

Goodhead Group Plc

Annual Report

For the year ended 31 May 2006

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Goodhead Group Plc

Group Directory

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Email info@goodheadgroup.com
Web-site www.goodheadgroup.com

Subsidiaries

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Web-site www.bgprint.co.uk

And at -

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Colchester
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CO4 4PF
Telephone 01206 752525
Facsimile 01206 752255

Stones the Printers Limited **(Registered Number 476399)**

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Wildmere Road
Banbury
Oxon

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Email info@stonestheprinters.co.uk
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Goodhead Group Plc

Directors' Report for the year ended 31 May 2006

The directors submit their annual report together with the audited financial statements of the Company and its subsidiary undertakings for the year ended 31 May 2006

Principal activities of the group

The Group's principal activities continue to be web-offset and sheet-fed printing and the directors are not aware of any likely major changes in the Group's activities during the year

Business review

Market conditions for both web-offset and sheet-fed printing remained difficult and the effect on the Group's performance was compounded by the loss of a major contract during the year. Turnover fell from £67.6m by 2% to £66.0m and before restructuring costs, the Group's operating profit fell from £3,737,000 to £1,856,000.

Costs of restructuring have been recognised during the year of £4,133,000 which relate principally to the scaling back of operations at the Colchester site following the major contract loss. This was announced in February 2007 but provisions have been recognised in this year's accounts for asset impairment and future unrecovered property costs. Further redundancy costs were incurred during the year at the Bicester operations.

The balance sheet on page 9 of the financial statements shows the financial position at the year end. FRS17 has been introduced which has resulted in the restatement of the previous year's balance sheet and the inclusion on the balance sheet of a pension liability of £6,716,000 as at 31 May 2006.

After the year end a major restructuring and expansion plan was announced which includes the scaling back of the Colchester operation and the expansion of the Bicester site including a significant increase of facilities and the acquisition of two new 72 pp Man Roland presses and a Polyman press. In addition the 72pp Man Roland press from Colchester has been rehoused at Bicester. Bindery equipment will be added which will generate significant printing capability at Bicester as well as lead to a major reduction in unit costs making Bicester a very attractive printing proposition for the future. The plan is already underway and should be completed before the end of 2008. The Chairman has to date injected funds of £12m by way of a loan and will provide further finance in support of this programme.

Subsequent to the year end the Group reduced its shareholding in British Balls Limited Pty from 60% to 10% and took a fixed charge over a loan with British Balls of £250,000 which is due for repayment over five years in equal instalments. The reduction of this shareholding enables the Group to de-consolidate British Balls and its losses to date with a modest beneficial effect upon the Group's balance sheet.

A number of new contracts have been secured in the light of our expansion programme at Bicester and the directors are confident even though market conditions remain tough, that the planned reduction in unit costs should provide the base for an improved performance in the medium term. As regards the 2006/07 financial year, operating profit will be adversely impacted by the major contract loss referred to already, the reduction in capacity following the scaling back of operations at Colchester and restructuring costs at both Colchester and Bicester.

Principal risks and uncertainties

Competitive pressures in the market are a continuing risk which the Group manages by providing a quality service to and maintaining strong relationships with its customers. Furthermore the expansion programme at Bicester will reduce unit costs substantially which will enable the Group to respond to market pressures.

Goodhead Group Plc

Directors' Report for the year ended 31 May 2006

The Group is financed predominately by variable rate interest instruments. This policy is reviewed continually with due consideration given to applying fixed interest rate terms.

The Group's transactions are predominantly in pounds sterling. Where there are foreign currency flows then the Group will seek to match currency inflows with same currency outflows from trading and from capital purchases.

Environment

The Group 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 Group's activities. Initiatives designed to minimise the Group's impact on the environment include safe disposal of manufacturing waste, recycling and reducing energy consumption.

Results and dividends

The Group made a loss on ordinary activities before taxation for the year of £3,104,000 (2005 profit £2,425,000).

For the year ended 31 May 2006 no interim dividend has been paid (2005 £699,000) and the directors are not recommending the payment of a final (2005 £1,033,000) or second final (2005 £2,000) dividend, making a total for the year of £nil (2005 £1,734,000).

After taxation the retained loss transferred to reserves from profit and loss account was a loss of £2,244,000 (2005 profit £364,000). Further movements on reserves were recognised, arising from the defined benefit pension scheme.

Defined benefit pension scheme

The Group currently provides pension benefits to staff through a defined contribution scheme. The defined benefit scheme was closed in 2002 but continues to provide pension benefits to staff employed up to that date. For the year ended 31 May 2006 the Group is required to account for the defined benefit scheme in accordance with FRS 17, and to re-state the consolidated profit and loss account and reserves for the previous year. Details of the effect of introducing FRS17 are included in the Notes to the Financial Statements.

Associates

Reading Broadcasting Company Limited – Reading 107 FM

On 25 August 2005 the Group purchased a further 6,711 shares and advanced a further loan of £170,000 to Reading Broadcasting Company Limited. Subsequently on 11 November 2005 the entire investment in Reading Broadcasting was sold for a profit of £49,000 to Madejski Communications Limited, which also assumed the loan, for a total consideration of £541,000.

Our people

In difficult trading conditions the commitment and willingness of our people to support the company has been a major feature throughout our organisation.

Goodhead Group Plc

Directors' Report for the year ended 31 May 2006

Directors

The directors who held office during the year and to the date of this report are

J Madejski OBE, DL	Chairman
J A Cooling	(resigned 17 May 2006)
P G Crossley FCA	(appointed 26 February 2007)
N J Newland FCA	(resigned 17 May 2006)
P J Higgins	
D A Holland FCMA	(appointed 1 February 2006)
N Howe	
J D Rowland ACMA	(appointed 26 September 2006)

Directors' interests

The interests of the directors and their families in the shares of the Company at the end of the year under review, all of which were beneficial, were as follows

Class of shares		31 May 2006 Number	31 May 2005 Number
J Madejski	'A' shares of 20p each	44,118,632	44,118,632
	B' shares of 20p each	150,000	150,000

Each of the persons who is a director at the date of approval of this report confirms that

- 1) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- 2) the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself 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

Employees

The Group recognises the importance of employees to the success of the business and ensures they are fully informed of events that directly affect them and their working conditions. Information on matters of concern to employees is given through briefings that seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the Group's performance.

Disabled people are considered for employment having regard to their aptitude for the job concerned. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, where possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

Donations

During the year the Group made charitable donations of £2,300 (2005 £2,000) and provided £60,200 of sponsorship for the Henley Festival of Music and the Arts (2005 £nil). The Group made no political donations (2005 £nil).

Goodhead Group Plc

Directors' Report for the year ended 31 May 2006

Payment of suppliers

The Group and Company's current policy concerning the payment of its suppliers is to agree the terms of payment when negotiating the terms of each transaction and to pay in accordance with its contractual and other legal obligations. The payment policy applies to all payments to creditors for revenue and capital supplies of goods and services without exception.

At the year end Group balances owing to trade creditors represented 48 days of the total invoiced supplies for the year (2005 60 days). The Company had trade creditors at 31 May 2006 of £11,000 (2005 £23,000).

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 as at the end of the financial year and of the profit or loss of the group for that period.

In preparing these financial statements, the directors are required to

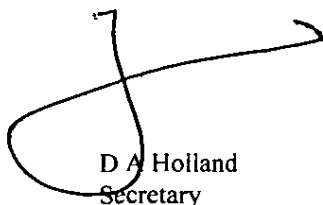
- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, and
- prepare the financial statements on the going concern basis unless it is inappropriate to 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 the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

PricewaterhouseCoopers LLP having resigned as auditors, Deloitte & Touche LLP have been appointed to fill the vacancy, and a resolution concerning their appointment will be proposed at the Annual General Meeting.

By order of the Board



D A Holland
Secretary

17th September 2007

Independent Auditors' Report To The Members Of Goodhead Group Plc

We have audited the group and parent company financial statements of Goodhead Group PLC for the year ended 31 May 2006, which comprise the consolidated profit and loss account, the group and company balance sheets, the group statement of total recognised gains and losses, the consolidated cash flow statement and the related notes 1 to 33. 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 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.

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 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 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.

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 parent company's affairs as at 31 May 2006 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 directors' report is consistent with the financial statements.

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

Reading, United Kingdom

17 September 2007

Goodhead Group Plc

Consolidated Profit & Loss account for the year ended 31 May 2006

	<i>Notes</i>	2006 £'000	2005 £'000 restated
Turnover	3	66,029	67,614
Cost of sales		(51,919)	(52,656)
Gross profit		14,110	14,958
Distribution costs		(1,924)	(1,787)
Administrative expenses		(10,330)	(9,434)
Cost of restructuring continuing operations	5	(4,133)	-
Total administrative expenses		(14,463)	(9,434)
Operating (loss) / profit	4	(2,277)	3,737
Share of operating loss of associates		(31)	(33)
Profit on disposal of associates		429	100
(Loss) / profit on ordinary activities before interest		(1,879)	3,804
Interest receivable and similar income		44	2
Interest payable and similar charges	6	(1,184)	(1,287)
Interest payable – associates		(7)	(14)
Net financing cost of defined benefit pension scheme	7	(78)	(80)
(Loss) / profit on ordinary activities before taxation		(3,104)	2,425
Taxation credit/ (charge) on (loss)/profit on ordinary activities	10	860	(327)
(Loss) / profit on ordinary activities after taxation		(2,244)	2,098

The comparative figures for 2005 have been restated for the implementation of FRS 17 in relation to the defined benefit pension scheme (see Note 2)

All results for the current and prior year are attributable to continuing operations

A statement of total recognised gains and losses appears on page 8

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents

Goodhead Group Plc

Statement of Total Recognised Gains and Losses For The Year Ended 31 May 2006

	Notes	2006 £'000	2005 £'000 restated
(Loss) / profit for the financial year		(2,244)	364
Defined Benefit Pension Scheme			
Actuarial loss recognised in the pension scheme	23, 29	(1,659)	(813)
Deferred Tax			
Movement on deferred tax relating to actuarial loss of the pension scheme at 30%		498	243
Total recognised loss for the year		(3,405)	(206)
Second final dividend 2005		(2)	
Prior year adjustment - FRS 17	2 (3)	(3,446)	
Total losses recognised since last annual report and financial statement		(6,853)	

The comparative figures for 2005 have been restated for the implementation of FRS 17 in relation to the defined benefit pension scheme (see Note 2)

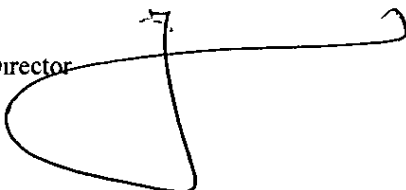
Goodhead Group Plc

Balance Sheets As At 31 May 2006

	Notes	2006 £'000	Group 2005 £'000 restated	2006 £'000	Company 2005 £'000 restated
Fixed assets					
Tangible assets	13	34,132	38,925	3,012	3,088
Investments	14	-	-	2,006	2,017
		34,132	38,925	5,018	5,105
Current assets					
Stocks	15	1,875	2,258	-	-
Debtors due after more than one year	16	-	233	-	233
Debtors due within one year	16	7,136	9,844	396	285
Cash at bank and in hand		39	12	12,642	13,629
		9,050	12,347	13,038	14,147
Creditors – amounts falling due within one year					
Loans and overdrafts	17	(8,808)	(9,734)	(119)	(108)
Trade and other creditors	18	(11,435)	(15,450)	(950)	(1,422)
		(20,243)	(25,184)	(1,069)	(1,530)
Net current (liabilities) / assets		(11,193)	(12,837)	11,969	12,617
Total assets less current liabilities		22,939	26,088	16,987	17,722
Creditors – amounts falling due after more than one year					
Loans	19	(3,291)	(3,885)	(1,875)	(1,997)
Obligations under finance leases	20	(6,649)	(6,886)	-	-
		(9,940)	(10,771)	(1,875)	(1,997)
Provisions for liabilities and charges	21	(2,122)	(1,931)	(87)	(60)
Net assets excluding pension liability		10,877	13,386	15,025	15,665
Pension liability	29	(4,702)	(3,806)	-	-
Net assets		6,175	9,580	15,025	15,665
Capital and reserves					
Called up share capital	22	8,864	8,864	8,864	8,864
Share premium account	23	4,420	4,420	4,420	4,420
Other reserves	23	699	699	-	-
Profit and loss account	23	(7,808)	(4,403)	1,741	2,381
Total shareholders' funds	24	6,175	9,580	15,025	15,665

The comparative figures for 2005 have been restated for the implementation of FRS 17 in relation to the defined benefit pension scheme (see Note 2). The comparative Company figures for 2005 have been restated in accordance with FRS 21 'Events after the balance sheet date' in respect of the second final dividend for the year ended 31 May 2005.

Approved by the Board on 17th September 2007 and signed on its behalf by

Director 

Goodhead Group Plc

Consolidated Cash Flow Statement For The Year Ended 31 May 2006

	<i>Notes</i>	2006 £'000	2005 £'000
Net cash inflow from operating activities	25	8,963	7,415
Returns on investment and servicing of finance			
Interest received		44	2
Interest paid		(731)	(714)
Interest element of finance lease rental payments		(488)	(542)
		(1,175)	(1,254)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(2,053)	(2,024)
Sale of tangible fixed assets		829	153
		(1,224)	(1,871)
Disposals			
Sale of shares in associates		159	100
Equity dividends paid		(1,035)	(1,386)
Tax paid		(82)	-
Financing			
Debt due within one year			
- invoice discounting (decrease) / increase		(1,583)	1,199
Debt due beyond one year			
- repayment of amounts borrowed		(707)	(658)
- capital element of finance lease rental payments		(4,059)	(5,623)
		(6,349)	(5,082)
Decrease in cash		(743)	(2,078)

Goodhead Group Plc

Notes To The Financial Statements For The Year Ended 31 May 2006

1 Accounting Policies

(1) Basis of accounting

The financial statements have been prepared under the historical cost convention, the accounting policies set out below and in accordance with Companies Act 1985 and applicable accounting standards in the United Kingdom

The company has adopted FRS 17 'Retirement benefits' in these consolidated financial statements. The adoption of this new standard represents a change in accounting policy and the comparative figures have been restated accordingly. The effect of the change in accounting policy to adopt FRS 17 is set out in Note 2.

The company has also implemented FRS 21 'Events after the balance sheet date' in respect of dividends for the year ended 31 May 2005.

(2) Basis of consolidation

The Group financial statements incorporate the financial statements of Goodhead Group Plc and its subsidiaries. The results of subsidiaries acquired during the year are included in the consolidated profit and loss account from the effective date of acquisition, subsidiaries sold during the year are included up to the effective date of disposal. Acquisitions are accounted for using the acquisition method.

Investments in subsidiary undertakings are stated at valuation less provision for impairment.

(3) Turnover

Turnover represents the value of goods and services provided during the financial year to customers outside the Group excluding value added tax.

(4) Stocks

Stocks are valued at the lower of cost and net realisable value. The cost of work in progress includes materials, labour and an appropriate proportion of attributable overheads.

(5) Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less a provision for depreciation or impairment. Fixed assets are depreciated so as to write each asset down to its net realisable value in equal instalments over expected useful lives as follows:

Freehold buildings	50 years
Leasehold buildings	Amortised over the unexpired portions of the lease up to a maximum of 50 years
Plant and machinery	3 to 10 years

(6) Finance and operating leases

Fixed assets held under finance leases are capitalised at an amount equivalent to their cost and are depreciated over their useful economic lives on a basis consistent with owned assets. The corresponding liability is included in creditors. Interest included within lease payments is charged to the profit and loss account over the period of the lease at a rate to reflect the capital payments outstanding.

Amounts payable under operating leases are charged to the profit and loss account as incurred.

Goodhead Group Plc

Notes To The Financial Statements For The Year Ended 31 May 2006 (Continued)

1 Accounting Policies (Continued)

(7) Foreign currencies

Balance sheet items in foreign currencies are translated into sterling at mid-market rates of exchange at the balance sheet date. Income earned in foreign currencies is recognised in the profit and loss account at the exchange rate ruling at the date of the transaction or, where a related forward exchange contract has been entered into, at the rate specified in the forward contract. Exchange differences arising from trading and on the translation of monetary assets and liabilities are dealt with in the profit and loss account.

Profit and loss accounts of overseas companies are translated into sterling at average rates of exchange for the relevant accounting period. Exchange differences arising from the retranslation of the opening net assets and the profit and loss accounts to the closing rates, and exchange differences on long term foreign currency loans which relate to investments in overseas assets, are dealt with as movements on reserves.

(8) Taxation

UK corporation tax is provided at amounts expected to be paid using the tax rates and laws that have been enacted or substantially 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 the 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.

Deferred tax is measured using the average tax rate that is expected to apply in the period in which the timing differences are expected to reverse. An asset is not recognised where the transfer of economic benefits in the future is uncertain. Deferred tax assets and liabilities recognised have not been discounted.

(9) Goodwill

Goodwill arising on the acquisition of businesses is calculated as the difference between the cost of acquisition and the fair value of the underlying net assets. Goodwill arising on acquisitions is capitalised and amortised on a straight line basis through the profit and loss account over its useful economic life not exceeding 20 years. Goodwill arising prior to 1 June 1998 was written off directly to reserves upon acquisition.

(10) Pensions

The Group provides both a defined benefit and a defined contribution pension scheme. Pension costs for the Group's defined contribution schemes are charged to the profit and loss account as incurred. Continuing contributions to the Group's closed defined benefit scheme are charged to the profit and loss account as made in accordance with a Schedule of Contribution agreed with the Trustees of the scheme on actuarial advice.

The Group's net obligation in respect of the defined benefit scheme is calculated by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value and the fair value of scheme assets is deducted. The calculation is prepared by a qualified actuary using the projected unit method, and valuation of the scheme is conducted annually. Actuarial gains and losses are recognised immediately through the statements of total recognised gains and losses (STRGL).

(11) Associates

The appropriate share of the results of associates is shown separately in the consolidated profit and loss account. The amount included in the consolidated balance sheet is the Group's share of the net assets of the associates less provisions.

Goodhead Group Plc

Notes To The Financial Statements For The Year Ended 31 May 2006 (Continued)

2 Effect of change of accounting policy

The company has adopted FRS 17 'Retirement Benefits' in these financial statements. The effects of this change in accounting policy, and the consequential restatement of the comparative figures for 2005, are set out in the tables which follow.

2.1 Effect on profit and loss account for the financial year ended 31 May 2005

	Previously reported 2005 £'000	FRS 17 Restatement £'000	As restated 2005 £'000
Turnover	67,614	-	67,614
Cost of Sales	(52,656)	-	(52,656)
Gross Profit	14,958	-	14,958
Net operating expenses	(11,221)	-	(11,221)
Operating Profit	3,737	-	3,737
Share of operating (loss) / profit of associates	(33)	-	(33)
Profit on disposal of associates	100	-	100
Profit on ordinary activities before interest	3,804	-	3,804
Interest (net)	(1,299)	-	(1,299)
<u>Net financing cost of defined benefit pension scheme</u>			
Interest cost of financing scheme assets	-	(800)	(800)
Expected returns on scheme assets	-	720	720
(Loss) / Profit before taxation	2,505	(80)	2,425
Taxation Credit / (charge)	(351)	24	(327)
Net profit for the year	2,154	(56)	2,098
Equity Dividend	(1,732)	(2)	(1,734)
Retained (loss) / profit for the year	422	(58)	364

2.2 Effect on statement of total recognised gains and losses (STRGL) for the financial year ended 31 May 2005

	Previously reported 2005 £000	FRS 17 Restatement £000	As restated 2005 £000
Retained Profit for the financial year	422	(58)	364
Actuarial loss recognised in the pension scheme	-	(813)	(813)
Movement on deferred tax relating to pension	-	243	243
Total recognised gains/(losses) for the year	422	(628)	(206)

Goodhead Group Plc

Notes To The Financial Statements For The Year Ended 31 May 2006 (Continued)

2 Effect of change of accounting policy (continued)

2.3 Effect on balance sheet as at 31 May 2005

	Previously reported 2005 £'000	FRS 17 Restatement £'000	As restated 2005 £'000
Tangible fixed assets	38,925	-	38,925
Current Assets	12,347	-	12,347
Creditors - amounts due within one year	(25,313)	129	(25,184)
Net current liabilities	(12,966)	129	(12,837)
Creditors - amounts due after one year	(10,771)	-	(10,771)
Provisions for liability and charges	(2,160)	(3,577)	(5,737)
Net assets	13,028	(3,448)	9,580
Capital and Reserves			
Share Capital	8,864	-	8,864
Share Premium Account	4,420	-	4,420
Other reserves	699	-	699
Profit and Loss	(955)	(3,448)	(4,403)
Total equity shareholders' funds	13,028	(3,448)	9,580

3 Segmental Information

Group turnover, (loss) /profit before interest and tax ("PBIT") and net assets by class of business are as follows

Class of business	Turnover £'000	PBIT £'000	2006 Net assets £'000	Turnover £'000	PBIT £'000	2005 Net assets £'000 restated
Printing	65,263	(1,489)	(2,276)	66,953	3,843	(353)
Publishing	766	(94)	(561)	661	(88)	(432)
Corporate items and inter-segmental sales	-	(694)	7,790	-	(18)	10,453
	66,029	(2,277)	4,953	67,614	3,737	9,668
Associates	-	(31)	-	-	(33)	(219)
Profit on disposal of associates	-	429	-	-	100	-
	66,029	(1,879)	4,953	67,614	3,804	9,449

Goodhead Group Plc

Notes To The Financial Statements For The Year Ended 31 May 2006 (Continued)

3 Segmental Information (continued)

Group turnover, profit before interest and tax ("PBIT") and net assets by geographical origin are as follows

Geographical origin	Turnover £'000	PBIT £'000	2006 Net assets £'000	Turnover £'000	PBIT £'000	2005 Net assets £'000 restated
United Kingdom	65,263	(2,183)	5,514	66,953	3,825	10,100
Australia	766	(94)	(561)	661	(88)	(432)
Associates						
- United Kingdom	-	(31)	-	-	(33)	(219)
	66,029	(2,308)	4,953	67,614	3,704	9,449
Profit on disposal of associates	-	429	-	-	100	-
	66,029	(1,879)	4,953	67,614	3,804	9,449

Geographical analysis of turnover by destination is not materially different from the analysis by origin as shown above

The comparative figures for 2005 have been restated for the implementation of FRS 17 in relation to the defined benefit pension scheme

4 Operating (Loss) /Profit

Operating (loss)/profit is stated after charging / (crediting)

	2006 £'000	2005 £'000
Wages and salaries	15,337	15,035
Social security costs	1,490	1,541
Other pension costs	431	772
Depreciation		
- owned assets	4,541	3,108
- leased assets	2,173	3,386
- impairment of fixed assets (within cost of restructuring, Note 5)	1,145	-
Profit on disposal of fixed assets	(45)	(84)
Foreign exchange losses/(gains)	43	(11)
Operating lease payments		
- hire of plant and machinery	181	158
- other operating leases	1,357	1,478
Auditors' remuneration	74	44

The auditors' remuneration for the statutory audit of the Company amounted to £5,000 (2005 £5,000)

Non audit fees paid to the auditors in the year amounted to £nil (2005 £nil)

Goodhead Group Plc

Notes To The Financial Statements For The Year Ended 31 May 2006 (Continued)

5 Cost of restructuring continuing operations

Following the loss of a major contract the Group has been restructured. Production at the Colchester site has been scaled back. In addition provisions have been raised against the impairment of fixed assets and for outstanding rental commitments at the Colchester site. Further redundancies have also been made at the group's sites at Bicester and Banbury.

	2006 £'000	2005 £'000
Impairment of fixed assets	1,145	-
Rental commitments	993	-
Restructuring	370	-
Redundancy costs	1,625	-
	4,133	-

6 Interest Payable And Similar Charges

	2006 £'000	2005 £'000
Interest payable on bank loans and overdrafts	253	380
Interest payable on invoice discounting	331	350
Interest payable on finance leases	593	556
Interest payable on other loans	7	1
	1,184	1,287

7 Interest costs of financing defined benefit pension scheme

	2006 £'000	2005 £'000
Interest cost of financing scheme assets	825	800
Expected return on scheme assets	(747)	(720)
	78	80

Goodhead Group Plc

Notes To The Financial Statements For The Year Ended 31 May 2006 (Continued)

8 Directors' Emoluments

Aggregate Directors' emoluments

	2006 £'000	2005 £'000
Aggregate emoluments	914	413
Company contributions paid to money purchase pension schemes	30	28
	944	441

Highest Paid Director

	2006 £'000	2005 £'000
Aggregate emoluments	441	205
Company contributions paid to money purchase pension schemes	15	14
	456	219

On 17 May 2006 Mr Cooling and Mr Newland resigned as directors of the Company. Under the terms of their contracts with the Company they were paid £293,000 upon termination, and they were paid £282,000 as compensation for loss of office.

Mr Cooling, the highest paid director, received £153,000 upon termination, and £142,000 as compensation for loss of office.

9 Employees

The average number of employees in the Group (including directors) during the year was as follows

	2006 Number	2005 Number
Print	546	568
Publishing	11	11
Central	3	3
	560	582

Goodhead Group Plc

Notes To The Financial Statements For The Year Ended 31 May 2006 (Continued)

10 Tax On (Loss)/Profit On Ordinary Activities

Taxation on the result for the year comprises

	2006 £'000	2005 £'000
Current Tax		
UK Corporation tax at 30%	-	(36)
Deferred tax (Note 21)		
Profit and Loss account (2005 restated)	860	(291)
Total tax credit / (charge) in Profit and Loss account	860	(327)
Deferred Tax in Statement of Total Recognised Gains and Losses	498	243
Total Deferred Tax credit / (charge)	1,358	(48)

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 30% (2005 30%)
The actual tax charge for the current and the previous year is different to the standard rate for the reasons set out in the following reconciliation

	2006 £'000	2005 £'000
(Loss) / Profit on ordinary activities before tax	(3,104)	2,425
(Loss) / Profit on ordinary activities at the standard rate in the UK (30%)	(931)	728
Factors affecting tax charge for the year:		
Expenses not deductible for tax purposes	69	44
Accelerated capital allowances and other timing differences	(160)	58
Tax losses from previous years utilised	-	(851)
Tax losses in the year used against liability of previous year	36	-
Tax losses in the year not utilised	986	57
Total current tax charge for the year	-	36

11 Dividends

	2006 £'000	2005 £'000
Equity		
'A' shares		
- Interim dividend paid £ nil (2005 1 584p)	-	699
- Final and second final dividends proposed £nil (2005 2 345p)	-	1,035
	-	1,734

Goodhead Group Plc

Notes To The Financial Statements For The Year Ended 31 May 2006 (Continued)

12 Goodhead Group Plc Profit and Loss Account

Under the provisions of the Companies Act 1985 the Company is not required to publish its own profit and loss account. The Company made a loss for the year of £640,000 (2005 £113,000)

13 Tangible Assets

	Group		
	Land and buildings £'000	Plant and machinery £'000	Total £'000
Cost			
At 1 June 2005	9,820	66,187	76,007
Additions	60	3,789	3,849
Disposals	-	(1,681)	(1,681)
At 31 May 2006	9,880	68,295	78,175
Accumulated depreciation			
At 1 June 2005	1,103	35,979	37,082
Charge for the year	216	6,498	6,714
Provision for impairment upon restructuring	-	1,145	1,145
Disposals	-	(898)	(898)
At 31 May 2006	1,319	42,724	44,043
Net book amount			
At 31 May 2006	8,561	25,571	34,132
At 31 May 2005	8,717	30,208	38,925

The cost and net book amount of plant and machinery held under finance leases at 31 May 2006 is £21,455,000 and £14,845,000 respectively (2005 £32,683,000 and £20,667,000)

	Company		
	Land and buildings £'000	Plant and machinery £'000	Total £'000
Cost			
At 1 June 2005 and 31 May 2006	3,129	207	3,336
Accumulated depreciation			
At 1 June 2005	91	157	248
Charge for the year	54	22	76
Disposals	-	-	-
At 31 May 2006	145	179	324
Net book amount			
At 31 May 2006	2,984	28	3,012
At 31 May 2005	3,038	50	3,088

Goodhead Group Plc

Notes To The Financial Statements For The Year Ended 31 May 2006 (Continued)

13 Tangible Assets (continued)

Land & Buildings

	2006 £'000	Group 2005 £'000	2006 £'000	Company 2005 £'000
The net book amount of land and buildings comprises				
Freehold properties	6,610	6,668	2,984	3,038
Long leasehold properties	1,287	1,307	-	-
Short leasehold properties	664	742	-	-
	8,561	8,717	2,984	3,038

14 Investments

	Shares in subsidiary undertakings £'000	Investments in associates £'000	Company Total £'000
At 1 June 2005	2,006	11	2,017
Addition	-	38	38
Disposal	-	(49)	(49)
At 31 May 2006	2,006	-	2,006

The Group's share of the retained losses of associates at 31 May 2006 was £nil (2005 £242,000)

In 2002/03, the Company concluded an agreement to dispose of its associate investment in OTM Group Limited. Due to uncertainties over collection of deferred consideration receivable in connection with the disposal, the deferred consideration of £400,000 is being recognised upon receipt. In 2005/06, consideration of £100,000 was received and credited to the profit and loss account (2004/05 £100,000)

During the year ended 31 May the investment in Reading Broadcasting Company Limited, an associated company, was disposed of

The principal subsidiary undertakings at 31 May 2006, which are all fully consolidated and held directly by the Company, were

Name	Holding	Proportion of shares held	Country of operation and incorporation	Nature of business
benhamgoodheadprint Limited	Ordinary shares	100%	United Kingdom	Printing and print finishing
Stones The Printers Limited	Ordinary shares	100%	United Kingdom	Printing
British Balls Magazine Pty Ltd	Ordinary shares	60%	Australia	Publishing

The proportion of voting rights does not differ from the proportion of ordinary shares held in each company. The companies listed above include all those which materially affect the results and net assets of the Group. A full list of subsidiaries will be annexed to the next annual return of Goodhead Group Plc to be filed with the Registrar of Companies.

Goodhead Group Plc

Notes To The Financial Statements For The Year Ended 31 May 2006 (Continued)

15 Stocks

Group	2006 £'000	Group 2005 £'000
Raw materials and consumables	1,404	1,694
Work in progress and finished goods for resale	471	564
	1,875	2,258

Company

The company holds no stock (2005 £nil)

16 Debtors

	Group		Company	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Debtors due after more than one year				
Amounts owed by associates	-	233	-	233
	-	233	-	233
Debtors due within one year				
Trade debtors	5,860	8,188	-	-
Amounts owed by group undertakings	-	-	310	206
Other debtors	762	1,141		1
Prepayments and accrued income	514	515	86	78
	7,136	9,844	396	285
Total	7,136	10,077	396	518

17 Loans And Overdrafts - Amounts Falling Due Within One Year

	Group		Company	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Bank overdrafts (secured and repayable on demand)	3,679	2,909	-	-
Bank loans (repayable in instalments)	590	703	119	108
Invoice discounting	4,539	6,122	-	-
	8,808	9,734	119	108

Amounts due under invoice discounting are secured against the trade debtors of two group companies

Goodhead Group Plc

Notes To The Financial Statements For The Year Ended 31 May 2006 (Continued)

18 Creditors – Amounts Falling Due Within One Year

	2006	Group	2006	Company
	£'000	2005	£'000	2005
		restated		£'000
Obligations under finance leases	2,575	4,603	-	-
Trade creditors	6,582	8,481	10	23
Amounts owed to group undertakings	-	-	-	129
Other creditors	266	82	753	29
Corporation tax payable	36	36	-	-
Other taxation and social security	411	449	11	16
Proposed dividend payable	-	1,035	-	1,035
Accruals and deferred income	1,565	764	176	190
	11,435	15,450	950	1,422

19 Loans - Amounts Falling Due After More Than One Year

	2006	Group	2006	Company
	£'000	2005	£'000	2005
		£'000		£'000
Bank loans (secured)	3,291	3,885	1,874	1,997
Repayable by instalments				
- between one and two years	461	583	126	114
- between two and five years	1,379	1,430	424	385
- after more than five years	1,451	1,872	1,325	1,498
	3,291	3,885	1,875	1,997

The Group had the following sterling denominated bank loans outstanding at 31 May 2006

- (i) Three bank loans of £269,000, £223,000 and £769,000 (2005 £313,000, £259,000 and £919,000 respectively) which bear a fixed rate of interest of 9.375%, 9.25%, and 7.233% per annum respectively are repayable by equal quarterly instalments up to April 2012, June 2012, and August 2010 respectively. The interest rate on the first two loans reverts to floating rates for the last five years of the term. The bank loans are secured on the freehold properties of the company concerned.
- (ii) Five bank loans aggregating £152,000 at fixed rates of interest between 5.76% and 6.09% are being repaid by equal quarterly instalments during the year (2005 £444,000). The loans are secured on the specific items of equipment which are financed.
- (iii) Two bank loans of £1,993,000 and £475,000 (2005 £2,105,000 and £548,000 respectively) which bear interest of 1.125% over HSBC base rate and are repayable by equal quarterly instalments up to September 2018 and January 2012 respectively. The loans are secured on freehold and leasehold properties.

Goodhead Group Plc

Notes To The Financial Statements For The Year Ended 31 May 2006 (Continued)

19 Loans - Amounts Falling Due After More Than One Year (continued)

Analysis of loans

	Group		Company	
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Loans repayable within 1 year - Note 17	590	703	119	108
Loans repayable after 1 year - Note 19	3,291	3,885	1,875	1,997
	3,881	4,588	1,994	2,105

20 Finance Leases - Amounts Falling Due After More Than One Year

	Group		Company	
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Obligations under finance leases				
- between one and two years	2,089	2,358	-	-
- between two and five years	3,879	4,528	-	-
- after five years	681	-	-	-
	6,649	6,886	-	-

The finance lease creditors are secured on the underlying assets

21 Provisions For Liabilities and Charges

	Deferred taxation	Property obligations	Share of liabilities of associate	Group Total
	£'000	£'000	£'000	£'000
At 1 June 2005	1,669	31	231	1,931
(Released)/charged for the year	(877)	1,299	(231)	191
At 31 May 2006	792	1,330	-	2,122

Goodhead Group Plc

Notes To The Financial Statements For The Year Ended 31 May 2006 (Continued)

21 Provisions For Liabilities and Charges (continued)

	Property obligations £'000	Pension obligations £'000	Company Total £'000
At 1 June 2005	31	29	60
Charged to the profit and loss account	56	(29)	27
At 31 May 2006	87	-	87

Provision for leasehold property obligations

The provision for leasehold property obligations relates to the rent and associated costs of a property sublet at a shortfall of rental income compared with rental expense, net of future expected rent receivable from sublets. The property lease expires in September 2013.

Provision for deferred taxation

Deferred tax provided in the accounts relates to

	2006 £'000	Group 2005 £'000 restated	2006 £'000	Company 2005 £'000
Accelerated capital allowances	2,418	2,182	232	9
General provisions	(12)	(69)	(8)	(9)
Taxation losses carried forward	(1,614)	(444)	(208)	-
	792	1,669	16	-
FRS 17 liability	(2,014)	(1,533)	(16)	-
Deferred tax (asset) / liability	(1,222)	136	-	-

An unrecognised deferred tax asset of £3,392,000 in respect of capital losses has not been recognised in the financial statements on the basis of an assessment of the likelihood of recovery.

The comparative figures for 2005 have been restated for the implementation of FRS 17 in relation to the defined benefit pension scheme.

22 Share Capital

Group and Company

	2006	Number 2005	2006	£'000 2005
Authorised				
Equity:				
'A' shares of 20p each	78,250,000	78,250,000	15,650	15,650
'B' shares of 20p each	150,000	150,000	30	30
'C' shares of 20p each	50,000	50,000	10	10
Total	78,450,000	78,450,000	15,690	15,690

Goodhead Group Plc

Notes To The Financial Statements For The Year Ended 31 May 2006 (Continued)

22 Share Capital (continued)

Group and Company

	2006 Number	2005 Number	2006 £'000	2005 £'000
Allotted and fully paid up				
Equity				
'A' shares of 20p each	44,118,632	44,118,632	8,824	8,824
'B' shares of 20p each	150,000	150,000	30	30
'C' shares of 20p each	50,000	50,000	10	10
Total	44,318,632	44,318,632	8,864	8,864

Voting Rights

Each member has one vote for every share of which he is the holder

Income

A Shares

The A shares are entitled to receive out of the profits in each financial year an amount equal to the first £3,504,000 of consolidated profits earned in that financial year and the A shares do not participate in any profits in that financial year in excess of that amount

B Shares

The B shares carry all rights to profits in respect of any financial year other than

- (a) the A share profit entitlement in respect of that financial year, and
- (b) such amount earned in that financial year as is equal to the aggregate of
 - (i) a sum equal to 2.5% of the excess above £4,207,000 of the profit for that financial year, plus
 - (ii) a sum equal to 5% of the increase in the profit for that financial year above the greater of £4,207,000 and the profit for the immediately preceding financial year,

C Shares

The C shares carry all rights to receive profits in any year except for the A share profit entitlement and the B share profit entitlement

Capital

Any distribution of capital in a winding up or otherwise shall be distributed

Firstly to discharge any arrears of dividend which have fallen due for payment, but which remain unpaid, in the event of competition, any such distribution shall be apportioned amongst the respective classes of shares in proportion to the amounts owing

Thereafter, until such time as there has been distributed to the holders of the A shares by way of capital distribution an amount equal to £32,066,701, all such capital distributions will be distributed amongst the holders of the A shares

Thereafter, all distributions by way of capital will be distributed as to seventy five per cent rateably amongst the B shares and as to twenty five per cent rateably amongst the C shares

Goodhead Group Plc

Notes To The Financial Statements For The Year Ended 31 May 2006 (Continued)

On 14 July 2006 the Company repurchased at par, and cancelled, all the C shares then in issue from the C shareholders

23 Reserves

Group	Share Premium £'000	Other reserves £'000	Profit and loss account £'000 restated	Total £'000
At 1 June 2005 as previously reported	4,420	699	(955)	4,164
Prior year adjustment in relation to FRS 17	-	-	(3,446)	(3,446)
Second final dividend			(2)	(2)
Adjusted reserves at 1 June 2005	4,420	699	(4,403)	716
(Loss) / profit for the year ended 31 May 2006	-	-	(2,244)	(2,244)
Other recognised gains and losses of the year			(1,161)	(1,161)
At 31 May 2006	4,420	699	(7,808)	(2,689)

The comparative figures for 2005 have been restated for the implementation of FRS 17 in relation to the defined benefit pension scheme

The cumulative amount of goodwill written off in respect of acquisitions at 31 May 2006 net of goodwill relating to subsidiary undertakings or businesses sold is £2,149,000 (2005 £2,149,000)

Company	Share Premium £'000	Profit and loss account £'000	Total £'000
At 1 June 2005	4,420	2,381	6,801
Loss for the financial year - Note 12	-	(640)	(640)
At 31 May 2006	4,420	1,741	6,161

Goodhead Group Plc

Notes To The Financial Statements For The Year Ended 31 May 2006 (Continued)

24 Reconciliation of Movements in Shareholders' Funds

	2006 £'000	Group 2005 £'000 restated	2006 £'000	Company 2005 £'000 restated
Opening shareholders' funds	9,580	12,606	15,665	17,286
Adjustment to opening net assets under FRS 17	-	(2,820)	-	-
Opening shareholders' funds as adjusted	9,580	9,786	15,665	17,286
(Loss) / profit attributable to shareholders	(2,244)	2,098	(640)	113
Dividends (2005 restated)	-	(1,734)	-	(1,734)
Other losses recognised in the STRGL	(1,161)	(570)	-	-
Net decrease in shareholders' funds	(3,405)	(206)	(640)	(1,621)
Closing shareholders' funds	6,175	9,580	15,025	15,665

The comparative Group figures for 2005 have been restated for the implementation of FRS 17 in relation to the defined benefit pension scheme

The comparative Company figures for 2005 have been restated in accordance with FRS 21 'Events after the balance sheet date' in respect of the second final dividend for the year ended 31 May 2005

25 Group Cash Flow Statement

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

	2006 £'000	2005 £'000
Operating (loss) / profit	(2,277)	3,737
Depreciation	6,714	6,494
Profit on disposal of fixed assets	(45)	(84)
Decrease in stocks	383	(179)
Decrease / (increase) in debtors for operating activities	2,941	(548)
Increase/(decrease) in creditors for operating activities	102	(2,005)
Impairment of fixed assets	1,145	-
Net cash inflow from operating activities	8,963	7,415

Goodhead Group Plc

Notes To The Financial Statements For The Year Ended 31 May 2006 (Continued)

25 Group Cash Flow Statement (continued)

(2) Reconciliation of net cash flow to movement in net debt

	2006 £'000	2005 £'000
Decrease in cash in year	(743)	(2,078)
Cash flow from movement in debt and lease financing	6,349	5,082
Change in net debt resulting from cash flows	5,606	3,004
New finance leases	(1,794)	(5,969)
Movement in net debt in the year	3,812	(2,965)
Net debt at 1 June 2005	(25,096)	(22,131)
Net debt at 31 May 2006	(21,284)	(25,096)

(3) Analysis of net debt

	At 31 May 2005 £'000	Cash flow £'000	Other non-cash movements £'000	At 31 May 2006 £'000
Cash at bank and in hand	12	27	-	39
Bank overdrafts	(2,909)	(770)	-	(3,679)
	(2,897)	(743)	-	(3,640)
Debt due after 1 year	(3,885)	-	594	(3,291)
Debt due within 1 year	(6 825)	2,290	(594)	(5,129)
Finance leases	(11,489)	4,059	(1,794)	(9,224)
Total	(25,096)	5,606	(1,794)	(21,284)

Other non-cash movements represent the inception of new finance leases

26 Capital Commitments

	2006 £'000	2005 £'000
Contracts placed	292	1 090

Goodhead Group Plc

Notes To The Financial Statements For The Year Ended 31 May 2006 (Continued)

27 Contingent Liabilities

The Group has no contingent liabilities at the year end (2005 £nil)

Under the terms of the Group's arrangements with its main banker, the bank has a right of set off between credit balances and all overdrawn balances of those Group undertakings with similar arrangements

Goodhead Group Plc is party to a multilateral guarantee given by all companies within the Group in respect of a bank overdraft facility. At 31 May 2006 the maximum contingent liability under this guarantee was £3,640,000 (2005 £2,887,000)

28 Commitments Under Operating Leases

The Group is committed to annual payments under operating leases terminating

	Land and buildings		Other	
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Within one year	29	21	15	30
Within two to five years	62	62	50	87
Over five years	935	1,245	2	-
	1,026	1,328	67	117

29 Pension Commitments

The Group operates pension schemes covering certain of its employees and directors

(a) Defined contribution scheme

Following the closure to future benefit accrual of its defined benefit scheme on 1 September 2002, the Group established a new defined contribution scheme as a Group Personal Pension Plan under the government's stakeholder terms. Contributions to the Group Personal Pension Plan are charged to the profit and loss account as incurred. The pension cost for the year for this plan amounted to £500,000 (2005 £542,000)

(b) Defined benefit scheme

The Group continues to operate a defined benefit pension scheme, the Goodhead Group Pension Life and Disability Plan, which is a mixed benefit arrangement. The scheme was closed to further benefit accrual on 31 August 2002. The assets of the scheme are held separately from those of the Group in an independently administered fund. The scheme is subject to actuarial valuation every three years and the most recent valuation was at 1 June 2003. The assumptions underlying the actuarial valuation are set out in the next section.

The valuation showed that on a Minimum Funding Requirement (MFR) basis the market value of the assets represented 108% of the benefits accrued at the valuation date so that there is no minimum funding requirement contribution. However, as the scheme is significantly in deficit, the Group makes monthly contributions to reduce the deficit. During the year ended 31 May 2006, the Group contributed £130,000 in order to fund the deficit (2005 £100,000). Under the Schedule of Contributions which is currently in force the Group will contribute £100,000 p a until August 2012.

Goodhead Group Plc

Notes To The Financial Statements For The Year Ended 31 May 2006 (Continued)

28 Pension Commitments (Continued)

(c) FRS 17

The Group accounts for its defined benefit scheme in accordance with FRS 17

The valuation used for the FRS 17 disclosures below for the Goodhead Group Pension Life and Disability Plan has been based on the most recent actuarial valuation at 1 June 2003, updated by a qualified independent actuary to take account of the requirements of FRS 17 in order to assess the liabilities of the Plan at 31 May 2005 and 2006

With effect from 1 September 2002 the Plan ceased accrual of benefits in respect of future service. In addition it was decided to terminate the link to future salary increases of benefits in respect of service before that date. This meant that there has been no service cost with regard to the Plan in respect of service after 1 September 2002.

Projected mortality has been based upon the following tables and Current Year Projections (CYP)

Males	PMA92, CYP 2020 (2005 PMA80, CYP 2010)
Females	PFA92, CYP 2020 (2005 PFA80, CYP 2010)

The assets of the scheme have been taken at market value and the liabilities have been calculated using the following principal actuarial assumptions

	31 May 2006	31 May 2005	31 May 2004	31 May 2003
Valuation method Projected Unit	Yes	Yes	Yes	Yes
Inflation rate per annum	2.85%	2.75%	3.00%	2.50%
Salary increases – not applicable	N/A	N/A	N/A	N/A
Discount rate per annum	5.15%	5.25%	5.75%	5.25%
LPI increases on pensions in payment	3.00%	3.00%	3.00%	3.00%
Revaluation rate for deferred pensioners	2.85%	2.75%	3.00%	2.50%

On the basis of the assumptions set out above the assets and liabilities of the Plan are analysed as follows

The assets of the Plan were

	2006	2006	2005	2005	2004	2004	2003	2003
	£'000	%	£'000	%	£'000	%	£'000	%
Equities	9,932	80.4	8,651	80.7	7,939	82.2	7,375	80.4
Fixed Interest	878	7.1	0					
Corporate Bonds	1,454	11.8	2,036	19.0	1,718	17.8	1,803	19.6
Cash	88	0.7	31	0.3	-	-	-	-
Total	12,352	100.0	10,718	100.0	9,657	100.0	9,178	100.0

Goodhead Group Plc

Notes To The Financial Statements For The Year Ended 31 May 2006 (Continued)

29 Pension Commitments (Continued)

The expected long-term rates of return were

	2006	2005	2004
Equities	7.5%	7.5%	8.0%
Fixed Interest	4.5%	n/a	N/a
Bonds	5.5%	5.0%	5.0%
Cash	4.5%	4.0%	4.0%

On the basis of the assumptions set out above the assets and liabilities of the plan are as follows

	2006 £'000	2005 £'000	2004 £'000	2003 £'000
Total market value of assets	12,352	10,718	9,657	9,178
Total liabilities	(19,068)	(15,827)	(13,973)	(13,518)
Deficit in the plan	(6,716)	(5,109)	(4,316)	(4,340)
Related net deferred tax asset at 30%	2,014	1,532	1,295	1,302
Net pension liability	(4,702)	(3,577)	(3,021)	(3,038)

Movement in the Plan's deficit during the year was as follows

	2006 £'000	2005 £'000
Deficit in the Plan at 31 May 2005	5,109	4,316
Contribution in year	(130)	(100)
Other finance cost	78	80
Actuarial loss	1,659	813
Deficit in the Plan at 31 May 2006 (Note 21)	6,716	5,109

Analysis of amount charged to Other Finance Charges

	2006 £'000	2005 £'000
Expected return on pension scheme assets	747	720
Interest on pension scheme liabilities	(825)	(800)
Net charge to Other Finance Charges	(78)	(80)

Goodhead Group Plc

Notes To The Financial Statements For The Year Ended 31 May 2006 (Continued)

29 Pension Commitments (Continued)

The table below sets out the amounts recognised in the Statement of Total Recognised Gains and Losses ("STRGL") under the requirements of FRS 17

	2006	2005
Difference between expected and actual return on scheme assets		
Amount of gain (£'000)	1,017	375
Percentage of year end scheme assets	8.2%	3.5%
Experience gains and losses on scheme liabilities		
Amount gain / (loss) (£'000)	14	(26)
Percentage of year end present value of scheme liabilities	0.1%	0.2%
Changes in assumptions		
Amount (gain) / loss (£'000)	(2,690)	(1,214)
Percentage of year end present value of scheme liabilities	(21.7%)	(7.6%)
Amount recognised in STRGL		
(Loss) (£'000)	(1,659)	(813)
Percentage of year end present value of scheme liabilities	13.4%	5.1%

The effect of the FRS 17 pension liability on the net assets and reserves of the Group are set out below

	2006 £'000	2005 £'000
Net assets		
Effect upon opening net assets at 1 June 2004		(2,820)
Effect upon profit for the year attributable to shareholders		(986)
Net effect of FRS 17 pension liability after deferred tax	(4,702)	(3,806)
Balance of net assets before FRS 17 liability	10,877	13,386
Net assets including FRS 17 pension liability	6,175	9,580
Reserves		
Profit and loss deficit at brought forward (1 June 2004 as previously reported)	(4,534)	(1,377)
Taken to reserves before net FRS 17 charges (2005 as previously reported)	(2,244)	422
Adjust for 2nd final dividend as at 31 May 2005	-	(2)
FRS 17 pension liability net of deferred tax arising	(1,030)	(3,446)
Profit and loss deficit including FRS 17 pension liability at 31 May 2006	(7,808)	(4,403)

30 Other Commitments

The Group enters into forward foreign exchange contracts from time to time to eliminate the currency exposures that arise on sales and purchases denominated in foreign currencies

At 31 May 2006 the Group had no forward foreign exchange contract commitments (2005 none)

Goodhead Group Plc

Notes To The Financial Statements For The Year Ended 31 May 2006 (Continued)

31 Related Party Transactions

Transactions with The Reading Broadcasting Company Limited

At 1 June 2005, Reading Broadcasting Company Limited owed Goodhead Group Plc an amount of £233,000 by way of an unsecured loan bearing interest at 2% above base rate with no fixed repayment date. On 25 August 2005 the Company advanced a further £170,000 on the same terms. On 11 November 2005 the loan was repaid in full with interest of £39,000.

32 Post Balance Sheet Events

Redundancies were announced in July for 77 people at the Bicester site. In February 2007 it was announced that the Colchester site would be scaled back and relocated. This process is planned to be finalised by December 2007. During 2007 the Chairman has already injected £12m into the Group by way of a loan to support the restructuring programme.

33 Ultimate Controlling Party

J Madejski OBE, DL is the ultimate controlling party of the Company.

Goodhead Group Plc

Directors

John Madejski OBE, DL
(CHAIRMAN)

Jonathan Rowland ACMA
(DEPUTY CHAIRMAN)

David Alan Holland FCMA
(CHIEF EXECUTIVE OFFICER)

Peter Graham Crossley FCA
(FINANCE DIRECTOR)

Paul James Higgins
(NON-EXECUTIVE)

Nigel Howe BSc Hons MCIOB
(NON-EXECUTIVE)

Secretary

David Alan Holland

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