

Registered number: 03341560

## SUNLINE DIRECT MAIL LIMITED

### DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

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## **SUNLINE DIRECT MAIL LIMITED**

### **COMPANY INFORMATION**

<b>Directors</b>	N Maybury N T Roberts P G Cook R T Organ J R Ellis
<b>Company secretary</b>	N Maybury
<b>Company number</b>	03341560
<b>Registered office</b>	Cotton Way Weldon Road Industrial Estate Loughborough Leicestershire LE11 5FJ
<b>Independent Auditors</b>	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 31 Great George Street Bristol BS1 5QD
<b>Bankers</b>	Bank of Scotland 4 Friar Lane Leicester LE1 5RA



# **SUNLINE DIRECT MAIL LIMITED**

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## **SUNLINE DIRECT MAIL LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010**

The Directors present their report and the financial statements for the year ended 31 December 2010

#### **Principal activities**

The principal activity of the Company during the period was the provision of direct mail services

#### **Business review**

The directors feel that the Company has achieved a satisfactory year in light of the difficult trading conditions

The key financial performance indicators used by the directors are given below

	<b>2010</b>	<b>2009</b>
	<b>£'000</b>	<b>£'000</b>
Turnover	<b>7,631</b>	7,591
Gross profits (before exceptional costs)	<b>674</b>	929
Profit before tax	<b>73</b>	657

Although turnover remained flat in 2010 this was a creditable result given the weakening of consumer demand during the year. The existence of excess capacity in the mail polywrapping sector plus the abundance of small competitors with low overheads continued to exert serious downward pressures on margins. In addition, the decision to consolidate the Company's operations on one site gave rise to an exceptional cost of £302,000, which further depressed the Company's result.

#### **Results**

The profit for the year, after taxation, amounted to £83,000 (2009 - £441,000)

#### **Future developments**

The directors continue to seek out new opportunities and are confident of future prospects

#### **Principal risks and uncertainties**

The management of the business and the execution of the Company's plans are subject to a number of risks

The principal business risks and uncertainties affecting the Company are considered to relate to competition from other direct mail providers and employee retention

In order to mitigate the pressure from competitors, the directors seek to hold regular discussions with customers and actively monitor the market for changes in competitors' prices. In order to retain staff the directors measure current pay rates against market rates to ensure that rates remain competitive

## **SUNLINE DIRECT MAIL LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010**

#### **Financial risk management**

The Company's operations expose it to a variety of financial risks that include changes in price risk, credit risk, liquidity risk, and interest rate risk

##### *Price risk*

The Company is exposed to price risk as a result of its operations. However, given the size of the Company's operations, the costs of managing exposure to price risk exceed any potential benefits. The directors will revisit the appropriateness of this policy should the Company's operations change in size or nature. The Company has no material exposure to equity securities as it only holds one small listed investment.

##### *Credit risk*

The Company has implemented policies that require appropriate credit checks on potential customers before sales are made. Cash deposits are only held with reputable financial institutions.

##### *Liquidity risk*

The Company ensures there are sufficient available funds for day to day operations by transferring funds from deposit accounts to current accounts as and when required. The Company also maintains an invoice discounting facility to increase the availability of funds.

##### *Interest rate risk*

The Company's interest bearing assets include only cash balances, which earn interest at variable rates. Interest bearing liabilities are principally finance lease and hire purchase agreements which are typically held at fixed interest rates.

#### **Directors**

The Directors who served during the year were

N Maybury  
N T Roberts  
P G Cook  
R T Organ  
J R Ellis

#### **Qualifying third party indemnity provisions**

No qualifying third party indemnity provision was in force for the benefit of one or more directors at any time during the year.

## **SUNLINE DIRECT MAIL LIMITED**

### **DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010**

#### **Statement of Directors' responsibilities**

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they 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 these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

#### **Provision of information to auditors**

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that

- so far as that Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- that Director has taken all the steps that ought to have been taken as a Director in order to be aware of any information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information.

#### **Auditors**

Under section 487(2) of the Companies Act 2006, PricewaterhouseCoopers LLP will be deemed to have been reappointed as auditors 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

This report was approved by the Board on 15 September 2011 and signed on its behalf



**P G Cook**  
Director

## **SUNLINE DIRECT MAIL LIMITED**

### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SUNLINE DIRECT MAIL LIMITED**

We have audited the financial statements of Sunline Direct Mail Limited for the year ended 31 December 2010, which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

#### **Respective responsibilities of Directors and auditors**

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements.

#### **Unqualified opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2010 and of its profit and cash flows for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.



**SUNLINE DIRECT MAIL LIMITED**

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

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Jason Clarke (Senior statutory auditor)  
for and on behalf of  
**PricewaterhouseCoopers LLP**  
Chartered Accountants and Statutory Auditors  
Bristol

16 September 2011





**SUNLINE DIRECT MAIL LIMITED**

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2010**

	<b>Note</b>	<b>2010 £000</b>	<b>2009 £000</b>
<b>TURNOVER</b>	1,2	<b>7,631</b>	7,591
Cost of sales		<b>(6,957)</b>	(6,662)
Exceptional cost of sales		<b>(281)</b>	-
Total cost of sales		<b>(7,238)</b>	(6,662)
<b>GROSS PROFIT</b>		<b>393</b>	929
Administrative expenses		<b>(265)</b>	(235)
Exceptional administrative expenses		<b>(21)</b>	-
Total administrative expenses		<b>(286)</b>	(235)
<b>OPERATING PROFIT</b>	3	<b>107</b>	694
Interest receivable and similar income		<b>1</b>	2
Interest payable and similar charges	7	<b>(35)</b>	(39)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>73</b>	657
Tax on profit on ordinary activities	8	<b>10</b>	(216)
<b>PROFIT FOR THE FINANCIAL YEAR</b>	17	<b>83</b>	441

All amounts relate to continuing operations

There were no recognised gains and losses for 2010 or 2009 other than those included in the Profit and Loss Account

The notes on pages 9 to 18 form part of these financial statements

**SUNLINE DIRECT MAIL LIMITED**  
**REGISTERED NUMBER: 03341560**

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2010**

	Note	£000	2010 £000	£000	2009 £000
<b>FIXED ASSETS</b>					
Tangible assets	9		1,175		1,304
<b>CURRENT ASSETS</b>					
Stocks	10	57		50	
Debtors	11	2,902		2,518	
Cash at bank		257		674	
		<u>3,216</u>		<u>3,242</u>	
<b>CREDITORS: amounts falling due within one year</b>	12	(1,130)		(1,449)	
<b>NET CURRENT ASSETS</b>			<u>2,086</u>		<u>1,793</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>3,261</u>		<u>3,097</u>
<b>CREDITORS: amounts falling due after more than one year</b>	13		(265)		(399)
<b>PROVISIONS FOR LIABILITIES</b>					
Deferred tax	14	(71)		(158)	
Other provisions	15	(302)		-	
			<u>(373)</u>		<u>(158)</u>
<b>NET ASSETS</b>			<u>2,623</u>		<u>2,540</u>
<b>CAPITAL AND RESERVES</b>					
Called up share capital	16		120		120
Capital redemption reserve	17		80		80
Profit and loss account	17		2,423		2,340
<b>SHAREHOLDERS' FUNDS</b>	18		<u>2,623</u>		<u>2,540</u>

The financial statements were approved and authorised for issue by the Board and were signed on its behalf on 15 September 2011.

  
**P G Cook**  
 Director

The notes on pages 9 to 18 form part of these financial statements

**SUNLINE DIRECT MAIL LIMITED**

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2010**

	<b>Note</b>	<b>2010 £000</b>	<b>2009 £000</b>
Net cash flow from operating activities	19	(170)	596
Returns on investments and servicing of finance	20	(34)	(37)
Taxation		(9)	(252)
Capital expenditure and financial investment	20	(85)	(14)
<b>CASH (OUTFLOW)/INFLOW BEFORE FINANCING</b>		<b>(298)</b>	<b>293</b>
Financing	20	(119)	(179)
<b>(DECREASE)/INCREASE IN CASH IN THE YEAR</b>		<b>(417)</b>	<b>114</b>

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT  
FOR THE YEAR ENDED 31 DECEMBER 2010**

	<b>2010 £000</b>	<b>2009 £000</b>
(Decrease)/Increase in cash in the year	(417)	114
Cash outflow from decrease in debt and lease financing	119	179
<b>CHANGE IN NET DEBT RESULTING FROM CASH FLOWS</b>	<b>(298)</b>	<b>293</b>
Other non-cash changes	-	(159)
<b>MOVEMENT IN NET DEBT IN THE YEAR</b>	<b>(298)</b>	<b>134</b>
Net funds/(debt) at 1 January 2010	112	(22)
<b>NET (DEBT)/FUNDS AT 31 DECEMBER 2010</b>	<b>(186)</b>	<b>112</b>

The notes on pages 9 to 18 form part of these financial statements

## SUNLINE DIRECT MAIL LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

#### 1. ACCOUNTING POLICIES

##### 1.1 Basis of preparation of financial statements

The financial statements have been prepared on a going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year are set out below.

##### 1.2 Turnover

Turnover comprises revenue recognised by the Company in respect of services supplied, exclusive of Value Added Tax and trade discounts.

Turnover is recognised upon transfer of substantial risks and rewards to the customer.

##### 1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following basis:

L/Term Leasehold Improvements	-	25% on reducing balance
Plant & machinery	-	15% on reducing balances
Motor vehicles	-	25% on reducing balance
Fixtures & fittings	-	15% on reducing balance
Computer equipment	-	33% on reducing balance

##### 1.4 Leasing and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the Company. 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.

##### 1.5 Operating leases

Rentals under operating leases are charged to the Profit and Loss Account on a straight line basis over the lease term.

##### 1.6 Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads where appropriate. Stocks are valued on a FIFO basis.

## SUNLINE DIRECT MAIL LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

#### 1. ACCOUNTING POLICIES (continued)

##### 1.7 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse

Deferred tax assets and liabilities are not discounted

##### 1.8 Pensions

The Company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the Company to the fund in respect of the year

##### 1.9 Provisions

Provisions are recognised when the Company has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation

#### 2. TURNOVER

The turnover and profit before tax of the Company is attributable to the one principal activity

All turnover arose within the United Kingdom

#### 3. OPERATING PROFIT

The operating profit is stated after charging

	2010 £000	2009 £000
Depreciation of tangible fixed assets		
- owned by the company	99	115
- held under finance leases	113	105
Exceptional cost of sales	281	-
Exceptional administrative expenses	21	-
Operating lease rentals - land and buildings	205	205
Loss on disposal of fixed assets	-	9
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**SUNLINE DIRECT MAIL LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2010**

**4. AUDITORS' REMUNERATION**

	<b>2010 £000</b>	<b>2009 £000</b>
Fees payable to the Company's auditor for the audit of the Company's annual accounts	<b>9</b>	<b>8</b>
Fees payable to the Company's auditor and its associates in respect of		
Other services relating to taxation	<b>2</b>	<b>1</b>
	<u><b>11</b></u>	<u><b>9</b></u>

**5. STAFF COSTS**

Staff costs, including Directors' remuneration, were as follows

	<b>2010 £000</b>	<b>2009 £000</b>
Wages and salaries	<b>2,895</b>	<b>2,774</b>
Social security costs	<b>267</b>	<b>262</b>
Other pension costs	<b>17</b>	<b>18</b>
	<u><b>3,179</b></u>	<u><b>3,054</b></u>

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

	<b>2010 No.</b>	<b>2009 No.</b>
Management and administration	<b>20</b>	<b>21</b>
Production and sales	<b>128</b>	<b>121</b>
	<u><b>148</b></u>	<u><b>142</b></u>

**6. DIRECTORS' REMUNERATION**

	<b>2010 £000</b>	<b>2009 £000</b>
Emoluments	<b>246</b>	<b>249</b>
Company pension contributions to defined contribution pension schemes	<b>6</b>	<b>6</b>

During the year retirement benefits were accruing to 1 Director (2009 - 1) in respect of defined contribution pension schemes

The highest paid Director received remuneration of £101,000 (2009 - £101,000)

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £6,000 (2009 - £6,000)

**SUNLINE DIRECT MAIL LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2010**

**7. INTEREST PAYABLE**

	<b>2010</b>	2009
	<b>£000</b>	£000
On finance leases and hire purchase contracts	<b>35</b>	39

**8. TAXATION**

	<b>2010</b>	2009
	<b>£000</b>	£000
<b>Analysis of tax charge in the year</b>		
<b>Current tax</b> (see note below)		
UK corporation tax charge on profit for the year	<b>41</b>	166
Adjustments in respect of prior periods	<b>36</b>	44
<b>Total current tax</b>	<b>77</b>	210
<b>Deferred tax</b>		
Origination and reversal of timing differences	<b>(81)</b>	6
Effect of decreased tax rate on opening liability	<b>(6)</b>	-
<b>Total deferred tax</b> (see note 14)	<b>(87)</b>	6
<b>Tax on profit on ordinary activities</b>	<b>(10)</b>	216

**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2009 - higher than) the standard rate of corporation tax in the UK of 28% (2009 - 28%) The differences are explained below

	<b>2010</b>	2009
	<b>£000</b>	£000
Profit on ordinary activities before tax	<b>73</b>	657
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009 - 28%)	<b>20</b>	184
<b>Effects of:</b>		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	<b>(12)</b>	(12)
Capital allowances for year in excess of depreciation	-	(6)
Group relief for nil consideration	<b>(93)</b>	-
Adjustments to tax charge in respect of prior periods	<b>36</b>	44
Short term timing difference leading to a increase in taxation	<b>85</b>	-
Transfer pricing adjustments	<b>41</b>	-
<b>Current tax charge for the year</b> (see note above)	<b>77</b>	210

**SUNLINE DIRECT MAIL LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2010**

**8. TAXATION (continued)**

**Factors that may affect future tax charges**

During the year, as a result of the change in the United Kingdom corporation tax rate from 28% to 27% that was substantively enacted on 26 June 2010 and will be effective from 1 April 2011, the relevant deferred tax balances have been remeasured

Further reductions to the United Kingdom tax rate have been announced. The changes, which are expected to be enacted separately each year, propose to reduce the rate to 26% from 1 April 2011 and by 1% per annum thereafter to 23% by 1 April 2014. These changes had not been substantively enacted at the balance sheet date and, therefore, are not recognised in these financial statements.



**SUNLINE DIRECT MAIL LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2010**

**9. TANGIBLE FIXED ASSETS**

	<b>L/Term Leasehold Property £000</b>	<b>Plant &amp; machinery £000</b>	<b>Motor vehicles £000</b>	<b>Fixtures &amp; fittings £000</b>	<b>Computer equipment £000</b>	<b>Total £000</b>
<b>Cost</b>						
At 1 January 2010	5	2,683	94	33	102	2,917
Additions	-	64	22	-	5	91
Disposals	-	(7)	(19)	-	-	(26)
At 31 December 2010	5	2,740	97	33	107	2,982
<b>Depreciation</b>						
At 1 January 2010	4	1,452	46	22	89	1,613
Charge for the year	-	190	15	2	5	212
On disposals	-	(6)	(12)	-	-	(18)
At 31 December 2010	4	1,636	49	24	94	1,807
<b>Net book value</b>						
At 31 December 2010	1	1,104	48	9	13	1,175
At 31 December 2009	1	1,231	48	11	13	1,304

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows

	<b>2010 £000</b>	<b>2009 £000</b>
Plant and machinery	633	689

**10. STOCKS**

	<b>2010 £000</b>	<b>2009 £000</b>
Raw materials	53	43
Work in progress	4	7
	57	50

**SUNLINE DIRECT MAIL LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2010**

**11. DEBTORS**

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Trade debtors	<b>1,033</b>	1,017
Amounts owed by group undertakings	<b>1,764</b>	1,423
Other debtors	<b>5</b>	-
Prepayments and accrued income	<b>100</b>	78
	<b>2,902</b>	2,518

**12. CREDITORS:  
Amounts falling due within one year**

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Net obligations under finance leases and hire purchase contracts	<b>178</b>	163
Trade creditors	<b>675</b>	726
Corporation tax	<b>-</b>	231
Social security and other taxes	<b>153</b>	161
Other creditors	<b>1</b>	-
Accruals and deferred income	<b>123</b>	168
	<b>1,130</b>	1,449

**13. CREDITORS:  
Amounts falling due after more than one year**

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Net obligations under finance leases and hire purchase contracts	<b>265</b>	399

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

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Between one and five years	<b>265</b>	399

**14. DEFERRED TAXATION**

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
At beginning of year	<b>158</b>	152
(Released during)/charge for year	<b>(87)</b>	6
At end of year	<b>71</b>	158

# SUNLINE DIRECT MAIL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

### 14. DEFERRED TAXATION (continued)

The provision for deferred taxation is made up as follows

	2010 £000	2009 £000
Accelerated capital allowances	166	172
Other timing differences	(95)	(14)
	<u>71</u>	<u>158</u>

### 15. PROVISIONS

	Re- structuring costs £000
At 1 January 2010	-
Additions	302
At 31 December 2010	<u>302</u>

#### Re-structuring costs

In Decemeber 2010, the Company took the decision to close its operating site in Redditch and consolidate operations at its Loughborough site. The provision made represents the best estimate of the direct costs that are likely to be incurred as a result of this decision. It is estimated that £202,000 of the costs will be incurred in 2011 with the remainder being incurred in 2012.

### 16. SHARE CAPITAL

	2010 £000	2009 £000
<b>Allotted, called up and fully paid</b>		
119,601 Ordinary shares of £1 each	<u>120</u>	<u>120</u>

### 17. RESERVES

	Capital redempt'n reserve £000	Profit and loss account £000
At 1 January 2010	80	2,340
Profit for the year	-	83
At 31 December 2010	<u>80</u>	<u>2,423</u>

**SUNLINE DIRECT MAIL LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2010**

**18. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Opening shareholders' funds	<b>2,540</b>	2,099
Profit for the year	<b>83</b>	441
	<hr/>	<hr/>
Closing shareholders' funds	<b>2,623</b>	2,540
	<hr/>	<hr/>

**19. NET CASH FLOW FROM OPERATING ACTIVITIES**

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
Operating profit	<b>107</b>	694
Depreciation of tangible fixed assets	<b>212</b>	220
Profit on disposal of tangible fixed assets	<b>1</b>	9
(Increase)/decrease in stocks	<b>(6)</b>	49
Increase in debtors	<b>(681)</b>	(580)
(Decrease)/increase in creditors	<b>(105)</b>	204
Increase in provisions	<b>302</b>	-
	<hr/>	<hr/>
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(170)</b>	596
	<hr/>	<hr/>

**20. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT**

	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
<b>Returns on Investments and servicing of finance</b>		
Interest received	<b>1</b>	2
Hire purchase interest	<b>(35)</b>	(39)
	<hr/>	<hr/>
<b>Net cash outflow from returns on Investments and servicing of finance</b>	<b>(34)</b>	(37)
	<hr/>	<hr/>
	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	<b>(91)</b>	(16)
Sale of tangible fixed assets	<b>6</b>	2
	<hr/>	<hr/>
<b>Net cash outflow from capital expenditure</b>	<b>(85)</b>	(14)
	<hr/>	<hr/>
	<b>2010</b>	<b>2009</b>
	<b>£000</b>	<b>£000</b>
<b>Financing</b>		
Repayment of finance leases	<b>(119)</b>	(179)
	<hr/>	<hr/>

# SUNLINE DIRECT MAIL LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

### 21. ANALYSIS OF CHANGES IN NET DEBT

	1 January 2010 £000	Cash flow £000	Other non-cash changes £000	31 December 2010 £000
Cash at bank and in hand	674	(417)	-	257
<b>Debt:</b>				
Finance leases	(562)	119	-	(443)
<b>Net funds</b>	<b>112</b>	<b>(298)</b>	<b>-</b>	<b>(186)</b>

### 22. OPERATING LEASE COMMITMENTS

At 31 December 2010 the Company had annual commitments under non-cancellable operating leases as follows

	Land and buildings 2010 £000	2009 £000
<b>Expiry date:</b>		
Between 2 and 5 years	<b>205</b>	205

### 23. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

Sunline Direct Mail (Holdings) Limited is the parent of the smallest group of which the Company is a member. The ultimate parent company and ultimate controlling party and the smallest group of undertakings to include these financial statements in their consolidation is CEPS PLC company incorporated in England and Wales. The consolidated financial statements of CEPS PLC are available from CEPS PLC, 12b George Street, Bath, BA1 2EH.

CEPS PLC is the parent of the largest group of which this Company is a member.