Company Registration No. 1594736 (England and Wales)

SECOND NATURE LIMITED

ABBREVIATED ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2008

SECOND NATURE LIMITED

CONTENTS

SECOND NATURE LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2008

The directors present their report and financial statements for the year ended 31 December 2008.

Principal activities and review of the business

The principal activities of the company continued to be that of publishing, wholesale and distribution of greeting cards.

This year operating profit is £120,121 compared to £163,586. The main reason for this reduction has been a 7.97% drop in turnover. There have not been significant changes in distribution costs, artwork costs and administrative expenses or salary costs as it has not been practical to cut these costs rapidly.

The company generated cash (outflow)/inflow from operating activities of (£128,813) (2007: £336,648). The reduced cash inflow by comparison with prior year has particularly arisen from the decrease in profitability and there has been an increase in year end stock after two consecutive year ends of reductions.

The increased utilisation of the invoice discounting finance facility has led to an increase in net interest payments of £68,568 (2007: £62,768).

The company has estimated tax losses of £282,000 (2007: £306,000) available for carry forward against future profits.

The directors have a reasonable expectation that the company have enough resources to continue in operational existence for the foreseeable future.

Risks facing the business:

The company structure and operations are set up in the most appropriate way to manage day to day business activities and risks. This involves adequate divisions of duties and segregation of responsibilities.

The chief market risks facing the business are the retail environment. The risks facing the business are reviewed on a regular basis and, where applicable relevant action is taken by the directors. The directors continue as best possible to minimise exposure to excess stock.

The exposure to foreign currency in respect of purchases in particular has been considerable as the US$ strengthened in the second half of 2008. This has particularly affected payments at the end of the year and in the first quarter of 2009. It is envisaged that this foreign currency risk should be limited within a manageable range for the rest of 2009.

Financial Instruments:

The company's principal financial instruments comprise trade creditors, trade debtors, invoice discounting, finance leases and a bank loan to the company. The main purpose of these instruments is to raise funds for and finance the company's operations.

The company's approach to managing key risks applicable to the financial instruments concerned is shown below.

In respect of bank balances and bank loans the liquidity risk is managed by some emphasis on cash generation and also an agreed schedule of repayments for the bank loan.

Trade debtors are managed in respect of credit and cash flow risk by policies concerning the credit offered to customers and the regular monitoring of amounts outstanding for both time and credit limits. Bad debt risks are minimised by the company also through a credit insurance policy.

Trade creditors and liquidity risk is managed by ensuring sufficient funds are available to meet amounts due.

Results and dividends

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

The directors do not recommend payment of an ordinary dividend.

Directors

The following directors have held office since 1 January 2008:

T. Schragger

R. Schragger

Auditors

In accordance with section 485 of the Companies Act 2006, a resolution proposing that Morley and Scott be reappointed as auditors of the company will be put to the Annual General Meeting.

Statement of 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;
- 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 auditors
So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board

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T. Schragger
Director
24.06.09

SECOND NATURE LIMITED

INDEPENDENT AUDITORS' REPORT TO SECOND NATURE LIMITED

UNDER SECTION 247B OF THE COMPANIES ACT 1985

We have examined the abbreviated accounts set out on pages 5 to 19, together with the financial statements of Second Nature Limited for the year ended 31 December 2008 prepared under section 226 of the Companies Act 1985.

This report is made solely to the company in accordance with section 247B of the Companies Act 1985. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an auditors' report on abbreviated accounts 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, for our work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the abbreviated accounts in accordance with section 246A of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts prepared in accordance with sections 246A(3) of the Act to the Registrar of Companies and whether the abbreviated accounts have been properly prepared in accordance with that provision and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with Bulletin 2006/3 "The special auditor's report on abbreviated accounts in the United Kingdom" issued by the Auditing Practices Board. In accordance with that Bulletin we have carried out the procedures we consider necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts to be delivered are properly prepared.

Opinion

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with section 246A(3) of the Companies Act 1985, and the abbreviated accounts have been properly prepared in accordance with that provision.

Morley and Scott

Morley and Scott

26 June 2009

Chartered Accountants
Registered Auditor

Lynton House
7-12 Tavistock Square
London
WC1H 9LT

SECOND NATURE LIMITED

ABBREVIATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	2008 £	2007 £
Gross profit		3,542,552	3,760,916
Distribution costs		(1,562,826)	(1,597,839)
Administrative expenses		(1,859,605)	(1,999,491)
Operating profit	2	120,121	163,586
Other interest receivable and similar income		40	5,707
Interest payable and similar charges	4	(68,568)	(62,768)
Profit on ordinary activities before taxation		51,593	106,525
Tax on profit on ordinary activities	5	(6,877)	(17,113)
Profit for the year	13	44,716	89,412

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.

SECOND NATURE LIMITED

ABBREVIATED BALANCE SHEET

AS AT 31 DECEMBER 2008

	Notes	2008 £	2008 £	2007 £	2007 £
Fixed assets					
Tangible assets	7		51,225		117,819
Current assets					
Stocks	8	1,463,347		998,075	
Debtors	9	1,781,946		1,892,094	
Cash at bank and in hand		104,443		32,110	
		3,349,736		2,922,279	
Creditors: amounts falling due within one year	10	(2,449,706)		(1,859,737)	
Net current assets			900,030		1,062,542
Total assets less current liabilities			951,255		1,180,361
Creditors: amounts falling due after more than one year	11		(141,307)		(280,913)
			809,948		899,448
Capital and reserves					
Called up share capital	12		171,470		1,350,036
Share premium account	13		518,764		518,764
Other reserves	13		778,566		-
Profit and loss account	13		(658,852)		(969,352)
Shareholders' funds	14		809,948		899,448

These abbreviated accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to medium-sized companies.

Approved by the Board and authorised for issue on 24.06.09

T. Schragger
Director

R. Schragger
Director

SECOND NATURE LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

		2008		2007
	£	£	£	£
Net cash (outflow)/inflow from operating activities		(128,813)		336,648
Returns on investments and servicing of finance				
Interest received	40		5,707	
Interest paid	(68,568)		(62,768)	
Net cash outflow for returns on investments and servicing of finance		(68,528)		(57,061)
Taxation		(20,254)		(6,512)
Capital expenditure				
Payments to acquire tangible assets	(7,551)		(58,983)	
Receipts from sales of tangible assets	5,000		17,525	
Net cash outflow for capital expenditure		(2,551)		(41,458)
Net cash (outflow)/inflow before management of liquid resources and financing		(220,146)		231,617
Financing				
Issue of ordinary share capital	21,434		-	
Purchase of own shares	(421,434)		-	
Issue and purchase of shares	(400,000)		-	
New bank loan reapyable in more than 1 year	137,500		-	
New bank loan repayable in less than 1 year	50,000		-	
Repayment of long term bank loan	-		(114,514)	
Capital element of hire purchase contracts	(14,682)		(2,220)	
Increase/decrease) in debt	172,818		(116,734)	
Net cash outflow from financing		(227,182)		(116,734)
(Decrease)/increase in cash in the year		(447,328)		114,883

NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008

1 Reconciliation of operating profit to net cash (outflow)/inflow from operating activities

	2008	2007
	£	£
Operating profit	120,121	163,586
Depreciation of tangible assets	74,145	102,591
Profit on disposal of tangible assets	(5,000)	(6,766)
(Increase)/decrease in stocks	(465,272)	187,929
Decrease/(increase) in debtors	110,148	(6,873)
Increase/(decrease) in creditors within one year	37,045	(103,819)
Net cash (outflow)/inflow from operating activities	(128,813)	336,648

2 Analysis of net debt

	1 January 2008	Cash flow	Other non-cash changes	31 December 2008
	£	£	£	£
Net cash:				
Cash at bank and in hand	32,110	72,333	-	104,443
Bank overdrafts	(102,175)	(519,661)	-	(621,836)
	(70,065)	(447,328)	-	(517,393)
Debt:				
Finance leases	(31,774)	14,683	-	(17,091)
Debts falling due within one year	-	(50,000)	-	(50,000)
Debts falling due after one year	(265,783)	(137,500)	265,783	(137,500)
	(297,557)	(172,817)	265,783	(204,591)
Net debt	(367,622)	(620,145)	265,783	(721,984)

3 Reconciliation of net cash flow to movement in net debt

	2008	2007
	£	£
(Decrease)/increase in cash in the year	(447,328)	114,883
Outflow/(inflow) from decrease/(increase) in debt	92,966	(25,686)
Movement in net debt in the year	(354,362)	89,197
Opening net debt	(367,622)	(456,819)
Closing net debt	(721,984)	(367,622)

NOTES TO THE ABBREVIATED ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2008

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

Going Concern Basis

The Company meets its day to day working capital requirements through the use of an invoice discount facility. The directors consider the outlook offers significant challenges in terms of sales volume and pricing. Furthermore the failures in businesses in the sectors in which the Company operates has meant that the advances offered through the invoice discount facility can be restricted.

The Company's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the company should be able to operate within the current facility.

The directors have concluded, having made enquiries, that the Company will have adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the annual accounts.

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.

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:

Leasehold alterations	Straight line over 5 years
Plant and machinery	Straight line over 1-4 years
Fixtures, fittings and equipment	Straight line over 2-4 years
Motor vehicles	Straight line over 3 years

1.5 Leasing and hire purchase commitments

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

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

1.6 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

1.7 Stock

Stock is valued at the lower of cost and net realisable value.

1 Accounting policies **(continued)**

1.8 Deferred taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

1.9 Foreign currency translation

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

1.10 Group accounts

The financial statements present information about the company as an individual undertaking and not about its group. The company and its subsidiary undertaking comprise a medium-sized group. The company has therefore taken advantage of the exemptions provided by section 248 of the Companies Act 1985 not to prepare group accounts.

2 Operating profit	**2008**	**2007**
	£	**£**
Operating profit is stated after charging:		
Depreciation of tangible assets	74,145	102,591
Loss on foreign exchange transactions	-	9,808
Operating lease rentals	178,992	178,460
Auditors' remuneration (including expenses and benefits in kind)	21,974	15,000
and after crediting:		
Profit on disposal of tangible assets	(5,000)	(6,766)
Profit on foreign exchange transactions	(15,323)	-

3 Investment income	**2008**	**2007**
	£	**£**
Bank interest	-	5,707
Other interest	40	-
	40	5,707

4 Interest payable

	2008	2007
	£	£
On bank loans and overdrafts	66,350	60,980
Hire purchase interest	2,218	1,788
	68,568	62,768

5	Taxation	2008	2007
		£	£
	Domestic current year tax		
	U.K. corporation tax	12,872	21,410
	Adjustment for prior years	(5,995)	-
	Current tax charge	6,877	21,410
	Deferred tax		
	Deferred tax movement	-	(4,297)
		6,877	17,113
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	51,593	106,525
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 21.00% (2007 - 19.00%)	10,835	20,240
	Effects of:		
	Non deductible expenses	16,201	3,390
	Depreciation add back	15,570	12,178
	Capital allowances	(19,117)	(15,929)
	Tax losses utilised	(24,217)	-
	Adjustments to previous periods	5,995	-
	Profit on disposals	(1,050)	-
	Other tax adjustments	2,660	1,531
		(3,958)	1,170
	Current tax charge	6,877	21,410

The company has estimated losses of £ 282,000 (2007 - £ 306,000) available for carry forward against future trading profits.

A deferred tax asset of £74,528 (2007: £72,009) has not been recognised in respect of timing differences relating to capital allowances, provisions and tax losses. The assets would be recovered, either in full or in part, if the company makes sufficient profits in the future accounting periods.

6	**Dividends**	**2008**	**2007**
		£	**£**
	Dividends on equity shares:		
	Preference final	-	138,123
	Preference dividend waived	(265,784)	
		(265,784)	138,123

Preference shareholders have agreed to waive dividends accrued to them.

7 Tangible fixed assets

	Leasehold alterations	Plant and machinery	Fixtures, fittings and equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 January 2008	417,810	567,258	173,827	172,629	1,331,524
Additions	-	7,551	-	-	7,551
Disposals	-	-	-	(30,400)	(30,400)
At 31 December 2008	417,810	574,809	173,827	142,229	1,308,675
Depreciation					
At 1 January 2008	365,035	550,616	173,827	124,227	1,213,705
On disposals	-	-	-	(30,400)	(30,400)
Charge for the year	38,326	14,103	-	21,716	74,145
At 31 December 2008	403,361	564,719	173,827	115,543	1,257,450
Net book value					
At 31 December 2008	14,449	10,090	-	26,686	51,225
At 31 December 2007	52,775	16,642	-	48,402	117,819

Included above are assets held under finance leases or hire purchase contracts as follows:

	Motor vehicles
	£
Net book values	
At 31 December 2008	26,686
At 31 December 2007	48,402
Depreciation charge for the year	
At 31 December 2008	21,716
At 31 December 2007	38,494

SECOND NATURE LIMITED

NOTES TO THE ABBREVIATED ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2008

8	**Stocks**	**2008**	**2007**
		£	**£**
	Finished goods and goods for resale	1,463,347	998,075

9	**Debtors**	**2008**	**2007**
		£	**£**
	Trade debtors	1,525,896	1,543,822
	Amounts owed by subsidiary undertakings	117,870	140,146
	Other debtors	17,530	17,530
	Prepayments and accrued income	120,650	190,596
		1,781,946	1,892,094

10	**Creditors: amounts falling due within one year**	**2008**	**2007**
		£	**£**
	Bank loans and overdrafts	671,836	102,175
	Net obligations under hire purchase contracts	13,284	16,644
	Trade creditors	1,493,899	1,159,772
	Corporation tax	8,033	21,410
	Other taxes and social security costs	69,418	168,556
	Accruals and deferred income	193,236	391,180
		2,449,706	1,859,737

Included in bank loans and finance facilities above is finance facilities of £621,836 (2007: £102,175). The finance facility is secured by a mortgage debenture incorporating a legal mortgage over the company's leasehold property and a fixed and floating charge on the company's assets.

11 **Creditors: amounts falling due after more than one year**	**2008**	**2007**
	£	**£**
Bank loans	137,500	-
Net obligations under hire purchase contracts	3,807	15,130
	141,307	280,913
Analysis of loans		
Wholly repayable within five years	187,500	-
	187,500	-
Included in current liabilities	(50,000)	-
	137,500	-
Loan maturity analysis		
In more than one year but not more than two years	50,000	-
In more than two years but not more than five years	87,500	-
Net obligations under hire purchase contracts		
Repayable within one year	14,484	18,169
Repayable between one and five years	4,395	16,522
	18,879	34,691
Finance charges and interest allocated to future accounting periods	(1,788)	(2,917)
	17,091	31,774
Included in liabilities falling due within one year	(13,284)	(16,644)
	3,807	15,130

12 Share capital

	2008	2007
	£	£
Authorised		
1,500,000 Ordinary shares of £1 each	1,500,000	300,000
- Cumulative convertible preference shares of £1 each	-	1,200,000
	1,500,000	1,500,000
Allotted, called up and fully paid		
171,470 Ordinary shares of £1 each	171,470	150,036
- Cumulative convertible preference shares of £1 each	-	1,200,000
	171,470	1,350,036

During the year the company repurchased 1,178,566 cumulative convertible preference shares of £1 each. The consideration for the preference shares is the payment to the vendor by the company of £400,000. The remaining 21,434 preference shares were converted into ordinary shares.

13 Statement of movements on reserves

	Share premium account	Other reserves (see below)	Profit and loss account
	£	£	£
Balance at 1 January 2008	518,764	-	(969,352)
Profit for the year	-	-	44,716
Preference dividends waived	-	-	265,784
Movement during the year	-	778,566	-
Balance at 31 December 2008	518,764	778,566	(658,852)

Other reserves

Capital redemption reserve	
Capital redemption reserve arising on purchase of preference shares	778,566
Balance at 31 December 2008	778,566

Preference shareholders have agreed to waive dividends accrued to them.

14 Reconciliation of movements in shareholders' funds

	2008	2007
	£	£
Profit for the financial year	44,716	89,412
Dividends	265,784	(138,123)
	310,500	(48,711)
Proceeds from issue of shares	21,434	-
Purchase of own shares	(421,434)	-
Net depletion in shareholders' funds	(89,500)	(48,711)
Opening shareholders' funds	899,448	948,159
Closing shareholders' funds	809,948	899,448

15 Financial commitments

At 31 December 2008 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 December 2009:

	Land and buildings	
	2008	2007
	£	£
Operating leases which expire:		
In over five years	135,000	135,000

16 Directors' emoluments

	2008	2007
	£	£
Emoluments for qualifying services	275,202	319,464

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

Emoluments for qualifying services	155,874	142,969

17 Transactions with directors

During the year the directors leased a warehouse to the company. The total amount of leasehold rental payable by the company to the directors was £100,000 (2007: £100,000). This is at market value.

18 Employees

Number of employees

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

	2008 Number	2007 Number
Sales, design and administration	74	68

Employment costs	**2008 £**	**2007 £**
Wages and salaries	1,620,588	1,706,953
Social security costs	146,575	169,456
	1,767,163	1,876,409

19 Post balance sheet events

Subsequent to the year end, the Company reduced its capital. The capital redemption reserve and share premium were cancelled.