Rivendell Europe Limited

Directors' report and financial statements

Registered number 3374815

30 September 2007

Contents

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 September 2007

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 has increased its turnover for the last two years now, this time up 7 2% on the previous year Profitability is also much higher than the previous year and the Balance sheet is slightly stronger

The company has started the new financial year very positively This supported by turnover being up for the six months to March 2008 higher by 10 1% on the comparative period last year

In December 2007 the company also opened its new London Office, this has been supported by positive sales growth

Proposed dividend

The directors do not recommend the payment of a dividend

Directors

The directors who held office during the period were as follows

J McAulay
I Ferris
AD Spowart

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 their ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

Political and charitable contributions

The company made no political contributions during the year Donations to UK charities amounted to £695 *(2006 £300)*

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

J McAulay
Director

Wira Business Park
Clayton Wood Rise
Leeds
LS16 6GB

4 April 2008

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 2007 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 2

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 2007 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

4 April 2008

Profit and loss account
for the year ended 30 September 2007

	Note	Continuing operations	
		2007 Total £	2006 Total £
Turnover		**3,781,884**	3,527,356
Change in stocks of finished goods and work in progress		**27,191**	(47,294)
Raw materials and consumables		**(790,122)**	(701,370)
Other operating income		**-**	4,844
Staff costs	*3-4*	**(2,038,407)**	(1,939,313)
Depreciation and other amounts written off tangible fixed assets		**(168,001)**	(157,677)
Other operating charges		**(694,156)**	(636,137)
Operating profit		**118,389**	50,409
Interest payable and similar charges	*5*	**(48,014)**	(40,869)
Interest receivable and similar receipts		**4,701**	1,975
Profit on sale of fixed asset		**3,500**	650
Profit on ordinary activities before taxation	*2-5*	**78,576**	12,165
Tax on profit on ordinary activities	*6*	**(17,150)**	(9,000)
Profit for the financial year	*14*	**61,426**	3,165

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 2007

	Note	2007 £	2007 £	2006 £	2006 £
Fixed assets					
Tangible assets	7		343,760		244,597
Current assets					
Stocks	8	143,300		116,109	
Debtors (including £420,687 (2006 £420,687) due after more than one year)	9	1,250,860		1,187,819	
Cash at bank and in hand		124,799		129,671	
		1,518,959		1,433,599	
Creditors amounts falling due within one year	10	(1,203,750)		(1,172,515)	
Net current asset			315,209		261,084
Total assets less current liabilities			658,969		505,681
Creditors amounts falling due after more than one year	11		(99,766)		(17,904)
Provisions for liabilities and charges	12		(10,000)		-
Net assets			549,203		487,777
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		278,526		217,100
Shareholders' funds			549,203		487,777

These financial statements were approved by the board of directors on 4 April 2008 and were signed on its behalf by

Jim McAulay
Director

Cash flow statement
for the year ended 30 September 2007

	Note	2007 £	2006 £
Net cash inflow from operating activities	*17*	**96,475**	261,740
Returns on investments and servicing of finance	*17*	**(43,313)**	(48,532)
Taxation		**(15,150)**	(18,012)
Capital expenditure	*17*	**(52,192)**	(24,625)
(Decrease) in cash before financing		**(14,180)**	(170,571)
Financing – increase/(decrease) in net debt	*17*	**8,438**	(32,331)
(Decrease)/increase in cash for the year	*18*	**(5,742)**	138,240

Reconciliation of net cash flow to movement in net debt
for the year ended 30 September 2007

	Note	2007 £	2006 £
(Decrease)/increase in cash for the year	*18*	**(5,742)**	138,240
Net cash outflow from (increase)/decrease in debt financing	*18*	**(8,438)**	32,331
Change in net debt resulting from cash flows	*18*	**(14,180)**	170,571
New hire purchase agreements	*18*	**(211,472)**	(23,005)
Movement in net debt in year		**(225,652)**	147,566
Net debt at beginning of year	*18*	**(544,976)**	(692,542)
Net debt at end of year	*18*	**(770,628)**	(544,976)

Reconciliation of movements in shareholders' funds
for the year ended 30 September 2007

	2007 £	2006 £
Profit for the financial year	**61,426**	3,165
Net addition to shareholders' funds	**61,426**	3,165
Opening shareholders' funds	**487,777**	484,612
Closing shareholders' funds	**549,203**	487,777

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

	2007 £	2006 £
Profit on ordinary activities before taxation is stated after charging/(crediting)		
Depreciation - owned assets	**129,993**	122,115
- leased assets	**38,008**	35,561
Amounts receivable by auditors in respect of		
Audit of the financial statements	**10,000**	10,000
Other services relating to taxation	**2,000**	2,000
Hire of plant and machinery - rentals payable under operating leases	**28,244**	22,594
Property - rentals payable under operating leases	**132,500**	119,005
(Profit) on disposal of fixed assets	**(3,500)**	(650)

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	
	2007	2006
Production and technical	**36**	31
Sales and distribution	**14**	13
Administration	**6**	6
	56	50

The aggregate payroll costs of these persons were as follows

	2007	2006
	£	
Wages and salaries	**1,790,873**	1,699,751
Social security costs	**196,245**	188,550
Other pension costs (see note 16)	**51,289**	51,012
	2,038,407	1,939,313

4 Remuneration of directors

	2007	2006
	£	£
Directors' emoluments	**279,254**	269,449
Pension contributions	**22,027**	22,051

The emoluments of the highest paid director were £145,840 *(2006 £141,673)* The pension contributions of the highest paid director were £13,584 *(2006 £13,591)* There were three directors in the pension scheme during the year

Notes *(continued)*

5 Interest payable and similar charges

	2007 £	2006 £
Bank loans	**38,510**	34,657
On other loans	**1,001**	79
Other interest	**323**	4,969
Obligations under hire purchase contracts	**8,180**	1,164
	48,014	40,869

6 Taxation

	2007 £	2007 £	2006 £	2006 £
UK Corporation tax				
Current tax on income in the period	**12,000**		18,000	
Adjustment in respect of prior period	**(4,850)**		-	
Total current tax		**7,150**		18,000
Deferred tax (see note 12)		**10,000**		(9,000)
Tax on profit on ordinary activities		**17,150**		9,000

	2007 £	2006 £
Current tax reconciliation		
Profit on ordinary activities before tax	**78,576**	12,165
Current tax at 19% *(2006 19%)*	**14,929**	2,311
Effects of		
Expenses not deductible for tax purposes	**5,437**	9,953
Capital allowances in excess of depreciation	**(8,366)**	6,231
Short term timing differences	**-**	(495)
Adjustment in respect of prior period	**(4,850)**	-
Total current tax charge	**7,150**	18,000

Notes *(continued)*

7 Tangible fixed assets

	Plant and machinery	Fixtures and fittings	Motor vehicles	Total
	£	£	£	£
Cost				
At beginning of year	1,508,856	229,300	44,483	1,782,639
Additions	239,375	27,789	-	267,164
Disposals	-	-	(20,995)	(20,995)
At end of year	1,748,231	257,089	23,488	2,028,808
Depreciation				
At beginning of year	1,339,406	154,153	44,482	1,538,041
Charge for year	148,524	19,477	-	168,001
Disposals	-	-	(20,994)	(20,994)
At end of year	1,487,930	173,630	23,488	1,685,048
Net book value				
At 30 September 2007	**260,301**	**83,459**	**-**	**343,760**
At 30 September 2006	169,450	75,147	-	244,597

Included in the total net book value of tangible fixed assets is £173,442 *(2006 £37,677)* in respect of assets held under finance leases and similar hire purchase contracts

Depreciation for the year on these assets was £38,008 *(2006 £35,561)*

8 Stocks

	2007	2006
	£	£
Raw materials	**18,218**	18,903
Work in progress	**125,082**	97,206
	143,300	116,109

Notes *(continued)*

9 Debtors

	2007 £	2006 £
Amounts falling due within one year		
Trade debtors	**760,856**	696,414
Prepayments and accrued income	**69,317**	70,718
	830,173	767,132
Amounts falling due after more than one year		
Amounts due from group undertakings	**420,687**	420,687
	1,250,860	1,187,819

Included within amounts due from group undertakings is an amount of £420,687 *(2006 £420,687)* due from Rivendell (Holdings) Ltd

10 Creditors: amounts falling due within one year

	2007 £	2006 £
Bank overdraft	**22,654**	21,784
Trade creditors	**231,267**	223,456
Hire purchase obligations	**82,004**	31,970
Corporation tax	**12,000**	20,000
Other taxes and social security	**102,430**	84,903
Other creditors	**691,003**	602,989
Accruals	**62,392**	187,413
	1,203,750	1,172,515

Included within other creditors is an amount of £641,003 *(2006 £552,989)* 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 *(2006 £50,000)* due to Mr AD Spowart a director of the company

Notes *(continued)*

11 Creditors: amounts falling due after more than one year

	2007 £	2006 £
Hire purchase obligations	**99,766**	17,904

Analysis of debt	2007 £	2006 £
Debt can be analysed as falling due		
In one year or less, or on demand	**795,661**	656,743
Between one and two years	**99,766**	17,904
	895,427	674,647

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

	2007 £	2006 £
Within one year	**82,004**	31,970
In the second to fifth years	**99,766**	17,904
	181,770	49,874

12 Provisions for liabilities and charges

	Deferred taxation £
At beginning of year	-
Charge to the profit and loss for the year	10,000
At end of year liability	**10,000**

The elements of deferred tax are as follows

	2007 £	2006 £
Difference between accumulated depreciation and capital allowances	**10,000**	-
Deferred tax liability	**10,000**	-

Notes *(continued)*

17 Analysis of cash flows

	2007	2006
	£	£
Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit	**118,389**	50,409
Depreciation charge	**168,001**	157,677
(Increase)/decrease in stocks	**(27,191)**	47,294
Increase in debtors	**(63,041)**	(49,416)
(Decrease)/increase in creditors	**(99,683)**	55,776
Net cash inflow from operating activities	**96,475**	261,740
Returns on investment and servicing of finance		
Interest paid	**(48,014)**	(50,507)
Interest received	**4,701**	1,975
	(43,313)	(48,532)
Capital expenditure		
Payments to acquire tangible fixed assets	**(55,692)**	(26,525)
Sale of tangible fixed assets	**3,500**	1,900
	(52,192)	(24,625)
Financing		
Repayments of hire purchase obligations	**(79,576)**	(27,367)
Confidential Invoice Discounting	**88,014**	(4,964)
Net cash outflow from financing	**8,438**	(32,331)