

Rivendell Europe Limited

**Directors' report and financial
statements**

Registered number 3374815

30 September 2006

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 September 2006

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 increased its turnover by 8.3% on the previous year. There has been an improvement in the profitability of the company following the restructuring of the previous year. The company has also improved its cash flow position seeing a reduction of £147,566 in its net debt as set out on page 8.

The company is anticipating seeing further growth in the current financial year. This is supported by the trading performance since the year end with turnover for the six months to March 2007 higher by 8.5% on the comparative period last year. The company is now well positioned to continue the good work of 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 Ferns	-	-
AD Spowart	-	-

The directors' interests in the share capital of the parent company, Rivendell (Holdings) 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 (2005 £1,540).

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Directors' report *(continued)*

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

23 April 2007

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, 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 that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its 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

1 The Embankment
Neville Street
Leeds
LS1 4DW
United Kingdom

Independent auditors' report to the members of Rivendell Europe Limited

We have audited the financial statements of Rivendell Europe Limited for the year ended 30 September 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Reconciliation of Movements in Shareholders' Funds and the related notes. 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 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' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 3.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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.

Independent auditors' report to the members of Rivendell Europe Limited
(continued)

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 September 2006 and of its profit 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

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

23 April 2007

Profit and loss account
for the year ended 30 September 2006


	Note	Continuing operations	
		2006 Total £	2005 Total £
Turnover		3,527,356	3,262,205
Change in stocks of finished goods and work in progress		(47,294)	22,941
Raw materials and consumables		(701,370)	(538,266)
Other operating income	5	4,844	-
Staff costs	3-4	(1,939,313)	(1,977,897)
Depreciation and other amounts written off tangible fixed assets		(157,677)	(189,580)
Other operating charges		(635,487)	(594,146)
Operating profit/(loss)		51,059	(14,743)
Interest payable and similar charges	6	(40,869)	(62,925)
Interest receivable and similar receipts		1,975	1 594
Profit/(loss) on ordinary activities before taxation	2-6	12,165	(76,074)
Tax on profit/(loss) on ordinary activities	7	(9,000)	40,549
Profit/(loss) for the financial year	15	3,165	(35,525)

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 2006

	Note	2006		2005	
		£	£	£	£
Fixed assets					
Tangible assets	8		244,597		353,994
Current assets					
Stocks	9	116,109		163,403	
Debtors (<i>including £420,687 (2005 £396,574) due after more than one year</i>)	10	1,187,819		1,138,403	
Cash at bank and in hand		129,671		300	
		<u>1,433,599</u>		<u>1,302,106</u>	
Creditors: amounts falling due within one year	11	<u>(1,172,515)</u>		<u>(1,134,339)</u>	
Net current asset/(liabilities)			<u>261,084</u>		<u>167,767</u>
Total assets less current liabilities			<u>505,681</u>		<u>521,761</u>
Creditors amounts falling due after more than one year	12		<u>(17,904)</u>		<u>(28,149)</u>
Provisions for liabilities and charges	13		-		(9,000)
Net assets			<u><u>487,777</u></u>		<u><u>484,612</u></u>
Capital and reserves					
Called up share capital	14	41,000		41,000	
Share premium account	15	9,000		9,000	
Capital reserve	15	220,677		220,677	
Profit and loss account	15	217,100		213,935	
Shareholders' funds			<u><u>487,777</u></u>		<u><u>484,612</u></u>

These financial statements were approved by the board of directors on 23 April 2007 and were signed on its behalf by


J McAulay
Director

Cash flow statement
for the year ended 30 September 2006

	<i>Note</i>	2006 £	2005 £
Net cash inflow from operating activities	19	261,740	47,224
Returns on investments and servicing of finance	19	(48,532)	(51,693)
Taxation		(18,012)	(49,096)
Capital expenditure	19	(24,625)	(47,567)
Increase/(decrease) in cash before financing		170,571	(101,132)
Financing - decrease in net debt	19	(32,331)	(96,485)
Increase/(decrease) in cash for the year	20	138,240	(197,617)

Reconciliation of net cash flow to movement in net debt
for the year ended 30 September 2006

	<i>Note</i>	2006 £	2005 £
Increase/(decrease) in cash for the year	20	138,240	(197,617)
Net cash outflow from decrease in debt financing	20	32,331	96,485
Change in net debt resulting from cash flows	20	170,571	(101,132)
New hire purchase agreements	20	(23,005)	(16 000)
Movement in net debt in year		147,566	(117,132)
Net debt at beginning of year	20	(692,542)	(575 410)
Net debt at end of year	20	(544,976)	(692,542)

Reconciliation of movements in shareholders' funds
for the year ended 30 September 2006

	2006 £	2005 £
Profit/(loss) for the financial year	3,165	(35,525)
Retained profit/(loss) and net addition/(reduction) in shareholders' funds	3,165	(35,525)
Opening shareholders funds	484,612	520,137
Closing shareholders' funds	487,777	484,612

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/(loss) on ordinary activities before taxation

	2006 £	2005 £
<i>Profit/(loss) on ordinary activities before taxation is stated after charging/(crediting)</i>		
Depreciation - owned assets	122,115	134,803
- leased assets	35,561	54,777
Audit of these financial statements	10,000	10,000
Hire of plant and machinery - rentals payable under operating leases	22,594	24,098
Property - rentals payable under operating leases	119,005	100,089
(Profit)/loss on disposal of fixed assets	(650)	17,254
	<hr/>	<hr/>

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	
	2006	2005
Production and technical	31	36
Sales and distribution	13	14
Administration	6	5
	<u>50</u>	<u>55</u>

The aggregate payroll costs of these persons were as follows

	2006	2005
	£	£
Wages and salaries	1,699,751	1,690,092
Social security costs	188,550	176,938
Other pension costs (see note 18)	51,012	110,867
	<u>1,939,313</u>	<u>1,977,897</u>

4 Remuneration of directors

	2006	2005
	£	£
Directors' emoluments	269,449	270,440
Pension contributions	22,051	80,740
	<u>291,500</u>	<u>351,180</u>

The emoluments of the highest paid director were £141,673 (2005 £153,040). The pension contributions of the highest paid director were £13,591 (2005 £49,865). There were three directors in the pension scheme during the year.

Notes (continued)

5 Other operating income

	2006 £	2005 £
Sundry income	4,844	-

6 Interest payable and similar charges

	2006 £	2005 £
Bank loans	34,657	30,295
On other loans	79	13,321
Other interest	4,969	11,659
Obligations under hire purchase contracts	1,164	7,650
	<u>40,869</u>	<u>62,925</u>

7 Taxation

	2006 £	2006 £	2005 £	2005 £
<i>UK Corporation tax</i>				
Current tax on income in the period	18,000		2,000	
Adjustment in respect of prior period	-		(38,549)	
Total current tax		<u>18,000</u>		<u>(36,549)</u>
Deferred tax (see note 13)		<u>(9,000)</u>		<u>(4,000)</u>
Tax on profit/(loss) on ordinary activities		<u>9,000</u>		<u>(40,549)</u>

	2006 £	2005 £
Current tax reconciliation		
Profit/(loss) on ordinary activities before tax	12,165	(76,074)
Current tax at 19% (2005 30%)	2,311	(22,822)
Effects of		
Expenses not deductible for tax purposes	9,953	13,304
Depreciation in excess of capital allowances	6,231	15,052
Short term timing differences	(495)	-
Tax not at standard rate	-	(3,534)
Prior year adjustment	-	(38,549)
Total current tax charge	<u>18,000</u>	<u>(36,549)</u>

Notes (continued)

8 Tangible fixed assets

	Plant and machinery	Fixtures and fittings	Motor vehicles	Total
	£	£	£	£
Cost				
At beginning of year	1,468,513	226,363	79,459	1,774,335
Additions	46,593	2,937	-	49,530
Disposals	(6,250)	-	(34,976)	(41,226)
At end of year	1,508,856	229,300	44,483	1,782,639
Depreciation				
At beginning of year	1,208,016	135,053	77,272	1,420,341
Charge for year	136,390	19,100	2,186	157,676
Disposals	(5,000)	-	(34,975)	(39,975)
At end of year	1,339,406	154,153	44,483	1,538,042
Net book value				
At 30 September 2006	169,450	75,147	-	244,597
At 30 September 2005	260,497	91,310	2,187	353,994

Included in the total net book value of tangible fixed assets is £37,677 (2005 £73,236) in respect of assets held under finance leases and similar hire purchase contracts

Depreciation for the year on these assets was £35,561 (2005 £54,777)

9 Stocks

	2006 £	2005 £
Raw materials	18,903	19,135
Work in progress	97,206	144,268
	<u>116,109</u>	<u>163,403</u>

Notes (continued)

10 Debtors

	2006 £	2005 £
Amounts falling due within one year		
Trade debtors	696,414	673,394
Prepayments and accrued income	70,718	68,435
	<hr/>	<hr/>
	767,132	741,829
Amounts falling due after more than one year		
Amounts due from group undertakings	420,687	396,574
	<hr/>	<hr/>
	1,187,819	1,138,403
	<hr/>	<hr/>

Included within amounts due from group undertakings is an amount of £420,687 (2005 £396,574) due from Rivendell (Holdings) Limited

11 Creditors' amounts falling due within one year

	2006 £	2005 £
Bank overdraft	21,784	30,653
Trade creditors	223,456	224,641
Hire purchase obligations	31,970	26,087
Corporation tax	20,000	20,012
Other taxes and social security	84,903	172,194
Other creditors	602,989	608,334
Accruals	187,413	52,418
	<hr/>	<hr/>
	1,172,515	1,134,339
	<hr/>	<hr/>

Included within other creditors is an amount of £552,989 (2005 £557,953) 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 (2005 £50,000) due to Mr AD Spowart a director of the company.

Notes (continued)

12 Creditors: amounts falling due after more than one year

	2006 £	2005 £
Hire purchase obligations	17,904	28,149
	<u> </u>	<u> </u>
	2006 £	2005 £
Analysis of debt		
Debt can be analysed as falling due		
In one year or less, or on demand	656,743	664,693
Between one and two years	17,904	28,149
	<u> </u>	<u> </u>
	674,647	692,842
	<u> </u>	<u> </u>

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

	2006 £	2005 £
Within one year	31,970	26,087
In the second to fifth years	17,904	28,149
	<u> </u>	<u> </u>
	49,874	54,236
	<u> </u>	<u> </u>

13 Provisions for liabilities and charges

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

The elements of deferred tax are as follows

	2006 £	2005 £
Difference between accumulated depreciation and capital allowances	-	9,000
	<u> </u>	<u> </u>
Deferred tax liability	-	9,000
	<u> </u>	<u> </u>

Notes (continued)

14 Called up share capital

	2006 £	2005 £
<i>Authorised</i>		
Ordinary shares of £1 each	41,000	41,000
	<u> </u>	<u> </u>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	41,000	41,000
	<u> </u>	<u> </u>

15 Reserves

	Share premium account £	Capital reserve £	Profit and loss account £	Total £
At beginning of year	9,000	220,677	213,935	443,612
Profit for the year	-	-	3,165	3,165
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At end of year	9,000	220,677	217,100	446,777
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

16 Commitments

Annual commitments under non-cancellable operating leases are as follows

	2006		2005	
	Land and buildings £	Other £	Land and buildings £	Other £
Operating lease which expire				
Within one year	-	4,885	-	4,520
In the second to fifth years inclusive	132,000	9,795	126,140	10,704
Over five years	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	132,000	14,680	126,140	15,224
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

17 Contingent liabilities

During the year a creditor in Rivendell (Holdings) Limited in respect of which the company had acted as guarantor was repaid (2005 £24,103)

Notes (continued)

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 £51,012 (2005 £110,867) represents the contributions payable to employees' schemes in respect of the accounting period.

19 Analysis of cash flows

	2006 £	2005 £
Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit/(loss)	51,059	(14,743)
Depreciation charge	157,676	189,580
Decrease/(increase) stocks	47,294	(22,941)
Increase in debtors	(49,416)	(52,640)
Decrease/(increase) in creditors	55,777	(69,286)
(Profit)/loss on disposal of fixed assets	(650)	17,254
Net cash inflow from operating activities	<u>261,740</u>	<u>47,224</u>
Returns on investment and servicing of finance		
Interest paid	(50,507)	(53,287)
Interest received	1,975	1,594
	<u>(48,532)</u>	<u>(51,693)</u>
Capital expenditure		
Payments to acquire tangible fixed assets	(26,525)	(52,667)
Sale of tangible fixed assets	1,900	5,100
	<u>(24,625)</u>	<u>(47,567)</u>
Financing		
Repayments of hire purchase obligations	(27,367)	(76,490)
Confidential Invoice Discounting	(4,964)	(19,995)
Net cash outflow from financing	<u>(32,331)</u>	<u>(96,485)</u>

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	(149)	-	151
Cash at bank	-	129,520	-	129,520
Bank Overdraft	(30,653)	8 869	-	(21,784)
	<u>(30,353)</u>	<u>138,240</u>	<u>-</u>	<u>107,887</u>
Debt due within one year	(557,953)	4,964	-	(552,989)
Hire purchase agreements	(54,236)	27,367	(23,005)	(49,874)
Loan	(50,000)	-	-	(50,000)
	<u>(662,189)</u>	<u>32,331</u>	<u>(23,005)</u>	<u>(652,863)</u>
Total	<u>(692,542)</u>	<u>170,571</u>	<u>(23,005)</u>	<u>(544,976)</u>

21 Ultimate parent company

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