

Company Registration No. 04161760

WEBB GROUP LIMITED

Report and Financial Statements

31 March 2007

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WEBB GROUP LIMITED

REPORT AND FINANCIAL STATEMENTS 2007

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WEBB GROUP LIMITED

REPORT AND FINANCIAL STATEMENTS 2007

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

B J Kumeta
D C Robinson
M S Sharp
D B Hidson
S McNally

SECRETARY

D B Hidson

REGISTERED OFFICE

Queensbridge Works
Queen Street
Burton on Trent
DE14 3LP

BANKERS

Fortis Bank plc
1 City Square
Leeds
LS1 2AG

SOLICITORS

DLA Piper Rudnick Gray Cary LLP
Princes Exchange
Princes Square
Leeds
LS1 4BY

AUDITORS

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Leeds

WEBB GROUP LIMITED

DIRECTORS' REPORT

The directors present their annual report on the affairs of the Group together with the financial statements and auditors' report for the year ended 31 March 2007

BUSINESS REVIEW AND PRINCIPAL ACTIVITIES

Webb Group operates through two businesses, Webb Ivory (Burton) Limited ("WIB") which provides mail order services to the charity and commercial markets, and Tailormade Design Limited which designs and sources greetings cards and associated stationery products for retailers and other distributors including WIB. There have been no significant changes in the group's activities in the year under review. Other than as described below and in note 28, the directors are not aware, at the date of this report, of any likely major changes in the group's activities in the next year.

The group continues to invest in its infrastructure, with the implementation of a new company wide operating system within WIB completed during the year. This will result in operating efficiencies and more importantly flexibility to accommodate additional business.

As shown in the group's profit and loss account, on page 7, sales have fallen by 11% over the prior year. This performance reflects difficult trading conditions being experienced by many businesses in the mail order sector. These conditions are not expected to abate in the near future. However, they offer an opportunity in the form of distressed mail order businesses, from which selected assets can be acquired, cost effectively, and the business then run off the fixed cost infrastructure of WIB, driving additional contribution and operating profit. To date, in the 2008 financial year, three acquisitions have been undertaken, two of which have been fully integrated and the third is in progress. Total consideration paid for these three businesses has been approximately £3.5m plus approximately £6m of associated costs as disclosed in note 28 to the accounts.

The balance sheet on page 8 of the financial statements shows that the group's financial position at the year-end has weakened in line with performance in the year and a one-off write of goodwill of £8,061,777. The cash flow on page 10 shows a net cash inflow from operating activities of £2.19m and in the year net debt, shown on page 24, was reduced by £596k.

Subsequent to the balance sheet date the Group agreed financing facilities with its related party undertaking Findel plc and to date has received loan funding of £34.4m, and agreed an invoice discounting facility with Lloyds TSB Commercial Finance Limited for amounts up to £19m.

As a result of the above strategy and re-financing the outlook for the business is very positive.

Principal risks and uncertainties

The Group's two businesses operate in different markets with different risk factors.

Tailormade Design Limited operates in a highly competitive market and is therefore subject to the threat of competitors winning contracts from its key customers at the expense of the company. To minimise this exposure the company has actively sought to increase the number of customers, thus creating a portfolio of business, with reduced exposure to the loss of any single contract.

WIB faces risk from the potential for disappointing consumer response in the mail order market, which could result in it losing sales. However, this also offers opportunities for the company as it is likely to force mail order operators to consider the costs and alternatives of undertaking business. This will make it easier to recruit new clients which will in turn add to and benefit from the economies of scale that the business already enjoys.

The group has borrowings which are subject to interest rate fluctuations. At the year end the group were protected against fluctuating interest rates by an interest rate cap which covers in excess of 50% of its debt although this was not renewed on expiry on 10 May 2007.

Environment

The Company recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to reduce any damage that might be caused by the company's activities. Initiatives designed to minimise the group's impact on the environment include recycling and reducing energy consumption.

WEBB GROUP LIMITED

DIRECTORS' REPORT

DIVIDENDS AND TRANSFERS TO RESERVES

No dividends have been paid on the 'A' ordinary shares or 'B' ordinary shares during the year. Dividends of £nil (2006 £455,492) have been accrued on the preference shares. In accordance with Financial Reporting Standard 25 these amounts are shown within interest payable. The retained loss for the financial year of £8,533,786 (2006 £2,311,876) has been withdrawn from reserves.

DIRECTORS AND THEIR INTERESTS

The directors holding office during the year and their beneficial interests in the shares of the company are as follows

	'B' ordinary shares of 1p each	
	At 31 March	At 1 April
	2007	2006
	No.	No.
B J Kumeta	8,000,000	8,000,000
M S Sharp	8,000,000	8,000,000
D C Robinson	2,631,111	2,631,111
D B Hidson	1,066,373	1,066,373
S McNally	1,066,373	1,066,373

There have been no changes in shareholdings held by directors serving during the year since the year-end

The company holds keyman insurance in respect of B J Kumeta and M S Sharp

INTEREST IN OWN SHARES

On 9 April 2001, 6,257,778 'B' ordinary shares of 1 pence each were issued at par for cash consideration to Harness Hill Trustee Company Limited, a company incorporated in Great Britain and registered in England and Wales. The entire issued share capital of Harness Hill Trustee Company Limited is held by Webb Group Limited. Harness Hill Trustee Company Limited operates an employee share scheme for employees of Webb Group Limited.

On 22 January 2003, Harness Hill Trustee Company Limited sold 888,644 shares at par to an employee of Webb Group Limited.

On 4 October 2005, Harness Hill Trustee Company Limited sold 1,599,559 shares at par to employees of Webb Group Limited.

EMPLOYEE INVOLVEMENT

The group has a practice of keeping employees informed of matters affecting them as employees and the financial and economic factors affecting the performance of the group.

DISABLED EMPLOYEES

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is made to retain them in order that their employment with the group may continue.

It is the policy of the group that training, career development and promotion opportunities should be available to all employees.

WEBB GROUP LIMITED

DIRECTORS' REPORT

CHARITABLE AND POLITICAL CONTRIBUTIONS

During the year, the group made charitable contributions of £nil (2006: £nil) No political contributions were made

AUDITORS

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to re-appoint them as the company's auditor will be proposed at the forthcoming Annual General Meeting.

STATEMENT OF INFORMATION GIVEN TO AUDITORS

Each of the directors at the date of approval of this report confirms that

- So far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- The director has taken all the steps that he or she ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

Approved by the Board of Directors
and signed on behalf of the Board



Director
26 June 2008

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements. The directors have chosen to prepare the accounts for the company and the group in accordance with United Kingdom Generally Accepted Accounting Practice

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). The financial statements are required by law to give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these 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,
- 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WEBB GROUP LIMITED

We have audited the group and individual company financial statements (the "financial statements") of Webb Group Limited for the year ended 31 March 2007 which comprise the consolidated profit and loss account, the consolidated and individual company balance sheets, the consolidated cash flow statement and the related notes 1 to 28. 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 Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom 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, in accordance with the relevant financial reporting framework, and are properly prepared in accordance with the Companies Act 1985. We report to you whether, in our opinion, the information given in the directors' report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company and the group, 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 group's and the individual company's affairs as at 31 March 2007 and of the group's loss 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 director's report is consistent with the financial statements.



Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Leeds, United Kingdom

27 June 2008

WEBB GROUP LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT Year ended 31 March 2007

	Note	2007 £	2007 £	2006 £
TURNOVER	2		21,102,192	23,791,505
Cost of sales:				
Exceptional write off of stock	3	-		(1,609,522)
Other cost of sales		(11,675,044)		(13,834,151)
			(11,675,044)	(15,443,673)
Gross profit			9,427,148	8,347,832
Distribution costs			(4,956,581)	(4,675,320)
Administrative expenses (including goodwill)			(13,436,467)	(4,606,248)
Other operating income			144,545	-
Operating profit/(loss) before goodwill			82,497	(91,661)
Amortisation and other amounts written off goodwill			(8,903,852)	(842,075)
Operating loss after goodwill			(8,821,355)	(933,736)
OPERATING LOSS	4		(8,821,355)	(933,736)
Interest payable and similar charges	6		(911,851)	(1,384,424)
Amounts due on preference shares waived by shareholders			1,068,701	-
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION			(8,664,505)	(2,318,160)
Tax credit on loss on ordinary activities	7		130,719	6,284
LOSS FOR THE FINANCIAL YEAR	21		(8,533,786)	(2,311,876)

All activities derive from continuing operations

The accompanying notes 1 to 28 are an integral part of this consolidated profit and loss account.

There are no recognised gains and losses for the current and preceding financial year other than as stated above. Accordingly, no statement of recognised gains and losses has been presented.

WEBB GROUP LIMITED

CONSOLIDATED BALANCE SHEET
31 March 2007

	Note	2007	2007	2006	2006
		£	£	£	£
FIXED ASSETS					
Intangible assets	9	3,756,156		12,660,008	
Tangible assets	10	1,400,846		1,139,235	
Investments	11	37,699		37,699	
		<u>5,194,701</u>		<u>13,836,942</u>	
CURRENT ASSETS					
Stocks	12	3,203,642		2,542,182	
Debtors	13	3,504,939		3,984,054	
Cash at bank	14	2,126,585		2,893,613	
		<u>8,835,166</u>		<u>9,419,849</u>	
CREDITORS: amounts falling due within one year	15	(22,025,058)		(17,550,356)	
NET CURRENT LIABILITIES		<u>(13,189,892)</u>		<u>(8,130,507)</u>	
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(7,995,191)</u>		<u>5,706,435</u>	
CREDITORS: amounts falling due are more than one year	16	131,816	(131,816)	3,930,955	(3,930,955)
EQUITY MINORITY INTERESTS			<u>(49,769)</u>		<u>(49,769)</u>
TOTAL NET (LIABILITIES)/ASSETS EMPLOYED			<u><u>(8,176,776)</u></u>		<u><u>1,725,711</u></u>
FINANCED BY					
Preference share capital	16	<u>6,593,647</u>	6,593,647	<u>7,962,348</u>	7,962,348
	16	<u>6,725,463</u>		<u>11,893,303</u>	
Equity shareholders' deficit	21		<u>(14,770,423)</u>		<u>(6,236,637)</u>
TOTAL FINANCING			<u><u>(8,176,776)</u></u>		<u><u>1,725,711</u></u>

The accompanying notes 1 to 28 are an integral part of this consolidated balance sheet

These financial statements were approved by the Board of Directors on 26 June 2008

Signed on behalf of the Board of Directors

Director



WEBB GROUP LIMITED

COMPANY BALANCE SHEET 31 March 2007

	Note	2007 £	2007 £	2006 £	2006 £
FIXED ASSETS					
Investments	11		<u>7,238,473</u>		<u>16,539,906</u>
CURRENT ASSETS					
Debtors	13		1,525,074		1,250,389
Cash at bank			<u>635,555</u>		<u>1,348,786</u>
			2,160,629		2,599,175
CREDITORS: amounts falling due within one year	15		<u>(16,367,399)</u>		<u>(12,869,610)</u>
NET CURRENT LIABILITIES			<u>(14,206,770)</u>		<u>(10,270,435)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>(6,968,297)</u>		<u>6,269,471</u>
CREDITORS: amounts falling due after more than one year	16	-	<u>-</u>	3,713,446	<u>(3,713,446)</u>
TOTAL NET (LIABILITIES)/ASSETS EMPLOYED			<u><u>(6,968,297)</u></u>		<u><u>2,556,025</u></u>
FINANCED BY					
Preference share capital	16	<u>6,593,647</u>	<u>6,593,647</u>	<u>7,962,348</u>	<u>7,962,348</u>
	16	<u>6,593,647</u>		<u>11,675,794</u>	
Equity shareholders' deficit	21		<u>(13,561,944)</u>		<u>(5,406,323)</u>
TOTAL FINANCING			<u><u>(6,968,297)</u></u>		<u><u>2,556,025</u></u>

The accompanying notes 1 to 28 are an integral part of this company balance sheet.

These financial statements were approved by the Board of Directors on 26 June 2008

Signed on behalf of the Board of Directors



Director

WEBB GROUP LIMITED

CONSOLIDATED CASH FLOW STATEMENT Year ended 31 March 2007

	Note	2007 £	2006 £
Net cash inflow from operating activities	22	<u>2,192,593</u>	<u>3,187,225</u>
Returns on investments and servicing of finance			
Interest paid		<u>(911,851)</u>	<u>(928,932)</u>
Net cash outflow from returns on investments and servicing of finance		<u>(911,851)</u>	<u>(928,932)</u>
Taxation paid		<u>(160,017)</u>	<u>(25,139)</u>
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(524,790)	(383,298)
Proceeds from sale of tangible fixed assets		-	-
Proceeds from sale of investments		<u>-</u>	<u>15,992</u>
Net cash outflow from capital expenditure and financial investment		<u>(524,790)</u>	<u>(367,306)</u>
Net cash inflow before financing		<u>595,935</u>	<u>1,865,848</u>
Financing			
Repayment of borrowings		(1,211,667)	(3,178,665)
Capital element of finance leases		<u>(80,031)</u>	<u>(29,313)</u>
Net cash outflow from financing	24	<u>(1,291,698)</u>	<u>(3,207,978)</u>
Decrease in cash in the year	23/24	<u>(695,763)</u>	<u>(1,342,130)</u>

NOTES TO THE ACCOUNTS

Year ended 31 March 2007

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have been applied consistently throughout the year and the preceding year.

Basis of accounting

The financial statements are prepared in accordance with applicable United Kingdom accounting standards and under the historical cost convention.

Basis of consolidation

The group financial statements consolidate the financial statements of the company and its subsidiary undertakings for the year ended 31 March 2007.

Goodwill

On the acquisition of a business, fair values are attributed to the company's share of net separable assets. Where the cost of acquisition exceeds the value attributable to such net assets, the difference is treated as goodwill. Goodwill is capitalised and amortised over the shorter of its estimated economic life and twenty years in accordance with Financial Reporting Standard No. 10 "Goodwill and intangible assets".

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and any provision for impairment. Assets in the course of construction are stated at cost and not depreciated until completed. The following rates are expected to write off the cost less estimated residual value of all assets evenly over their estimated useful lives:

Leasehold Property	2% per annum
Plant and equipment	10 to 25% per annum

Investments

Investments are stated at cost less provision for any impairment in value.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost comprises materials, direct labour and a share of production overheads appropriate to the relevant stage of production. Net realisable value is based on estimated selling price less all further costs to completion and all relevant selling and distribution costs. Provision is made for obsolete, slow-moving or defective items where appropriate.

Taxation

Current tax, being United Kingdom corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, 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 is measured 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 substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. All exchange differences are dealt with through the profit and loss account.

WEBB GROUP LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2007

1. ACCOUNTING POLICIES (continued)

Albums

Sale albums are stated at cost and written off over a 3 year period, which is the expected period in which the albums generate revenue

Catalogue and customer recruitment costs

The costs of sales catalogues and recruitment of new customers are written off as incurred if there is no strong historical link between the generation of revenue and costs. Where a link can be shown the costs are written off over the expected period of revenue generation

Leases

Assets obtained under finance leases and hire purchase contracts are capitalised at their fair value on acquisition and depreciated over their estimated useful lives. The capital element of finance leases and hire purchase obligations are recorded as liabilities whilst the interest elements are charged to the profit and loss account over the period of the contracts to produce a constant rate of charge on the balance of capital repayments outstanding

Operating lease rentals are charged to profit and loss in equal annual amounts over the lease term

Pensions

The group operates defined contribution pension schemes for certain directors and employees. Contributions are charged to the profit and loss account when incurred

Financial Instruments

Derivative instruments utilised by the group are forward exchange contracts. The group does not enter into speculative derivative contracts. All such instruments are used for hedging purposes to alter the risk profile of an existing underlying exposure of the group in line with the group's risk management policies

Transactions denominated in foreign currencies are recorded at the rate ruling on the date of the transaction, unless matching forward exchange contracts have been entered into, in which case the rate specified in the relevant contract is used. At the balance sheet date unhedged monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at that date

Preference shares

The company has adopted Financial Reporting Standard 25 "Financial Instruments: Disclosure and Presentation" in these financial statements. Preference share capital and associated accrued preference dividends are disclosed within creditors' amounts falling due after more than one year, and the dividends accrued in the year as interest payable

2. TURNOVER

Turnover represents amounts derived from the provision of goods and services excluding Value Added Tax, which fall within the group's ordinary activities. The turnover and pre-tax loss, all of which arise in the United Kingdom, are attributable to the principal activities of the group

3. EXCEPTIONAL WRITE OFF OF STOCK

During recent years the group kept significant quantities of stock in a warehousing facility provided to them without incremental cost, under an agreement entered into several years ago but without a fixed end date. This agreement was terminated in the prior year and the group took the opportunity to re-evaluate its stock holdings. The group decided not to seek additional warehousing facilities but instead to reduce the number of stock lines held. As a result, the group wrote off stock to the value of £1,609,522 in the accounts to 31 March 2006.

WEBB GROUP LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2007

4. OPERATING LOSS

	2007	2006
	£	£
Operating loss is stated after charging/(crediting):		
Relocation of warehousing facility (including redundancy costs)	160,728	-
Depreciation		
owned assets	169,462	146,109
leased assets	93,717	-
Amortisation and other amounts written off goodwill	8,903,852	842,075
Operating lease charges		
hire of other assets	412,214	385,929
Foreign exchange gains	(156,777)	(221,764)
Auditors' remuneration		
audit services	40,000	37,000
other services - tax	12,000	11,000

5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2007	2006
	£	£
Directors' emoluments		
Emoluments	469,940	473,034
Pension	67,801	50,202
	<u>537,741</u>	<u>523,236</u>
	2007	2006
	£	£
Highest paid director		
Salary and taxable benefits	<u>178,739</u>	<u>176,606</u>
Pension contributions	<u>22,923</u>	<u>18,590</u>
Average number of persons employed (including directors):	No	No
Administration	72	72
Selling and distribution	90	93
	<u>162</u>	<u>165</u>
	£	£
Staff costs during the year (including directors):		
Wages and salaries	3,485,779	3,652,410
Social security costs	340,138	423,451
Pension costs	143,604	141,440
	<u>3,969,521</u>	<u>4,217,301</u>

WEBB GROUP LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2007

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2007 £	2006 £
Bank loans	860,726	885,938
Amortisation of loan arrangement fees	38,333	38,333
Finance leases	12,792	4,661
Amounts due on preference shares	-	455,492
	<u>911,851</u>	<u>1,384,424</u>

7. TAX ON LOSS ON ORDINARY ACTIVITIES

	2007 £	2006 £
United Kingdom corporation tax at 30% based on the loss for the year		-
Adjustment in respect of prior year	(104,683)	(66,833)
	<u>(104,683)</u>	<u>(66,833)</u>
Deferred taxation	11,698	64,731
Adjustment in respect of prior years	(37,734)	(4,182)
	<u>(130,719)</u>	<u>(6,284)</u>
Factors affecting the tax charge for the current year:		
Loss on ordinary activities before tax	(8,664,505)	(2,318,160)
	<u>(2,599,352)</u>	<u>(695,448)</u>
Tax at 30% thereon		
Expenses not deductible for tax purposes	2,681,230	401,084
Income not taxable for tax purposes	(320,610)	-
Capital allowances in excess of depreciation	(27,388)	(49,240)
Movement in short term timing differences	15,690	(15,492)
Prior period adjustment	(104,683)	(66,833)
Deferred tax not provided	250,430	359,096
	<u>(104,683)</u>	<u>(66,833)</u>
Current tax credit for the year		

8. RESULT OF PARENT COMPANY

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these financial statements. The consolidated profit and loss account includes a loss after tax for the company of £8,155,621 (2006 £1,218,398) which is dealt with in the financial statements of the parent company.

WEBB GROUP LIMITED

NOTES TO THE ACCOUNTS Year ended 31 March 2007

9. INTANGIBLE FIXED ASSETS

Group	Goodwill £
Cost	
At 1 April 2006 and 31 March 2007	16,826,024
Accumulated amortisation	
At 1 April 2006	4,166,016
Charge for the year and other amounts written off	8,903,852
At 31 March 2007	13,069,868
Net book value	
At 31 March 2007	3,756,156
At 31 March 2006	12,660,008

10. TANGIBLE FIXED ASSETS

Group	Assets in course of construction £	Leasehold property £	Plant and equipment £	Total £
Cost				
At 1 April 2006	542,235	10,360	1,674,889	2,227,484
Additions	374,926	10,883	138,981	524,790
Transfer	(917,161)	-	917,161	-
At 31 March 2007	-	21,243	2,731,031	2,752,274
Accumulated depreciation				
At 1 April 2006	-	355	1,087,894	1,088,249
Charge for the year	-	391	262,788	263,179
At 31 March 2007	-	746	1,350,682	1,351,428
Net book value				
At 31 March 2007	-	20,497	1,380,349	1,400,846
At 31 March 2006	542,235	10,005	586,995	1,139,235

Included in tangible fixed assets held under finance lease contracts with a net book value of £226,405 (2006 £320,122)

WEBB GROUP LIMITED

NOTES TO THE ACCOUNTS Year ended 31 March 2007

11. INVESTMENTS HELD AS FIXED ASSETS

Group	Sunset Investments Limited	Blue Investments Limited	Harness Hill Trustee Company Limited	Investment in own shares	Total
	£	£	£	£	£
At 1 April 2006	1	2	37,696	37,699	
Disposal	-	-	-	-	
At 31 March 2007	1	2	37,696	37,699	

Harness Hill Trustee Company Limited was established to act as trustee for the Group employee share benefit trust. The trustee purchases shares in Webb Group Limited at par as required. Harness Hill Trustee Company Limited has, from 30 March 2001, waived any entitlement to the receipt of dividends in respect of all of its holding of the Company's 'B' ordinary shares of 1p each.

On 4 October 2006, Harness Hill Trustee Company Limited sold 1,599,559 shares at par to employees of Webb Group Limited.

As at 31 March 2007, the number of 'B' ordinary shares held by Harness Hill Trustee Company Limited was 3,769,575 (2006 3,769,575). None of these shares were under option to employees at that time.

At 31 March 2007, the outstanding loan from the Company to Harness Hill Trustee Company Limited to finance the purchase of 'B' ordinary shares was £37,699 (2006 £37,699).

Company	Loan to group undertaking	Shares in group undertakings	Total
	£	£	£
Cost			
At 1 April 2006	4,130,445	12,409,461	16,539,906
Repayment	(863,000)	-	(863,000)
At 31 March 2007	3,267,445	12,409,461	15,676,906
Provision for diminution in value			
Charge in the year and at 31 March 2007	-	8,438,433	8,438,433
Net book value			
At 31 March 2007	3,267,445	3,971,028	7,238,473
At 31 March 2006	4,130,445	12,409,461	16,539,906

WEBB GROUP LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2007

11. INVESTMENTS HELD AS FIXED ASSETS (continued)

The group holds 90% or more of the voting rights of the following subsidiaries as at 31 March 2007.

Held by Webb Group Limited:

Name of company	Nature of business
Webb Ivory (Burton) Limited	Provision of mail order service to charity and commercial markets
Tailormade Design Limited	Design and sourcing of greetings cards and associated stationery products for retailers and other distributors
Club Centre Limited	Dormant company
Sunset Blue Investments Limited	Holding company
Harness Hill Trustee Company Limited	Trustee for employee share ownership trust

Held by subsidiary undertakings:

Corrigent (BVI) Limited	Holding company
Webb Ivory Properties Limited	Dormant company

All companies are incorporated in Great Britain, with the exception of Sunset Blue Investments Limited and Corrigent (BVI) Limited, which are incorporated in the British Virgin Islands

12. STOCKS

	Group 2007 £	Company 2007 £	Group 2006 £	Company 2006 £
Finished goods and goods for resale	2,790,848	-	2,205,783	-
Work in progress	412,794	-	336,399	-
	<u>3,203,642</u>	<u>-</u>	<u>2,542,182</u>	<u>-</u>

13. DEBTORS

	Group 2007 £	Company 2007 £	Group 2006 £	Company 2006 £
Trade debtors	2,192,157	-	2,928,183	-
Other debtors	85,186	83,149	26,085	14,746
Deferred taxation (see note 17)	127,488	-	101,452	-
Group relief receivable	-	1,261,319	-	1,073,643
Corporation tax	160,015	-	-	-
Prepayments and accrued income	940,093	180,606	928,334	162,000
	<u>3,504,939</u>	<u>1,525,074</u>	<u>3,984,054</u>	<u>1,250,389</u>

14. CASH AT BANK AND IN HAND

Included within cash at bank and in hand is an amount of £621,460 (2006 £864,428) which represents amounts owed to charities and is the total balance of the bank accounts maintained by the group on behalf of the charities

WEBB GROUP LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2007

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2007 £	Company 2007 £	Group 2006 £	Company 2006 £
Bank loans and overdraft	10,779,154	10,331,684	8,348,640	7,928,254
Obligations under finance leases	78,962	-	73,300	-
Advances against trade debtors	-	-	198,546	-
Trade creditors	8,755,034	-	5,863,595	-
Amounts owed to subsidiary undertakings	-	5,274,686	-	4,507,528
Amounts owed to charities (see note 14)	621,460	-	864,428	-
Corporation tax	-	-	104,685	-
Taxation and social security	355,462	35,888	342,115	31,901
Other creditors	-	-	327,223	-
Amounts due to preference shareholders	300,000	300,000	-	-
Accruals and deferred income	1,134,986	425,141	1,427,824	401,927
	<u>22,025,058</u>	<u>16,367,399</u>	<u>17,550,356</u>	<u>12,869,610</u>

All bank borrowings are secured by a fixed and floating charge over the assets of the group. Finance leases are secured against the assets to which they relate.

The bank loan incurs interest at between 2.5131% and 4.0131% above the bank base rate and is paid in arrears at varying intervals set by the bank. The repayments are due as set out below.

The bank loan is shown net of loan arrangement fees of £nil (2006: £38,333), in accordance with Financial Reporting Standard No. 4.

Debtors are financed under an invoice discounting agreement with Fortis Commercial Finance. Amounts owing to Fortis Commercial Finance are secured against discounted trade debtors.

WEBB GROUP LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2007

16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group 2007 £	Company 2007 £	Group 2006 £	Company 2006 £
Bank loan	-	-	3,713,446	3,713,446
Obligations under finance leases	131,816	-	217,509	-
	<u>131,816</u>	<u>-</u>	<u>3,930,955</u>	<u>3,713,446</u>
Preference share capital	5,693,647	5,693,647	5,693,647	5,693,647
Amounts due to preference shareholders	900,000	900,000	2,268,701	2,268,701
	<u>6,593,647</u>	<u>6,593,647</u>	<u>7,962,348</u>	<u>7,962,348</u>
	<u>6,725,463</u>	<u>6,593,647</u>	<u>11,893,303</u>	<u>11,675,794</u>
			2007	2006
Bank Loan - Group and Company			£	£
Due within one year			3,713,446	1,211,667
Due within one to two years			-	3,713,446
			<u>3,713,446</u>	<u>4,925,113</u>
Less included in amounts due within one year			(3,713,446)	(1,211,667)
			<u>-</u>	<u>3,713,446</u>
Obligations under Finance Lease - Group				
Due within one year			78,962	73,300
Due within one to two years			85,062	78,962
Due between two and five years			46,754	138,547
			<u>210,778</u>	<u>290,809</u>
Less included in amounts due within one year			(78,962)	(73,300)
			<u>131,816</u>	<u>217,509</u>
Amounts due to preference shareholders – Group and Company				
Due within one year			300,000	-
Due within one to two years			400,000	-
Due between two and five years			500,000	2,268,701
			<u>1,200,000</u>	<u>2,268,701</u>

NOTES TO THE ACCOUNTS

Year ended 31 March 2007

16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (continued)

Preference Share Rights

The company has adopted Financial Reporting Standard 25 "Financial Instruments Disclosure and Presentation" in these financial statements.

The preference shares confer upon the holders the right to priority in any payment by way of dividend of the Company to receive a fixed cumulative preferential dividend. The fixed dividend shall, in respect of each financial year until redemption and proportionately for any part of a financial year, be an amount equal to 8% per annum of the subscription price on each preference share. The fixed dividend shall not be paid until that preference share is redeemed at which time all arrears and accruals of the fixed dividend which have been declared but not paid in respect of that preference share shall be payable, such arrears and accruals to be calculated down to and including the date of redemption. The fixed dividend shall accrue from day to day and on the due date for payment become a debt due from and immediately payable by the Company to the holders of the preference shares.

In the event of a winding up of the Company or other return of capital the assets of the Company remaining after payment of its debts and liabilities shall be applied first, in paying to the holders of the preference shares all arrears and accruals of the fixed dividend, such arrears and accruals to be calculated down to and including the date of the return of capital to be payable irrespective of what profits have been made or earned by the Company. Secondly, in paying to the holders of the preference shares the subscription price paid for such preference shares.

The preference shares shall be redeemed at subscription price plus any premium on a listing of the Company on the London Stock Exchange or Alternative Investment Market or any recognised investment exchange as defined in the Financial Services Act 1986, or on a change of control of the Company whereby a new shareholder, who was not a shareholder at 30 March 2001, become beneficially entitled to 50% of the issued equity shares.

The Company shall have the right at any time to redeem for cash the preference shares at the subscription price plus any premium, in tranches greater than 10,000 preference shares by giving one months notice in writing.

The holder of the preference shares shall have the right to receive notice of all general meetings of the Company but shall have no right to attend or vote at such meetings either in person or by proxy by virtue or in respect of their holdings of preference shares.

WEBB GROUP LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2007

17. DEFERRED TAXATION

	Group £	Company £
At 1 April 2006	(101,452)	-
Credit to profit and loss account	(26,036)	-
Balance at 31 March 2007 – Deferred tax asset included in debtors	<u>(127,488)</u>	<u>-</u>

The amounts provided in the accounts are as follows

Group	Provided		Unprovided	
	2007 £	2006 £	2007 £	2006 £
Capital allowances in excess of depreciation	(60,048)	(49,702)	-	-
Short term timing differences	(67,440)	(51,750)	-	-
Revenue losses	-	-	(497,000)	(286,000)
Deferred tax asset – included in debtors	<u>(127,488)</u>	<u>(101,452)</u>	<u>(497,000)</u>	<u>(286,000)</u>

Company	Provided		Unprovided	
	2007 £	2006 £	2007 £	2006 £
Revenue losses	-	-	(177,000)	-

18. CALLED UP SHARE CAPITAL

The Group and the Company	2007 £	2006 £
Authorised		
11,000,000 'A' ordinary shares of 1 pence each	110,000	110,000
28,200,000 'B' ordinary shares of 1 pence each	282,000	282,000
	<u>392,000</u>	<u>392,000</u>
Called up, allotted and fully paid		
10,666,667 'A' ordinary shares of 1 pence each	106,667	106,667
24,888,889 'B' ordinary shares of 1 pence each	248,889	248,889
	<u>355,556</u>	<u>355,556</u>

The shareholdings of the directors are shown in the Directors' Report on page 3. The issued 'A' ordinary shares of the company are all owned by Findel plc, a company incorporated in Great Britain and registered in England and Wales.

3,769,575 (2006: 3,769,575) of the 'B' ordinary shares of the company are owned by Harness Hill Trustee Company Limited, a company incorporated in Great Britain and registered in England and Wales.

NOTES TO THE ACCOUNTS

Year ended 31 March 2007

18. CALLED UP SHARE CAPITAL (continued)

Rights attributable to each class of share

The 'A' ordinary shares and 'B' ordinary shares shall constitute separate classes of shares but shall rank *pari passu* in all respects, save as expressly noted below

Income

- Dividends shall only be recommended, declared or paid on the 'A' ordinary shares or the 'B' ordinary shares with the prior written consent of the holders of more than 50% of the 'A' ordinary shares. If a dividend is recommended, declared or paid on the 'A' ordinary shares or the 'B' ordinary shares the holders of the 'A' ordinary shares as a class shall be entitled to receive 30% of the aggregate amount of such dividend.

Capital

In the event of a winding up of the Company or other return of capital the assets of the Company remaining after payment of its debts and liabilities shall be applied in the following manner and order of priority

- first, in paying to the holders of the preference shares all arrears and accruals of the fixed dividend, such arrears and accruals to be calculated down to and including the date of the return of capital to be payable irrespective of what profits have been made or earned by the Company.
- Secondly, in paying to the holders of the preference shares the subscription price paid for such preference shares
- Thirdly, in paying to the holder of the 'A' ordinary shares all arrears and accruals of any dividend declared in respect of such 'A' ordinary shares.
- Fourthly, in paying to the holders of the 'A' ordinary shares an amount equal to the subscription price, inclusive of any premium, paid up on such shares
- Fifthly, in paying to the holders of the 'B' ordinary shares all arrears and accruals of any dividend declared but not paid in respect of such 'B' ordinary shares
- Sixthly, in paying to the holders of the 'B' ordinary shares the subscription price, inclusive of any premium, paid for such 'B' ordinary shares

Lastly, in distributing the balance amongst the holders of the equity shares as to 30% to the holders of the 'A' ordinary shares and as to 70% to the holders of the 'B' ordinary shares *pari passu*

Voting

- The holders of 'A' ordinary shares shall be entitled to receive notice of and to attend and vote at general meetings of the Company and shall have one vote in respect of each fully paid 'A' ordinary share registered in his name. The holders of the 'A' ordinary shares as a class have the right to exercise on a poll 30% of the total votes capable of being exercised at a general meeting of the Company
- The holders of 'B' ordinary shares shall be entitled to receive notice of and to attend and vote at general meetings of the Company and shall have one vote in respect of each fully paid 'B' ordinary share registered in his name

Conversion on Transfer

Any 'A' ordinary share that is transferred to a holder of 'B' ordinary shares, other than a person who prior to such transfer holds 'A' ordinary shares as well as 'B' ordinary shares, shall upon such transfer be automatically reclassified as 'B' ordinary shares

WEBB GROUP LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2007

19. FINANCIAL COMMITMENTS

Operating lease commitments

At 31 March, the group was committed to making the following payments during the next year in respect of operating leases

	2007 Other £	2006 Other £
Leases which expire		
Within one year	6,144	15,135
Between two and five years	68,736	42,828
After five years	309,548	235,910

Financial Instruments

At 31 March, the group had entered into open forward foreign exchange contracts, due in the next year, for HK\$40,200,000 (2006 HK\$29,200,000) equivalent to around £2,622,917 (2006 £2,053,821) at the year end exchange rate

20. CONTINGENT LIABILITIES

The company is party to a composite guarantee and trust debenture in respect of the bank borrowings of Tailormade Designs Limited, Webb Ivory (Burton) Limited and Webb Ivory Properties Limited. At 31 March 2007, the indebtedness of these companies in respect of this amounted to £421,168 (2006 £420,384). The directors do not believe that a loss will result from this arrangement.

Bank loans and overdrafts are secured by a debenture incorporating equitable charges over leasehold properties from all active asset holding group companies

21. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS/(DEFICIT)

	Share capital £	Profit and loss £	2007 Total	2006 Total £
Group				
Opening shareholders' funds/(deficit)	355,556	(6,592,193)	(6,236,637)	(3,924,761)
Loss for the year	-	(8,533,786)	(8,533,786)	(2,311,876)
Closing shareholders' funds/(deficit)	355,556	(15,125,979)	(14,770,423)	(6,236,637)
Company				
Opening shareholders' funds/(deficit)	355,556	(5,761,879)	(5,406,323)	(4,187,925)
Loss for the year	-	(8,155,621)	(8,155,621)	(1,218,398)
Closing shareholders' funds/(deficit)	355,556	(13,917,500)	(13,561,944)	(5,406,323)

WEBB GROUP LIMITED

NOTES TO THE ACCOUNTS

Year ended 31 March 2007

22. RECONCILIATION OF OPERATING LOSS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2007 £	2006 £
Operating loss	(8,821,355)	(933,736)
Depreciation	263,179	146,109
Amortisation and other amounts written off goodwill	8,903,852	842,075
(Increase)/decrease in stock	(661,460)	2,137,272
Decrease in debtors	665,166	1,716,862
Increase/(decrease) in creditors	1,843,211	(721,357)
Net cash inflow from operating activities	<u>2,192,593</u>	<u>3,187,225</u>

23. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2007 £	2006 £
Decrease in cash in the year	(695,763)	(1,342,130)
Cash inflow from decrease in debt	1,211,667	3,178,665
New Finance Lease agreements	-	(320,122)
Capital element of Finance Leases repaid	80,031	29,313
Movement in net debt in the year	<u>595,935</u>	<u>1,545,726</u>
Net debt at beginning of year	<u>(9,459,282)</u>	<u>(11,005,008)</u>
Net debt at end of year	<u>(8,863,347)</u>	<u>(9,459,282)</u>

24. ANALYSIS OF CHANGES IN NET DEBT

	At 1 April 2006 £	Cash flows £	Other changes £	At 31 March 2007 £
Cash at bank and in hand	2,893,613	(793,330)	-	2,126,585
Overdraft	(7,136,973)	97,567	-	(7,065,708)
	<u>(4,243,360)</u>	<u>(695,763)</u>	<u>-</u>	<u>(4,939,123)</u>
Bank loans	(4,925,113)	1,211,667	-	(3,713,446)
Finance leases	(290,809)	80,031	-	(210,778)
	<u>(5,215,922)</u>	<u>1,291,698</u>	<u>-</u>	<u>(3,924,224)</u>
Net debt and movement in the year	<u>(9,459,282)</u>	<u>595,935</u>	<u>-</u>	<u>(8,863,347)</u>

25. PENSIONS

The group operates defined contribution pension schemes for certain directors and employees. Contributions of £143,604 (2006: £141,440) were made to these schemes in the year. No amounts were due at the year end.

NOTES TO THE ACCOUNTS

Year ended 31 March 2007

26. RELATED COMPANY TRANSACTIONS

During the year, the group entered into transactions with the following parties which are related parties as defined by Financial Reporting Standard No 8

- (i) During the year, the group sold goods and services to the value of £203,477 (2006 £238,043) to, and purchased goods and services to the value of £2,811,111 (2006 £3,658,098) from, Express Gifts Limited, a subsidiary of Findel plc. At 31 March 2007, £2,491,047 (2006 £2,197,483) was due to Express Gifts Limited.
- (ii) During the year, the group purchased goods and services to the value of £4,435,196 (2006 £3,650,766) from Fine Art Developments (Far East) Limited, a subsidiary of Findel plc. At 31 March 2007, £3,440,965 (2006 £2,010,403) was due to Fine Art Developments (Far East) Limited.
- (iii) During the year, the company purchased goods and services to the value of £261,228 (2006 £213,000) from M & B Estates Limited. B J Kumeta and M Sharp hold the entire issued share capital of M & B Estates Limited. At 31 March 2007, £nil (2006: £3,485) was due to M & B Estates Limited.

All of these transactions were carried out on an arm's length basis. The company has taken advantage of the exemptions granted in paragraph 3(c) of Financial Reporting Standard No 8 not to disclose certain related party transactions with other group companies.

27. FINANCIAL INSTRUMENTS – DERIVATIVES NOT INCLUDED AT FAIR VALUE

The company has entered into forward exchange contracts to buy approximately £2.8m of Hong Kong Dollars ("HK\$") at contract rates between 14.17 and 14.71 HK\$ to the £, expiring between 30 April and 31 October 2007.

The company has also entered into bank base rate hedging contracts for a total amount of £7.5m with a cap rate of 7% expiring 10 May 2007.

The directors do not believe the fair value of these instruments are material to the financial statements. No fair value has therefore been disclosed.

28. SUBSEQUENT EVENTS

Subsequent to the balance sheet date the Group has acquired the trade and assets of three businesses which are engaged in the supply of family games, leather, high-tech goods and other gifts, mail order supply of nostalgic, leisure and entertainment based products, and the supply of DVD's, games, music and books through third party retail, mail order and on-line channels. All these businesses can be run off the fixed cost infrastructure of the Group. Total consideration paid for these three businesses has been approximately £3.5m plus approximately £6m of associated costs.

Also subsequent to the balance sheet date the Group agreed financing facilities with its related party undertaking Findel plc and has to date received loan financing of £34.4m, and agreed an invoice discounting facility with Lloyds TSB Commercial Finance Limited for amounts up to £19m.