

Rivendell Europe Limited

**Directors' report and financial
statements**

Registered number 3374815

30 September 2005



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 September 2005.

Principal activities

The principal activities of the company are the supply of artwork and reprographic services to the mail order and packaging markets.

Business review

The company was re-structured during the year. This was necessary due to the reduction in turnover from the previous year. In terms of trading, this reduction is not seen as a long term trend. This is supported by the trading performance in the current financial year with turnover to February 2006 higher by 10% on the comparative period last year. Profitability has also increased due to the reduced overheads following the re-structure. The company is now well positioned to continue the good work of the previous years.

Proposed dividend

The directors do not recommend the payment of a dividend.

Directors and directors' interests

The directors and their interests in the share capital of the company as at the beginning and end of the year were as follows:

	£1 ordinary shares	
	At beginning of year	At end of year
J McAulay	-	-
IJ Ferris	-	-
AD Spowart	-	-
	=====	=====

The directors' interests in the share capital of the parent company, Rivendell (Holdings) Limited (formerly MCG Europe Limited), are disclosed in the financial statements of that company.

Political and charitable contributions

The company made no political contributions during the year. Donations to UK charities amounted to £300 (2004: £1,540).

Auditors

A resolution for the reappointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



J McAulay
Director

Wira Business Park
Clayton Wood Rise
Leeds
LS16 6GB

1 March 2006

Statement of directors' responsibilities

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

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

The directors are responsible for keeping proper accounting records 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP

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Neville Street
Leeds
LS1 4DW
United Kingdom

Independent auditors report to the members of Rivendell Europe Limited

We have audited the financial statements on pages 4 to 17.

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 auditor's 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 are responsible for preparing the directors' report and, as described on page 2, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

Basis of audit 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 September 2005 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

1 March 2006

Profit and loss account
for the year ended 30 September 2005

	Note	Continuing operations	
		2005 Total £	2004 Total £
Turnover		3,262,205	3,779,978
Change in stocks of finished goods and work in progress		22,941	(1,239)
Raw materials and consumables		(538,266)	(641,490)
Other operating income		-	313,435
Staff costs	3-4	(1,977,897)	(2,159,782)
Depreciation and other amounts written off tangible fixed assets		(189,580)	(204,604)
Other operating charges		(594,146)	(668,218)
Operating (loss)/profit		(14,743)	418,080
Interest payable and similar charges	5	(62,925)	(27,238)
Interest receivable and similar receipts		1,594	2,991
Profit on sale of fixed asset		-	12,847
(Loss)/profit on ordinary activities before taxation	2-5	(76,074)	406,680
Tax on (loss)/profit on ordinary activities	6	40,549	(39,586)
Retained (loss)/profit for the financial year	14	(35,525)	367,094

There are no recognised gains or losses for the year other than the loss for the year as shown above.

Balance sheet
at 30 September 2005

	<i>Note</i>	2005 £	£	2004 £	£
Fixed assets					
Tangible assets	7		353,994		497,261
Current assets					
Stocks	8	163,403		140,462	
Debtors	9	1,138,403		1,085,763	
Cash at bank and in hand		300		167,264	
		<u>1,302,106</u>		<u>1,393,489</u>	
Creditors: amounts falling due within one year	10	<u>(1,134,339)</u>		<u>(1,337,989)</u>	
Net current asset/(liabilities)			<u>167,767</u>		<u>55,500</u>
Total assets less current liabilities			<u>521,761</u>		<u>552,761</u>
Creditors: amounts falling due after more than one year	11		(28,149)		(19,624)
Provisions for liabilities and charges	12		(9,000)		(13,000)
Net assets			<u>484,612</u>		<u>520,137</u>
Capital and reserves					
Called up share capital	13	41,000		41,000	
Share premium account	14	9,000		9,000	
Capital reserve	14	220,677		220,677	
Profit and loss account	14	213,935		249,460	
Equity shareholders' funds	15		<u>484,612</u>		<u>520,137</u>

These financial statements were approved by the board of directors on 1 March 2006 and were signed on its behalf by:



IJ Ferris
Director

Cash flow statement
for the year ended 30 September 2005

	<i>Note</i>	2005 £	2004 £
Net cash inflow from operating activities	19	47,224	404,226
Returns on investments and servicing of finance	19	(51,693)	(89,309)
Taxation		(49,096)	(50,000)
Capital expenditure	19	(47,567)	(69,769)
(Decrease)/increase in cash before financing		(101,132)	195,148
Financing - decrease in net debt	19	(96,485)	(112,169)
(Decrease)/increase in cash for the year	20	(197,617)	82,979

Reconciliation of net cash flow to movement in net debt
for the year ended 30 September 2005

	<i>Note</i>	2005 £	2004 £
(Decrease)/increase in cash for the year	20	(197,617)	82,979
Net cash outflow from decrease in debt financing	20	96,485	112,169
Change in net debt resulting from cash flows	20	(101,132)	195,148
New hire purchase agreements	20	(16,000)	(35,682)
Movement in net debt in year		(117,132)	159,466
Net debt at beginning of year	20	(575,410)	(734,876)
Net debt at end of year	20	(692,542)	(575,410)

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention.

The financial statements are prepared on a going concern basis. The company meets its day to day working capital requirements through agreed facilities which are repayable on demand. The company expects to operate within the facilities currently agreed and within those expected to be agreed when the facilities are renewed.

Depreciation of tangible fixed assets

Depreciation is provided using the following rates and bases to reduce by annual instalments the cost of the tangible fixed assets over their estimated useful economic lives:

Fixtures and fittings	-	10% - 33% straight line
Plant and machinery	-	10% - 15% straight line
Computer equipment	-	25% - 50% straight line
Motor vehicles	-	25% straight line

Leases

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes a proportion of attributable production overheads.

Notes (continued)

1 Accounting policies (continued)

Taxation

Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS19.

Turnover

Turnover represents the total invoice value, excluding value added tax, of goods sold and services rendered during the period.

Pensions

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account represents the contribution payable to the scheme in respect of the accounting year.

2 Profit on ordinary activities before taxation

	2005 £	2004 £
<i>Profit on ordinary activities before taxation is stated after charging/(crediting):</i>		
Depreciation - owned assets	134,803	139,424
- leased assets	54,777	65,180
Auditors' remuneration - audit	10,000	9,250
- other services	-	4,500
Hire of plant and machinery - rentals payable under operating leases	24,098	30,149
Property - rentals payable under operating leases	100,089	94,276
Loss on disposal of fixed assets	17,254	-
Exceptional insurance proceeds	-	(300,000)
	<hr/>	<hr/>

The exceptional insurance proceeds is in respect of a claim on Keyman Insurance.

Notes (continued)

3 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2005	2004
Production and technical	36	38
Sales and distribution	14	16
Administration	5	6
	<hr/>	<hr/>
	55	60
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	2005	2004
	£	£
Wages and salaries	1,690,092	1,854,165
Social security costs	176,938	193,716
Other pension costs (see note 18)	110,867	111,901
	<hr/>	<hr/>
	1,977,897	2,159,782
	<hr/>	<hr/>

4 Remuneration of directors

	2005	2004
	£	£
Directors' emoluments	270,440	338,131
Pension contributions	80,740	90,124
	<hr/>	<hr/>

The emoluments of the highest paid director were £153,040 (2004: £179,495). The pension contributions of the highest paid director were £49,865 (2004: £47,912). There were three directors in the pension scheme during the year.

Notes (continued)

5 Interest payable and similar charges

	2005 £	2004 £
Bank loans	30,295	66,761
On other loans	13,321	14,449
Other interest	11,659	-
Obligations under hire purchase contracts	7,650	11,090
Release of interest provision	-	(65,062)
	<u>62,925</u>	<u>27,238</u>

6 Taxation

	2005 £	2005 £	2004 £	2004 £
<i>UK Corporation tax</i>				
Current tax on income in the period	2,000		15,000	
Adjustment in respect of prior period	(38,549)		5,586	
		<u>(36,549)</u>		<u>20,586</u>
Total current tax		(36,549)		20,586
Deferred tax (see note 12)		<u>(4,000)</u>		<u>19,000</u>
		(40,549)		39,586
Tax on (loss)/profit on ordinary activities		<u>(40,549)</u>		<u>39,586</u>

	2005 £	2004 £
Current tax reconciliation		
(Loss)/profit on ordinary activities before tax	(76,074)	406,680
Current tax at 30% (2004: 30%)	(22,822)	122,004
Effects of:		
Expenses not deductible for tax purposes	13,304	9,954
Capital allowances in excess of depreciation	15,052	(20,779)
Marginal relief	-	-
Non taxable income	-	(90,000)
Tax not at standard rate	(3,534)	(6,179)
Prior year adjustment	(38,549)	5,586
	<u>(36,549)</u>	<u>20,586</u>
Total current tax charge	(36,549)	20,586

Notes (continued)

7 Tangible fixed assets

	Plant and machinery	Fixtures and fittings	Motor vehicles	Total
	£	£	£	£
Cost				
At beginning of year	1,498,982	225,067	94,254	1,818,303
Additions	67,371	1,296	-	68,667
Disposals	(97,840)	-	(14,795)	(112,635)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	1,468,513	226,363	79,459	1,774,335
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At beginning of year	1,125,115	113,916	82,011	1,321,042
Charge for year	158,387	21,137	10,056	189,580
Disposals	(75,486)	-	(14,795)	(90,281)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	1,208,016	135,053	77,272	1,420,341
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 30 September 2005	260,497	91,310	2,187	353,994
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 September 2004	373,867	111,151	12,243	497,261
	<hr/>	<hr/>	<hr/>	<hr/>

Included in the total net book value of tangible fixed assets is £73,236 (2004:£97,819) in respect of assets held under finance leases and similar hire purchase contracts.

Depreciation for the year on these assets was £54,777(2004:£67,325).

8 Stocks

	2005 £	2004 £
Raw materials	19,135	18,422
Work in progress	144,268	122,040
	<hr/>	<hr/>
	163,403	140,462
	<hr/>	<hr/>

Notes (continued)

9 Debtors

	2005 £	2004 £
Amounts falling due within one year		
Trade debtors	673,394	699,336
Prepayments and accrued income	68,435	47,729
	<hr/>	<hr/>
	741,829	747,065
Amounts falling due after more than one year		
Amounts due from group undertakings	396,574	338,698
	<hr/>	<hr/>
	1,138,403	1,085,763
	<hr/>	<hr/>

Included within amounts due from group undertakings is an amount of £396,574 (2004: 338,698) due from MCG Europe Limited.

10 Creditors: amounts falling due within one year

	2005 £	2004 £
Bank overdraft	30,653	-
Trade creditors	224,641	203,435
Hire purchase obligations	26,087	95,102
Corporation tax	20,012	105,657
Other taxes and social security	172,194	89,650
Other creditors	608,334	679,661
Accruals	52,418	164,484
	<hr/>	<hr/>
	1,134,339	1,337,989
	<hr/>	<hr/>

Included within other creditors is an amount of £557,953 (2004: £577,948 *Lloyds TSB plc*) due to Bank of Scotland in respect of a confidential invoice discounting agreement. This liability is secured over certain book debts of the company. Also included within other creditors is an amount of £50,000 (2004: £50,000) due to Mr AD Spowart a director of the company.

Notes (continued)

11 Creditors: amounts falling due after more than one year

	2005 £	2004 £
Hire purchase obligations	28,149	19,624
	<hr/>	<hr/>
Analysis of debt:	2005 £	2004 £
Debt can be analysed as falling due		
In one year or less, or on demand	664,693	723,050
Between one and two years	28,149	19,624
	<hr/>	<hr/>
	692,842	742,674
	<hr/>	<hr/>

The maturity of obligations under finance leases and hire purchase contracts is as follows:

	2005 £	2004 £
Within one year	26,087	95,102
In the second to fifth years	28,149	19,624
	<hr/>	<hr/>
	54,236	114,726
	<hr/>	<hr/>

12 Provisions for liabilities and charges

	Deferred taxation £
At beginning of year	13,000
Credit to the profit and loss for the year	(4,000)
	<hr/>
At end of year liability	9,000
	<hr/>

The elements of deferred tax are as follows:

	2005 £	2004 £
Difference between accumulated depreciation and capital allowances	9,000	13,000
	<hr/>	<hr/>
Deferred tax liability	9,000	13,000
	<hr/>	<hr/>

Notes *(continued)*

13 Called up share capital

	2005 £	2004 £
<i>Authorised</i>		
Ordinary shares of £1 each	41,000	41,000
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	41,000	41,000
	<hr/>	<hr/>

14 Reserves

	Share premium account £	Capital reserve £	Profit and loss account £	Total £
At beginning of year	9,000	220,677	249,460	479,137
Loss for the year	-	-	(35,525)	(35,525)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	9,000	220,677	213,935	443,612
	<hr/>	<hr/>	<hr/>	<hr/>

15 Reconciliation of movements in shareholders' funds

	2005 £	2004 £
Opening shareholders' funds	520,137	153,043
(Loss)/profit for the financial period	(35,525)	367,094
	<hr/>	<hr/>
Closing shareholders' funds	484,612	520,137
	<hr/>	<hr/>

Notes (continued)

16 Commitments

Annual commitments under non-cancellable operating leases are as follows:

	2005		2004	
	Land and buildings £	Other £	Land and buildings £	Other £
Operating lease which expire				
Within one year	-	4,520	-	1,932
In the second to fifth years inclusive	126,140	10,704	113,540	13,296
Over five years	-	-	-	3,024
	<u>126,140</u>	<u>15,224</u>	<u>113,540</u>	<u>18,252</u>

17 Contingent liabilities

The company is a guarantor of a creditor of £24,103 (2004: £81,979) in Rivendell (Holdings) Limited (formerly MGG Europe Limited).

18 Pension scheme

The company contributes to employees' and directors' defined contribution pension schemes. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged against profit of £110,867 (2004: £111,901) represents the contributions payable to employees' schemes in respect of the accounting period. The amount charged against profit of £80,740 (2004: £90,124) represents the contributions payable to directors' schemes in respect of the accounting period.

Notes *(continued)*

19 Analysis of cash flows

	2005 £	2004 £
Reconciliation of operating profit to net cash inflow from operating activities		
Operating (loss)/profit	(14,743)	418,080
Depreciation charge	189,580	204,604
(Increase)/decrease in stocks	(22,941)	1,239
Increase in debtors	(52,640)	(258,945)
(Decrease)/increase in creditors	(69,286)	39,248
Loss on disposal of fixed assets	17,254	-
	<hr/>	<hr/>
Net cash inflow from operating activities	47,224	404,226
	<hr/>	<hr/>
Returns on investment and servicing of finance		
Interest paid	(53,287)	(92,300)
Interest received	1,594	2,991
	<hr/>	<hr/>
	(51,693)	(89,309)
	<hr/>	<hr/>
Capital expenditure		
Payments to acquire tangible fixed assets	(52,667)	(92,268)
Sale of tangible fixed assets	5,100	22,499
	<hr/>	<hr/>
	(47,567)	(69,769)
	<hr/>	<hr/>
Financing		
Repayments of hire purchase obligations	(76,490)	(150,433)
Confidential Invoice Discounting	(19,995)	38,264
	<hr/>	<hr/>
Net cash outflow from financing	(96,485)	(112,169)
	<hr/>	<hr/>

Notes (continued)

20 Analysis of net debt

	At beginning of year £	Cash flow £	Other non-cash changes £	At end of year £
Cash in hand	300	-	-	300
Cash at bank/(overdraft)	166,964	(197,617)	-	(30,653)
	<hr/> 167,264	<hr/> (197,617)	<hr/> -	<hr/> (30,353)
Debt due within one year	(577,948)	19,995	-	(557,953)
Hire purchase agreements	(114,726)	76,490	(16,000)	(54,236)
Loan	(50,000)	-	-	(50,000)
	<hr/> (742,674)	<hr/> 96,485	<hr/> (16,000)	<hr/> (662,189)
Total	<hr/> (575,410)	<hr/> (101,132)	<hr/> (16,000)	<hr/> (692,542)

21 Ultimate parent company

The company is a subsidiary undertaking of Rivendell (Holdings) Limited (formerly MCG Europe Limited), a company incorporated in England. This company is also the ultimate parent company of the group.