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Second Nature Limited
Directors' Report and Abbreviated Financial Statements
for the year ended 30 November 1994
Company No. 1594736 (England and Wales)



Second Nature Limited

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Second Nature Limited

Directors' Report for the year ended 30 November 1994

The directors present their report and the financial statements for the year ended 30 November 1994.

Principal Activities and Review of the Business

The principal activities of the company are that of the publishing, wholesale and distribution of greetings cards.

The progress of the company during the year accorded with expectations and the position at the year end is regarded as satisfactory. No significant changes in the future development of the company are proposed, nor has there occurred since the end of the year any event of such significance that reference to it should be made in this report.

Results and Dividends

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

The directors do not recommend payment of a dividend.

It is proposed that the retained profit of £208,014 is transferred to reserves.

Fixed Assets

Details of movements in fixed assets during the year are set out in notes 7 and 8 to the financial statements.

Directors and their Interests

The directors who served during the year and their interests in the company were as stated below.

	Class of share	Number of shares	
		1994	1993
T Schragger	Ordinary 'A' shares	4,223	4,223
D Roxburgh	Ordinary 'A' shares	850	850
C Petty	Ordinary 'A' shares	400	400
P Turner (resigned 20.4.94)	Ordinary 'A' shares	200	200

The following directors also held options throughout the period to purchase 'A' ordinary shares of the company as follows:

T Schragger	1,200 at £75 per share between 11.08.91 and 09.08.96.
C Petty	350 at £75 per share between 06.01.94 and 05.01.99.

Auditors

Morley & Scott were appointed auditors to the company and in accordance with Section 385 of the Companies Act 1985, a resolution proposing that they be re-appointed will be put to the Annual General Meeting.

This report was approved on behalf of the Board on 27 February 1995


C Petty
Director

Second Nature Limited

Statement of Directors' Responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- 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.

Second Nature Limited

Auditors' Report to the Directors of Second Nature Limited Pursuant to Paragraph 24 of Schedule 8 to the Companies Act 1985

We have examined the abbreviated accounts on pages 5 to 18 together with the full financial statements of Second Nature Limited for the year ended 30 November 1994.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the abbreviated accounts in accordance with Schedule 8 to the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to the exemptions claimed in the directors' statement on page 6 and whether the abbreviated accounts have been properly prepared in accordance with that Schedule.

Basis of opinion

We have carried out the procedures we considered necessary to confirm, by reference to the audited financial statements, that the company is entitled to the exemptions claimed in the directors' statement on page 6 and that the abbreviated accounts have been properly prepared from those financial statements.

Opinion

In our opinion, the company is entitled under sections 246 and 247 of the Companies Act 1985 to the exemptions conferred by Section A of Part III of Schedule 8 to that Act in respect of the year ended 30 November 1994, and the abbreviated accounts on pages 5 to 18 have been properly prepared in accordance with that Schedule.

Other information

On 27 February 1995 we reported, as auditors of Second Nature Limited, to the members on the full financial statements prepared under section 226 of the Companies Act 1985 for the year ended 30 November 1994, and our audit report was as follows:

'We have audited the financial statements on pages 5 to 18 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

As described on page 2 (reproduced on page 2 of the abbreviated accounts) the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

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

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

Second Nature Limited

Auditors' Report to the Directors of Second Nature Limited
Pursuant to Paragraph 24 of Schedule 8 to the Companies Act 1985

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 November 1994 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985 applicable to small companies.

In our opinion the company is entitled to the exemption conferred by Section 248 of the Companies Act 1985 from the requirement to prepare group accounts for the financial year ended 30 November 1994.'



Morley & Scott
Chartered Accountants
and Registered Auditor

Slough

27 February 1995

Second Nature Limited

Abbreviated Profit and Loss Account
for the year ended 30 November 1994

	Notes	1994 £	1993 £
Gross profit		1,942,722	2,260,399
Distribution costs		(582,405)	(513,049)
Administrative expenses		(1,022,232)	(1,331,857)
Other operating income		5,000	-
Operating profit	3	343,085	415,493
Other interest receivable and similar income	4	23,240	-
Interest payable and similar charges	5	(144,417)	(181,100)
Profit on ordinary activities before taxation		221,908	234,393
Tax on profit on ordinary activities	6	(13,894)	(16,048)
Profit for the year		<u>£ 208,014</u>	<u>£ 218,345</u>

Second Nature Limited

Abbreviated Balance Sheet
as at 30 November 1994

	Notes	1994 £	1993 £
Fixed Assets			
Tangible assets	7	126,990	132,638
Investments	8	411	411
		<u>127,401</u>	<u>133,049</u>
Current Assets			
Stocks	9	690,436	513,518
Debtors	10	1,139,381	1,047,433
Cash at bank and in hand		1,017	2,553
		<u>1,830,834</u>	<u>1,563,504</u>
Creditors: amounts falling due within one year	11	(1,749,352)	(1,474,276)
Net Current Assets		<u>81,482</u>	<u>89,228</u>
Total Assets Less Current Liabilities		<u>208,883</u>	<u>222,277</u>
Creditors: amounts falling due after more than one year	12	(656,250)	(877,658)
		<u>£ (447,367)</u>	<u>£ (655,381)</u>
Capital and Reserves			
Called up share capital	13	16,702	16,702
Share premium account		452,098	452,098
Profit and loss account		(916,167)	(1,124,181)
Shareholders' Funds	14	<u>£ (447,367)</u>	<u>£ (655,381)</u>

In preparing these abbreviated financial statements:

- (a) Advantage has been taken of the exemptions conferred by Section B of Part III of Schedule 8 to the Companies Act 1985, and
- (b) In the directors' opinion the company is entitled to these exemptions as a medium company.



T Schragger

Director

Second Nature Limited
Cash Flow Statement
for the year ended 30 November 1994

	1994	1993
	£	£
Net cash in/outflow from operating activities	175,547	600,819
Returns on investments and servicing of finance		
Interest received	23,240	-
Interest paid	(144,417)	(181,100)
Net cash in/outflow from returns on investments and servicing of finance	(121,177)	(181,100)
Overseas tax paid	(13,895)	(16,048)
Corporation tax repaid	93,395	-
	79,500	(16,048)
Investing activities		
Payments to acquire tangible assets	(89,291)	(60,736)
Receipts from sales of tangible assets	9,900	2,896
Net cash in/outflow from investing activities	(79,391)	(57,840)
Net cash in/outflow before financing	54,479	345,831
Financing		
Capital element of finance lease contracts	(11,929)	(26,249)
Net cash in/outflow from financing	(11,929)	(26,249)
In/Decrease in cash and cash equivalents	£ 42,550	£ 319,582

Second Nature Limited

Notes to the Cash Flow Statement for the year ended 30 November 1994

1 Reconciliation of operating profit to net cash in/outflow from operating activities	1994	1993	
	£	£	
Operating profit	343,085	415,493	
Depreciation of tangible assets	87,396	87,792	
Amortisation of intangible assets	-	2,563	
Profit on disposal of tangible assets	(2,356)	376	
Increase in stocks	(176,918)	110,198	
Increase in debtors	(185,343)	261,127	
Decrease in creditors due within one year	109,683	(276,730)	
Net cash in/outflow from operating activities	£ 175,547	£ 600,819	
2 Analysis of changes in cash and cash equivalents during the year	1994	1993	
	£	£	
Balance at 1 December 1993	(1,714,390)	(2,033,972)	
Net cash in/outflow	42,550	319,582	
Balance at 30 November 1994	(1,671,840)	(1,714,390)	
3 Analysis of the balances of cash and cash equivalents as shown in the balance sheet	1994	1993	Change in year
	£	£	£
Cash at bank and in hand	1,017	2,553	(1,536)
Bank overdrafts	(797,857)	(716,943)	(80,914)
Bank loan	(875,000)	(1,000,000)	125,000
£ (1,671,840)	£ (1,714,390)	£ 42,550	
4 Analysis of changes in financing during the year	Share capital	Loans and finance lease obligations	
	£	£	
Balance at 1 December 1993	468,800	1,013,790	
Cash in/outflow from financing	-	(11,929)	
Balance at 30 November 1994	£ 468,800	£ 876,861	

Second Nature Limited

Notes to the Abbreviated Financial Statements for the year ended 30 November 1994

1. Accounting Policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards and include the results of the company's operations as indicated in the directors' report, all of which are continuing.

1.2 Turnover

Turnover represents amounts receivable for goods and services provided in the UK net of VAT and trade discounts.

1.3 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 properties	-	Straight line over the life of the lease
Plant and machinery	-	Straight line over 2-5 years
Fixtures, fittings and equipment	-	Straight line over 2-4 years
Motor vehicles	-	Straight line over 2-4 years

1.4 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.

1.5 Investments

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

1.6 Stock and work in progress

Stock and work in progress are valued at the lower of cost and net realisable value.

Second Nature Limited

Notes to the Abbreviated Financial Statements for the year ended 30 November 1994 (continued)

1.7 Deferred taxation

Provision is made for deferred taxation using the liability method to take account of timing differences between the incidence of income and expenditure for taxation and accounting purposes except to the extent that the directors consider that a liability to taxation is unlikely to crystallise.

1.8 Group Accounts

The financial statements present information about the company as an individual undertaking and not about its group. The company has not prepared group accounts as it is exempt from the requirement to do so by section 248 of the Companies Act 1985.

2. Turnover

	1994	1993
	£	£
Geographical market		
United Kingdom	2,539,823	2,565,916
Rest of the World	1,498,170	1,629,557
	<u>£ 4,037,993</u>	<u>£4,195,473</u>

3. Operating Profit

	1994	1993
	£	£
Operating profit is stated after charging:		
Depreciation of intangible assets	-	2,563
Depreciation of tangible assets	87,396	87,792
Operating lease rentals		
- Land and buildings	80,643	84,292
Auditors' remuneration	7,000	14,000
Profit/loss on disposal of tangible fixed assets	(2,356)	376
	<u> </u>	<u> </u>

4. Other Interest Receivable and Similar Income

	1994	1993
	£	£
Other interest received	<u>23,240</u>	<u>-</u>

Second Nature Limited

Notes to the Abbreviated Financial Statements
for the year ended 30 November 1994 (continued)

5.	Interest Payable	1994 £	1993 £
	On bank loans and overdrafts	138,979	172,367
	Hire purchase interest	5,438	8,733
		<u>£ 144,417</u>	<u>£ 181,100</u>
6.	Taxation	1994 £	1993 £
	U.K. Current year taxation		
	Overseas taxation	<u>£ 13,894</u>	<u>£ 16,048</u>

Second Nature Limited

Notes to the Abbreviated Financial Statements
for the year ended 30 November 1994 (continued)

7. Tangible Assets

	Land and buildings Leasehold (short)	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 December 1993	61,440	129,562	61,379	82,191	334,572
Additions	7,876	49,400	7,677	24,338	89,291
Disposals	-	-	-	(35,738)	(35,738)
At 30 November 1994	69,316	178,962	69,056	70,791	388,125
Depreciation					
At 1 December 1993	26,595	73,035	43,716	58,587	201,933
On disposals	-	-	-	(28,194)	(28,194)
Charge for year	11,014	39,211	16,278	20,893	87,396
At 30 November 1994	37,609	112,246	59,994	51,286	261,135
Net book values					
At 30 November 1994	£ 31,707	£ 66,716	£ 9,062	£ 19,505	£ 126,990
At 30 November 1993	£ 34,846	£ 56,525	£ 17,663	£ 23,604	£ 132,638

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

	Net book value £	Depreciation charge £
Fixtures, fittings and equipment	£ -	£ 7,449

Second Nature Limited

Notes to the Abbreviated Financial Statements for the year ended 30 November 1994 (continued)

8. Fixed Asset Investments	1994 £	1993 £
Subsidiary undertakings	£ 411	£ 411

In the opinion of the directors the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet.

The company owns all of the issued share capital (14,948 common stock shares of \$0.05 each) of Second Nature (USA) Inc, a company incorporated in the state of Delaware, USA. Second Nature (USA) Inc operates in the United states as a wholesaler and distributor of greeting cards.

No audited accounts have been produced for Second Nature (USA) Inc for the years ended 1993 and 1994. The information set out is taken from the unaudited management accounts of Second Nature (USA) Inc.

	1994		1993	
	\$	£	\$	£
Capital and reserves	(842,481)	(538,671)	(842,481)	(567,174)
Profit for year	-	-	45,519	30,644

The deficit on capital and reserves in the accounts of Second Nature (USA) Inc of \$842,481 (£538,671) includes a creditor to Second Nature Limited of \$1,099,237 (£702,837). The corresponding debtor in the accounts of Second Nature Limited has been reduced to its net recoverable amount as detailed in note 10.

9. Stocks and Work in Progress	1994 £	1993 £
Raw materials and consumables	66,732	70,756
Work in progress	126,890	55,468
Finished goods and goods for resale	496,814	387,294
	<u>£ 690,436</u>	<u>£ 513,518</u>

Second Nature Limited

Notes to the Abbreviated Financial Statements
for the year ended 30 November 1994 (continued)

10. Debtors	1994 £	1993 £
Trade debtors	804,114	689,732
Amounts owed by group undertaking	162,498	177,377
Corporation tax	-	93,395
Other debtors	51,842	38,490
Prepayments and accrued income	120,927	48,439
	<u>£1,139,381</u>	<u>£1,047,433</u>
11. Creditors: amounts falling due within one year	1994 £	1993 £
Bank loans and overdrafts	1,016,607	841,943
Net obligations under finance lease and hire purchase contracts	1,861	11,132
Trade creditors	627,213	407,312
Taxes and social security costs	23,707	50,224
Accruals and deferred income	79,964	163,665
	<u>£1,749,352</u>	<u>£1,474,276</u>

Second Nature Limited

Notes to the Abbreviated Financial Statements for the year ended 30 November 1994 (continued)

12. Creditors: amounts falling due after more than one year	1994 £	1993 £
Loans	656,250	875,000
Net obligations under finance leases and hire purchase contracts	-	2,658
	<u>£ 656,250</u>	<u>£ 877,658</u>
 Loans		
Wholly repayable within five years	875,000	1,000,000
Included in current liabilities	(218,750)	(125,000)
	<u>£ 656,250</u>	<u>£ 875,000</u>
 Net obligations under finance leases and hire purchase contracts		
Repayable within one year	1,861	11,132
Repayable between one and five years	-	2,658
	<u>1,861</u>	<u>13,790</u>
Included in current liabilities	<u>(1,861)</u>	<u>(11,132)</u>
	<u>£ -</u>	<u>£ 2,658</u>

The bank loan and overdraft 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. Interest on the bank loan was charged at 3 1/2% over the Bank's base rate and interest on the overdraft was charged at 3% over the Bank's base rate.

The bank guarantees £40,000 per month for HM Customs and Excise/VAT Duty Deferment account on behalf of the company.

13. Share Capital	1994 £	1993 £
Authorised		
20,000 Ordinary 'A' shares of £1 each	20,000	20,000
300 Ordinary 'B' shares of £1 each	300	300
	<u>£ 20,300</u>	<u>£ 20,300</u>
 Allotted, called up and fully paid		
16,702 Ordinary 'A' shares of £1 each	<u>16,702</u>	<u>16,702</u>

Second Nature Limited

Notes to the Abbreviated Financial Statements
for the year ended 30 November 1994 (continued)

14. Reconciliation of Movements in Shareholders' Funds

	1994 £	1993 £
Profit for the financial year	208,014	218,345
Opening shareholders' funds	(655,381)	(873,726)
Closing shareholders' funds	<u>£(447,367)</u>	<u>£(655,381)</u>

15. Financial Commitments

At 30 November 1994 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	1994 £	1993 £	1994 £	1993 £
Expiry date:				
Within one year	-	-	1,861	-
Between two and five years	60,000	60,000	-	45,433
	<u>£ 60,000</u>	<u>£ 60,000</u>	<u>£ 1,861</u>	<u>£ 45,433</u>

Second Nature Limited

Notes to the Abbreviated Financial Statements for the year ended 30 November 1994 (continued)

16. Directors' Emoluments	1994 £	1993 £
Management remuneration	186,027	220,033
Compensation for loss of office	-	27,546
	<u>£ 186,027</u>	<u>£ 247,579</u>

Fees and other Emoluments disclosed above
(excluding pension contributions) include
amounts paid to:

The chairman and the highest-paid director

Paid directly by company	9,504	8,889
Paid to companies employing that director	71,486	82,232
	<u>£ 80,990</u>	<u>£ 91,121</u>

Other directors' emoluments (excluding
pension contributions) were in the
following ranges:

	Number	Number
£Nil - £5,000	-	1
£5,001 - £10,000	-	1
£25,001 - £30,000	2	1
£40,001 - £45,000	-	1
£45,001 - £50,000	-	1
£55,001 - £60,000	1	-
	<u> </u>	<u> </u>

17. Employees

The average weekly number of employees (including
directors) during the year was 35 (1993 - 38).

	1994 £	1993 £
Employment costs		
Wages and salaries	654,007	640,642
Social security costs	66,787	67,777
	<u>£ 720,794</u>	<u>£ 708,419</u>

Second Nature Limited

Notes to the Abbreviated Financial Statements
for the year ended 30 November 1994 (continued)

18. Going concern

The directors are confident that the banking facilities now available to the company are sufficient to provide adequate working capital for the foreseeable future. Accordingly, the directors consider that it is appropriate to draw up the financial statements on a going concern basis.