

Company Registration No 5098632 (England and Wales)

P SELLARS TO SIGN PAGE 2 & 6

RECTANGLE BLUE PLC
REPORTS AND FINANCIAL STATEMENTS
PERIOD ENDED 31 MARCH 2007

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RECTANGLE BLUE PLC

COMPANY INFORMATION

Directors	P Sellars N Ingham A Hartley P Bell
Secretary	A Hartley
Company number	5098632
Registered office	Princess House 122 Queen Street SHEFFIELD S1 2DW
Auditors	Barber Harrison & Platt 2 Rutland Park Sheffield S10 2PD
Bankers	Lloyds TSB Bank plc 8 Cambridge Crescent Harrogate North Yorkshire HG1 1PQ

RECTANGLE BLUE PLC

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RECTANGLE BLUE PLC

DIRECTORS' REPORT

FOR THE PERIOD ENDED 31 MARCH 2007

The directors present their report and financial statements for the period ended 31 March 2007

Principal activities and review of the business

The principal activity of the company is that of direct promotion

We aim to present a balanced and comprehensive review of the development and performance of our business during the year and its position at the year end. Our review is consistent with the size and nature of our business and is written in the context of the risks and uncertainties we face.

Turnover has fallen by approximately 18% to £1 million however the gross profit margin has improved from 36% to 40%.

The increase in gross margin produced a small increase in profits with a profit after tax £43,833 which has been retained and added to reserves. The Directors anticipate a similar result for the new financial year.

The major risks to the business are loss of key clients and low acceptance rates on promotional activities. With these risks and uncertainties in mind, we are aware that any plans for the future development of the business may be subject to unforeseen future events outside of our control.

Results and dividends

The results for the period are set out on page 5.

The directors do not propose payment of a dividend in respect of the year.

Directors

The following directors have held office since 1 April 2006:

P Sellars
N Ingham
A Hartley
P Bell

Creditor payment policy

It is company policy to pay creditors as they fall due.

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Barber Harrison & Platt be reappointed as auditors of the company will be put to the Annual General Meeting.

RECTANGLE BLUE PLC

DIRECTORS' REPORT (CONTINUED)

FOR THE PERIOD ENDED 31 MARCH 2007

Directors' responsibilities

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

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records that 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 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.

Statement of disclosure to auditor

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

(b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board

X 
P. Sellars

Director

15 August 2007

RECTANGLE BLUE PLC

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF RECTANGLE BLUE PLC

We have audited the financial statements of Rectangle Blue Plc for the period ended 31 March 2007 set out on pages 5 to 13. 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 the directors and auditors

The directors' responsibilities for preparing 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 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 and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we 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 within it.

Basis of audit opinion

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

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

RECTANGLE BLUE PLC

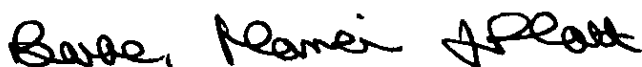
INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE SHAREHOLDERS OF RECTANGLE BLUE PLC

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2007 and of its profit for the period then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements.



Barber Harrison & Platt

15 August 2007

Chartered Accountants

Registered Auditors

2 Rutland Park
Sheffield
S10 2PD

RECTANGLE BLUE PLC

PROFIT AND LOSS ACCOUNT

FOR THE PERIOD ENDED 31 MARCH 2007

	Notes	2007 £	2006 £
Turnover	2	1,038,892	1,272,123
Cost of sales		(614,715)	(810,984)
Gross profit		424,177	461,139
Administrative expenses		(372,581)	(424,185)
Operating profit	3	51,596	36,954
Other interest receivable and similar income	4	945	478
Interest payable and similar charges	5	(96)	(502)
Profit on ordinary activities before taxation		52,445	36,930
Tax on profit on ordinary activities	6	(8,612)	-
Profit for the period	11	43,833	36,930

The profit and loss account has been prepared on the basis that all operations are continuing operations

There are no recognised gains and losses other than those passing through the profit and loss account

RECTANGLE BLUE PLC

BALANCE SHEET

AS AT 31 MARCH 2007

	Notes	2007 £	£	2006 £	£
Fixed assets					
Tangible assets	7		13,390		847
Current assets					
Debtors	8	265,706		295,806	
Cash at bank and in hand		534		35,996	
		<u>266,240</u>		<u>331,802</u>	
Creditors, amounts falling due within one year	9	<u>(190,332)</u>		<u>(287,184)</u>	
Net current assets			75,908		44,618
Total assets less current liabilities			<u>89,298</u>		<u>45,465</u>
Capital and reserves					
Called up share capital	10		50,000		50,000
Profit and loss account	11		39,298		(4,535)
Shareholders' funds	12		<u>89,298</u>		<u>45,465</u>

Approved by the Board on 15 August 2007

X 

P Sellars
Director

RECTANGLE BLUE PLC

CASH FLOW STATEMENT FOR THE PERIOD ENDED 31 MARCH 2007

	£	2007 £	£	2006 £
Net cash (outflow)/inflow from operating activities		(37,624)		37,371
Returns on investments and servicing of finance				
Interest received	945		478	
Interest paid	(96)		(502)	
Net cash inflow/(outflow) for returns on investments and servicing of finance		849		(24)
Capital expenditure				
Payments to acquire tangible assets	(17,100)		(1,129)	
Net cash outflow for capital expenditure		(17,100)		(1,129)
Net cash (outflow)/inflow before management of liquid resources and financing		(53,875)		36,218
(Decrease)/increase in cash in the period		(53,875)		36,218

RECTANGLE BLUE PLC

NOTES TO THE CASH FLOW STATEMENT

FOR THE PERIOD ENDED 31 MARCH 2007

1	Reconciliation of operating profit to net cash (outflow)/inflow from operating activities		2007	2006
			£	£
	Operating profit		51,596	36,954
	Depreciation of tangible assets		4,557	282
	Decrease/(increase) in debtors		30,100	(163,941)
	(Decrease)/Increase in creditors within one year		(123,877)	164,076
	Net cash (outflow)/inflow from operating activities		(37,624)	37,371

2	Analysis of net (debt)/funds	1 April 2006	Cash flow	Other non- 31 March 2007 cash changes
		£	£	£
	Net cash			
	Cash at bank and in hand	35,996	(35,462)	- 534
	Bank overdrafts	-	(18,413)	- (18,413)
		35,996	(53,875)	- (17,879)
	Bank deposits	-	-	- -
	Net funds/(debt)	35,996	(53,875)	- (17,879)

3	Reconciliation of net cash flow to movement in net (debt)/funds	2007	2006
		£	£
	(Decrease)/increase in cash in the period	(53,875)	36,218
	Movement in net (debt)/funds in the period	(53,875)	36,218
	Opening net funds/(debt)	35,996	(222)
	Closing net (debt)/funds	(17,879)	35,996

RECTANGLE BLUE PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2007

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated)

1.3 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts

1.4 Tangible fixed assets and depreciation

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

Fixtures, fittings & equipment	25% straight line
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1.5 Deferred taxation

Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted

2 Turnover

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

3 Operating profit

	2007	2006
	£	£
Operating profit is stated after charging		
Depreciation of tangible assets	4,557	282
Auditors' remuneration	2,400	2,550
	<u> </u>	<u> </u>

4 Investment income

	2007	2006
	£	£
Bank interest	945	478
	<u> </u>	<u> </u>

RECTANGLE BLUE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 MARCH 2007

5	Interest payable	2007	2006
		£	£
	On bank loans and overdrafts	96	502
		<u> </u>	<u> </u>
6	Taxation	2007	2006
		£	£
	Domestic current year tax		
	U K corporation tax	8,612	-
		<u> </u>	<u> </u>
	Current tax charge	8,612	-
		<u> </u>	<u> </u>
	Factors affecting the tax charge for the period		
	Profit on ordinary activities before taxation	52,445	36,930
		<u> </u>	<u> </u>
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19.00% (2006 - 19.00%)	9,965	7,017
		<u> </u>	<u> </u>
	Effects of		
	Non deductible expenses	-	(78)
	Depreciation add back	866	54
	Capital allowances	(1,660)	(86)
	Tax losses utilised	(559)	(6,907)
		<u> </u>	<u> </u>
		(1,353)	(7,017)
		<u> </u>	<u> </u>
	Current tax charge	8,612	-
		<u> </u>	<u> </u>

The company has estimated losses of £ nil (2006 - £ 3,000) available for carry forward against future trading profits

RECTANGLE BLUE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 MARCH 2007

7 Tangible fixed assets

	Fixtures, fittings & equipment £
Cost	
At 1 April 2006	1,129
Additions	17,100
	<hr/>
At 31 March 2007	18,229
	<hr/>
Depreciation	
At 1 April 2006	282
Charge for the period	4,557
	<hr/>
At 31 March 2007	4,839
	<hr/>
Net book value	
At 31 March 2007	13,390
	<hr/>
At 31 March 2006	847
	<hr/>

8 Debtors	2007 £	2006 £
Trade debtors	27,573	205,967
Called up share capital not paid	37,500	37,500
Other debtors	192,683	30,759
Prepayments and accrued income	7,950	21,580
	<hr/>	<hr/>
	265,706	295,806
	<hr/>	<hr/>

RECTANGLE BLUE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 MARCH 2007

9	Creditors: amounts falling due within one year	2007 £	2006 £
	Bank loans and overdrafts	18,413	-
	Trade creditors	64,915	38,750
	Corporation tax	8,612	-
	Other taxes and social security costs	12,710	72,394
	Other creditors	79,345	42,142
	Accruals and deferred income	6,337	133,898
		<u>190,332</u>	<u>287,184</u>

The bank overdraft is secured by a fixed and floating charge over all the company's assets and undertakings

10	Share capital	2007 £	2006 £
	Authorised		
	1,000,000 Ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>
	Allotted and called up		
	50,000 Ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>

11	Statement of movements on profit and loss account	Profit and loss account £
	Balance at 1 April 2006	(4,535)
	Profit for the period	43,833
	Balance at 31 March 2007	<u>39,298</u>

12	Reconciliation of movements in shareholders' funds	2007 £	2006 £
	Profit for the financial period	43,833	36,930
	Opening shareholders' funds	45,465	8,535
	Closing shareholders' funds	<u>89,298</u>	<u>45,465</u>

RECTANGLE BLUE PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE PERIOD ENDED 31 MARCH 2007

13 Employees

Number of employees

The average monthly number of employees (including directors) during the period was

2007 Number	2006 Number
2	2

Employment costs

	2007 £	2006 £
Wages and salaries	42,636	75,301

14 Related party transactions

During the year rent of £44,237 was paid to the Grove Road Partnership, a partnership in which P Sellars, N Ingham, P Bell, and A Hartley are partners. There were no amounts outstanding at the year end.

During the year management fees of £200,582 were charged by The Management Partnership, a partnership in which P Sellars, N Ingham, and P Bell are partners. At the year end £35,165 remained outstanding and is included within trade creditors.

During the year the company received a loan of £36,788 from Rectangle Group plc, a company in which P Sellars, N Ingham, P Bell and A Hartley are directors. At the year end £78,930 (2006: £42,142) was due to Rectangle Group plc and is included within other creditors.

During the year the company paid expenses of £177,215 on behalf of People Portal Limited, a company in which P Sellars, N Ingham, P Bell and A Hartley are directors. At the year end this amount was outstanding and is included within other debtors.