIES AND CHARGES

| | Deferred taxation £ |
|--------------------------|---------------------------|
| At 1 November 2001 | 126,184 |
| Provided during the year | 16,138 |
| At 31 October 2002 | <u>142,322</u> |

Deferred tax provided is all in respect of accelerated capital allowances. There is no unprovided deferred tax.

13 SHARE CAPITAL

| | 2002 £ | 2001 £ |
|---------------------------------------|----------------|----------------|
| Authorised | | |
| 59,601 'A' Ordinary shares of £1 | 59,601 | 59,601 |
| 139,734 Ordinary shares of £1 | 139,734 | 139,734 |
| | <u>199,335</u> | <u>199,335</u> |
| Allotted, called up and fully paid | | |
| 59,601 'A' Ordinary shares of £1 each | 59,601 | 59,601 |
| 60,000 Ordinary shares of £1 | 60,000 | 60,000 |
| | <u>119,601</u> | <u>119,601</u> |

SUNLINE DIRECT MAIL LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 October 2002

'A' Ordinary shares carry a right to a fixed dividend and a dividend based on the net profit of the company.

All shares carry an equal right to vote. 'A' Ordinary shareholders have the right to convert the shares to Ordinary shares at any time.

14 RESERVES

| | Capital redemption reserve £ | Profit and loss account £ |
|--|---------------------------------------|---------------------------------|
| At 1 November 2001 | - | 513,878 |
| Prior year adjustment | 79,734 | (79,734) |
| Retained reserves at 1 November 2001 as restated | 79,734 | 434,144 |
| Retained profit for the year | - | 383,849 |
| At 31 October 2002 | <u>79,734</u> | <u>817,993</u> |

The prior year adjustment has been made to reflect the accounting entries required to maintain the capital of the company following the share buyback which took place in the year to October 2001. These entries were not made in the previous years accounts. The adjustment does not have any impact on the profit and loss results for the year ended 31 October 2002 or 31 October 2001 and represents a reserve movement only.

15 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| | 2002 £ | 2001 £ |
|--|------------------|-----------------|
| Profit for the financial year | 476,230 | 465,274 |
| Dividends | (92,381) | (95,879) |
| Purchase of shares | - | (464,000) |
| Net increase/(decrease) in shareholders' funds | <u>383,849</u> | <u>(94,605)</u> |
| Shareholders' funds at 1 November 2001 | 633,479 | 728,084 |
| Shareholders' funds at 31 October 2002 | <u>1,017,328</u> | <u>633,479</u> |

16 NET CASH INFLOW FROM OPERATING ACTIVITIES

| | 2002 £ | 2001 £ |
|--|----------------|----------------|
| Operating profit | 763,905 | 800,373 |
| Depreciation and amortisation | 193,049 | 188,056 |
| Loss/loss on sale of tangible fixed assets | 296 | (35,392) |
| Increase in stocks | (23,816) | (13,182) |
| Increase in debtors | (6,879) | (169,181) |
| Increase/(decrease) in creditors | 47,541 | (35,880) |
| Net cash inflow from operating activities | <u>974,096</u> | <u>734,794</u> |

SUNLINE DIRECT MAIL LIMITED**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 31 October 2002

17 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

| | 2002 £ | 2001 £ |
|---|-------------|-------------|
| Increase/(decrease) in cash in the year | 103,152 | (132,517) |
| Cash outflow from financing in the year | 319,649 | 64,679 |
| Cash outflow from hire purchase contracts | 214,860 | 141,452 |
| Inception of hire purchase contracts | (255,000) | (255,000) |
| Movement in net debt in the year | 382,661 | (181,386) |
| Net debt at 1 November 2001 | (1,083,509) | (902,123) |
| Net debt at 31 October 2002 | (700,848) | (1,083,509) |

18 ANALYSIS OF CHANGES IN NET DEBT

| | At 1 November 2001 £ | Cash flow £ | Non - cash items £ | At 31 October 2002 £ |
|--------------------------|-------------------------------|----------------|--------------------------|-------------------------------|
| Cash in hand and at bank | 247,820 | 103,152 | - | 350,972 |
| Debt | (985,415) | 319,649 | - | (665,766) |
| Hire purchase contracts | (345,914) | 214,860 | (255,000) | (386,054) |
| | (1,083,509) | 637,661 | (255,000) | (700,848) |

19 RELATED PARTY TRANSACTIONS

At 31 October 2002 there was an amount owing to Mr P A Whiteman, a former director, of £195,000 (2001: £247,000) as disclosed in notes 10 and 11.

20 LEASING COMMITMENTS

Operating lease payments amounting to £134,215 (2001: £92,000) are due within one year. The leases to which these amounts relate expire between two and five years (£36,125, 2001: nil) and more than five years (£98,000, 2001: £92,000).

