

**Cooper Clegg Limited and its subsidiary
undertaking**

Financial statements

For the year ended 31 March 2006

Grant Thornton 

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Company No. 1780736

Company information

Company registration number	1780736
Registered office	Shannon Way Tewkesbury Industrial Centre Tewkesbury Gloucestershire GL20 8HB
Directors	I T Cooper R G Woodward
Secretary	R G Woodward
Bankers	Lloyds TSB Bank plc 130 High Street Cheltenham Gloucestershire GL50 1NW
Solicitors	Morton Fisher 1 High Street Bromsgrove Worcestershire B61 8AJ
Auditor	Grant Thornton UK LLP Chartered Accountants Registered Auditors The Quadrangle Imperial Square Cheltenham GL50 1PZ

Contents index

Report of the directors	4 - 6
Report of the independent auditor	7 - 8
Principal accounting policies	9 - 11
Consolidated profit and loss account	12
Consolidated balance sheet	13
Company balance sheet	14
Consolidated cash flow statement	15
Notes to the financial statements	16 - 28

Report of the directors

The directors present their report and the financial statements of the group for the year ended 31 March 2006.

Principal activities and business review

The principal activity of the company and its subsidiary during the year was web offset printing and print finishing.

There was a loss for the year after taxation amounting to £1,326,446 (2005: £848,132).

Trading conditions in the year and throughout the printing industry continued to be very difficult. Prices continued to be under severe pressure, their downward path apparently led by a major competitor prepared to accept almost any work at any price. The company refuses to accept work at unsustainable prices which at times makes it difficult to achieve volumes to match the high fixed costs involved in running expensive capital equipment and leased factories.

Despite the above, turnover declined by less than 2% and added value remained at above 72%, although gross profit before redundancy costs declined by 12%. Towards the end of the year the company closed two presses, selling one but retaining the other to be used at times of peak demand. As a consequence of these closures the company had to, very sadly, make 40 employees redundant at a cost of £156,137. Excessive fuel cost rises of over 34% have badly affected the year and will continue to do so for the foreseeable future. However, excluding the redundancies referred to above, staff retention has increased during the year to over 90%. Without these additional and exceptional costs, the loss after tax would have been less than the previous year.

In June 2006 the company invested £207,000 in additional CTP equipment, in order to ensure continuity of production.

The rescheduling of the finance lease debt has enabled the company to make payments to the main supplier of long term finance while permitting the company to meet its normal trading liabilities as they fall due. The main provider of finance has indicated their continued support for the company.

Prospects for the current year

Pressure on prices continues, especially from companies who have recently installed 64pp and gravure presses. While these presses may be more efficient at some kind of work compared to the company's 32pp presses, some of the prices in the market are often well below long term economic sense, as has been evidenced by two competitors recently going into liquidation.

The company continues to be a quality printer and is well regarded, we believe, throughout the industry. Although some print circulations have declined, the company has won some prestigious new monthly magazines such as Sainsbury's magazine, Delicious, Source, Fresh Ideas, 10 years Younger and regular contract work from Home Base and other catalogue publishers.

The company with its modern highly flexible machinery continues to provide high quality products combined with flexibility at competitive prices.

Report of the directors

Results and dividends

The trading results for the year and the group's financial position at the end of the year are shown in the attached financial statements.

The directors have not recommended a dividend.

Financial risk management objectives and policies

The main risks to the business continue to be liquidity and interest rate risk.

Liquidity risk is managed by an ongoing review of the performance of the business compared to forecasts and by following an adaptable approach to the demands of the market.

Interest rate risk is managed by employing a combination of fixed and variable rate loan agreements.

The directors and their interests

The directors who served the company during the year together with their beneficial interests in the shares of the company were as follows:

	Class of share	At 31 March 2006	At 1 April 2005
I T Cooper	'A' ordinary shares	339,712	339,712
	'B' ordinary shares	8,821	8,821
	'Z' shares	600,000	-
	Cumulative convertible participating preferred ordinary shares	160,000	-
R G Woodward	'A' ordinary shares	3,000	3,000
	'B' ordinary shares	10,000	10,000

Directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that year. 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 group will continue in business.

Report of the directors

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware:

- there is no relevant audit information of which the group's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

Disabled employees

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities.

In the event of employees becoming disabled, every effort is given to retrain them in order that their employment with the company may continue.

It is the policy of the company that training, career development and promotion opportunities should be available to all employees.

Employee involvement

The group has continued its practice of keeping employees informed of matters affecting them as employees and the financial and economic factors affecting the performance of the group.

This is achieved through consultations with employee representatives.

Auditor

Grant Thornton UK LLP offer themselves for reappointment as auditors in accordance with section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD


I T Cooper

Director
29/11/2006

Report of the independent auditor to the members of Cooper Clegg Limited

We have audited the group and parent company financial statements ("the financial statements") of Cooper Clegg Limited and its subsidiary undertaking for the year ended 31 March 2006 which comprise the consolidated profit and loss account, consolidated balance sheet and company balance sheet, consolidated cash flow statement and notes 1 to 27. 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 auditor

The directors' responsibilities for preparing the Report of the Directors and the financial statements in accordance with United Kingdom law and 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 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 and the information given in the Report of the Directors is consistent with the financial statements. We also 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 Report of the Directors 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 group's and parent 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.

Grant Thornton 

Report of the independent auditor to the members of Cooper Clegg Limited (continued)

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 and parent's affairs as at 31 March 2006 and of its the groups loss for the year then ended; and
- the financial statements have been properly prepared in accordance with the Companies Act 1985.
- the information given in the Director's report is consistent with the financial statements for the year ended 31 March 2006.

Emphasis of matter - Going concern

In forming our opinion, which is not qualified, we have considered the adequacy of the disclosure made in note 27 to the financial statements concerning the group's ability to continue as a going concern. The group incurred a net loss of £1,326,446 during the year ended 31 March 2006 and, at that date, the group's current liabilities exceeded its current assets by £4,468,009. These conditions, along with the other matters explained in note 27 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group was unable to continue as a going concern.



GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS

CHELTENHAM

29/9/2006

Principal accounting policies

Basis of accounting

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards under the historical cost convention, and on a going concern basis (see note 27).

Basis of consolidation

The consolidated accounts incorporate the accounts of the company and its subsidiary undertaking.

Turnover

Turnover is the total amount receivable by the group for goods supplied and services provided, excluding VAT and trade discounts.

Fixed assets

All fixed assets are initially recorded at cost.

Tangible fixed assets and depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset. The rates are generally as follows:

Plant & Machinery	-	10% or 25% straight line
Fixtures & Fittings	-	10% or 33 1/3% straight line
Motor Vehicles	-	25% or 33 1/3% straight line

Certain plant and machinery is depreciated using a straight line policy over 10 years with a residual value of 20%. The remaining 20% of the value of the assets is written down over a further 5 years on a straight line basis.

Tangible fixed assets are stated at cost net of depreciation.

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Work in progress

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the consolidated profit and loss account on a straight line basis.

Finance lease agreements

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 in accordance with the above depreciation policies. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the consolidated profit and loss account on a straight line basis, and the capital element which reduces the outstanding obligation for future instalments.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Pension costs

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the consolidated profit and loss account.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exceptions:

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.
- Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Investments

The parent company's investment in the shares of its subsidiary is included at cost.

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Consolidated profit and loss account

	Note	2006 £	2005 £
Group turnover	1	30,766,017	31,303,582
Cost of sales		(27,343,236)	(27,227,753)
Gross profit		3,422,781	4,075,829
Other operating charges	2	(4,169,462)	(4,129,621)
Operating loss	3	(746,681)	(53,792)
Interest receivable		101	58
Interest payable and similar charges	6	(886,539)	(983,907)
Loss on ordinary activities before taxation		(1,633,119)	(1,037,641)
Tax on loss on ordinary activities	7	306,673	189,509
Loss for the financial year	8	(1,326,446)	(848,132)

All of the activities of the group are classed as continuing.

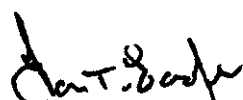
The group has no recognised gains or losses other than the results for the year as set out above.

The company has taken advantage of section 230 of the Companies Act 1985 not to publish its own Profit and Loss Account.

Consolidated balance sheet

	Note	2006 £	2005 £
Fixed assets			
Tangible assets	9	<u>12,037,105</u>	<u>14,848,797</u>
Current assets			
Stocks	11	<u>1,396,377</u>	<u>1,479,508</u>
Debtors	12	<u>3,664,660</u>	<u>4,618,083</u>
		<u>5,061,037</u>	<u>6,097,591</u>
Creditors: amounts falling due within one year	13	<u>9,529,046</u>	<u>10,035,161</u>
Net current liabilities		<u>(4,468,009)</u>	<u>(3,937,570)</u>
Total assets less current liabilities		<u>7,569,096</u>	<u>10,911,227</u>
Creditors: amounts falling due after more than one year	14	<u>5,874,810</u>	<u>8,183,822</u>
		<u>1,694,286</u>	<u>2,727,405</u>
Provisions for liabilities			
Deferred taxation	17	<u>436,656</u>	<u>743,329</u>
		<u>1,257,630</u>	<u>1,984,076</u>
Capital and reserves			
Called-up equity share capital	21	<u>1,189,363</u>	<u>589,363</u>
Share premium account	22	<u>7,578</u>	<u>7,578</u>
Other reserves	22	<u>59,200</u>	<u>59,200</u>
Profit and loss account	22	<u>1,489</u>	<u>1,327,935</u>
Shareholders' funds	22	<u>1,257,630</u>	<u>1,984,076</u>

These financial statements were approved by the directors on 29/9/06 and are signed on their behalf by:



I T Cooper
 Director




R G Woodward
 Director

Company balance sheet

	Note	2006 £	2005 £
Fixed assets			
Tangible assets	9	11,659,054	14,380,597
Investments	10	64,000	64,000
		11,723,054	14,444,597
Current assets			
Stocks	11	1,272,393	1,287,456
Debtors	12	3,857,768	4,721,715
		5,130,161	6,009,171
Creditors: amounts falling due within one year	13	9,050,760	9,531,581
Net current liabilities		(3,920,599)	(3,522,410)
Total assets less current liabilities		7,802,455	10,922,187
Creditors: amounts falling due after more than one year	14	5,874,810	8,183,822
		1,927,645	2,738,365
Provisions for liabilities			
Deferred taxation	17	436,427	737,862
		1,491,218	2,000,503
Capital and reserves			
Called-up equity share capital	21	1,189,363	589,363
Share premium account	22	7,578	7,578
Other reserves	22	59,200	59,200
Profit and loss account	22	235,077	1,344,362
Shareholders' funds		1,491,218	2,000,503

These financial statements were approved by the directors on 29/9/06 and are signed on their behalf by:


 I T Cooper
 Director


 R G Woodward
 Director

Consolidated cash flow statement

	Note	2006 £	2005 £
Net cash inflow from operating activities	23	3,324,008	3,350,025
Returns on investments and servicing of finance			
Interest received		101	58
Interest paid		(161,015)	(159,161)
Interest element of finance leases and hire purchase		(725,524)	(824,746)
Net cash outflow from returns on investments and servicing of finance		(886,438)	(983,849)
Capital expenditure			
Payments to acquire tangible fixed assets		(378,235)	(184,513)
Receipts from sale of fixed assets		320,043	7,775
Net cash outflow from capital expenditure		(58,192)	(176,738)
Cash inflow before financing		2,379,378	2,189,438
Financing			
Issue of equity share capital		600,000	—
Capital element of finance leases and hire purchase		(2,348,721)	(2,104,930)
Net cash outflow from financing		(1,748,721)	(2,104,930)
Increase in cash	24	630,657	84,508

Notes to the financial statements

1 Turnover

The turnover and loss before tax are attributable to the one principal activity of the group, that of web offset printing and print finishing. These activities are carried out wholly in the UK.

2 Other operating charges

	2006	2005
	£	£
Distribution costs	2,339,832	2,308,543
Administrative expenses	1,829,630	1,821,078
	<u>4,169,462</u>	<u>4,129,621</u>

3 Operating loss

Operating loss is stated after charging/(crediting):

	2006	2005
	£	£
Depreciation of owned fixed assets	831,006	828,278
Depreciation of assets held under finance leases and hire purchase agreements	2,305,694	2,722,729
Profit on disposal of fixed assets	(266,816)	(825)
Redundancy costs and payments in lieu of notice	156,137	38,985
Auditor's remuneration:		
Audit fees	21,695	18,550
Tax fees	4,450	3,450
Other fees	20,955	6,310
Operating lease costs:		
Plant and equipment	98,751	103,261
Other	<u>1,008,222</u>	<u>1,017,440</u>

4 Employees

The average number of staff employed by the group during the financial year amounted to:

	2006	2005
	No	No
Production	252	256
Administration	26	22
Management	3	3
Sales and distribution	10	10
	291	291

The aggregate payroll costs of the above were:

	2006	2005
	£	£
Wages and salaries	7,726,627	7,558,849
Social security costs	878,581	980,045
Other pension costs	482,386	527,436
	9,087,594	9,066,330

5 Directors

Remuneration in respect of directors was as follows:

	2006	2005
	£	£
Emoluments receivable	200,302	193,872
Value of company pension contributions to money purchase schemes	86,901	97,792
	287,203	291,664

Emoluments of highest paid director:

	2006	2005
	£	£
Total emoluments (excluding pension contributions)	109,190	105,294
Value of company pension contributions to money purchase schemes	67,116	78,540
	176,306	183,834

The number of directors who accrued benefits under company pension schemes was as follows:

	2006	2005
	No	No
Money purchase schemes	2	2

6 Interest payable and similar charges

	2006	2005
	£	£
Interest payable on bank borrowing	161,015	159,161
Finance charges	725,524	824,746
	<u>886,539</u>	<u>983,907</u>

7 Taxation on ordinary activities

	2006	2005
	£	£
Deferred tax:		
Origination and reversal of timing differences	(306,673)	(189,509)

Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 19% (2005 - 19%).

	2006	2005
	£	£
Loss on ordinary activities before taxation	(1,633,119)	(1,037,641)
Profit/(loss) on ordinary activities by rate of tax	(310,293)	(197,152)
Depreciation in excess of capital allowances	305,390	189,110
Short term timing differences	(2,562)	(87)
Difference between standard and actual rates of tax	(950)	(950)
Net expenses not deductions for tax purposes	8,415	9,079
Total current tax	<u>-</u>	<u>-</u>

8 Loss attributable to members of the parent company

The loss dealt with in the accounts of the parent company was £(1,109,285) (2005 - £(583,672)).

9 Tangible fixed assets

Group	Plant & Machinery £	Fixtures & Fittings £	Motor Vehicles £	Total £
Cost				
At 1 April 2005	49,486,245	911,931	230,955	50,629,131
Additions	321,426	34,859	21,950	378,235
Disposals	(2,529,893)	–	–	(2,529,893)
At 31 March 2006	<u>47,277,778</u>	<u>946,790</u>	<u>252,905</u>	<u>48,477,473</u>
Depreciation				
At 1 April 2005	34,877,491	728,686	174,157	35,780,334
Charge for the year	3,031,555	76,729	28,416	3,136,700
On disposals	(2,476,666)	–	–	(2,476,666)
At 31 March 2006	<u>35,432,380</u>	<u>805,415</u>	<u>202,573</u>	<u>36,440,368</u>
Net book value				
At 31 March 2006	<u>11,845,398</u>	<u>141,375</u>	<u>50,332</u>	<u>12,037,105</u>
At 31 March 2005	<u>14,608,754</u>	<u>183,245</u>	<u>56,798</u>	<u>14,848,797</u>

Included within the net book value of £12,037,105 is £9,111,378 (2005 - £11,447,918) relating to assets held under finance lease and hire purchase agreements. The depreciation charged in the year in respect of such assets amounted to £2,305,694 (2005 - £2,722,729).

Company	Plant & Machinery £	Fixtures & Fittings £	Motor Vehicles £	Total £
Cost				
At 1 April 2005	47,665,012	836,437	230,955	48,732,404
Additions	269,956	23,573	21,950	315,479
Disposals	(2,529,893)	–	–	(2,529,893)
At 31 March 2006	<u>45,405,075</u>	<u>860,010</u>	<u>252,905</u>	<u>46,517,990</u>
Depreciation				
At 1 April 2005	33,487,642	690,008	174,157	34,351,807
Charge for the year	2,889,065	66,314	28,416	2,983,795
On disposals	(2,476,666)	–	–	(2,476,666)
At 31 March 2006	<u>33,900,041</u>	<u>756,322</u>	<u>202,573</u>	<u>34,858,936</u>
Net book value				
At 31 March 2006	<u>11,505,034</u>	<u>103,688</u>	<u>50,332</u>	<u>11,659,054</u>
At 31 March 2005	<u>14,177,370</u>	<u>146,429</u>	<u>56,798</u>	<u>14,380,597</u>

9 Tangible fixed assets (continued)

Included within the net book value of £11,659,054 is £9,111,378 (2005 - £11,447,918) relating to assets held under finance leases and hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £2,305,694 (2005 - £2,722,729).

10 Investments

Company	Shares in subsidiary undertaking £
Cost	
At 1 April 2005 and 31 March 2006	<u>64,000</u>
Net book value	
At 31 March 2006	<u>64,000</u>
At 31 March 2005	<u>64,000</u>

The company owns the whole of the ordinary share capital of Evesham Binders Limited, which was incorporated in England and Wales and is included in these consolidated financial statements. Evesham Binders Limited is engaged in print finishing.

11 Stocks

	The group		The company	
	2006	2005	2006	2005
	£	£	£	£
Raw materials	888,569	979,120	769,246	825,308
Work in progress	507,808	500,388	503,147	462,148
	<u>1,396,377</u>	<u>1,479,508</u>	<u>1,272,393</u>	<u>1,287,456</u>

12 Debtors

	The group		The company	
	2006	2005	2006	2005
	£	£	£	£
Trade debtors	3,374,360	4,218,551	3,363,525	4,204,418
Amounts owed by group undertakings	-	-	223,759	149,875
Other debtors	149,199	213,022	135,113	194,224
Prepayments and accrued income	141,101	186,510	135,371	173,198
	<u>3,664,660</u>	<u>4,618,083</u>	<u>3,857,768</u>	<u>4,721,715</u>

13 Creditors: amounts falling due within one year

	The group		The company	
	2006	2005	2006	2005
	£	£	£	£
Bank loans and overdrafts	1,789,476	2,420,133	1,754,115	2,329,716
Trade creditors	4,004,999	4,163,069	3,741,299	3,875,371
Amounts due under finance leases and hire purchase agreements	2,636,090	2,675,799	2,636,090	2,675,799
Social security and other taxes	314,998	274,513	184,021	196,759
Accruals and deferred income	783,483	501,647	735,235	453,936
	<u>9,529,046</u>	<u>10,035,161</u>	<u>9,050,760</u>	<u>9,531,581</u>

Bank overdrafts are secured by a fixed and floating charge over all of the unencumbered assets of the group by a cross guarantee from the parent undertaking. The bank loan is secured over certain trade debtors under a debt purchase agreement.

Hire purchase arrangements are secured on the assets to which they relate.

14 Creditors: amounts falling due after more than one year

	The group		The company	
	2006	2005	2006	2005
	£	£	£	£
Amounts due under finance leases and hire purchase agreements	<u>5,874,810</u>	<u>8,183,822</u>	<u>5,874,810</u>	<u>8,183,822</u>

15 Creditors - capital instruments

Creditors include finance capital which is due for repayment as follows:

	The group		The company	
	2006	2005	2006	2005
	£	£	£	£
Amounts repayable:				
In one year or less or on demand	<u>1,789,476</u>	<u>2,420,133</u>	<u>1,754,115</u>	<u>2,329,716</u>

16 Commitments under finance leases and hire purchase agreements

Future commitments under finance leases and hire purchase agreements are as follows:

	2006	2005
	£	£
The group and the company		
Amounts payable within 1 year	2,636,090	2,675,799
Amounts payable between 1 and 2 years	2,411,814	2,834,222
Amounts payable between 3 and 5 years	3,462,996	5,349,600
	<u>8,510,900</u>	<u>10,859,621</u>

17 Deferred taxation

The movement in the deferred taxation provision during the year was:

	The group		The company	
	2006	2005	2006	2005
	£	£	£	£
Provision brought forward	743,329	932,838	737,862	896,568
(Decrease)/increase in provision	(306,673)	188,917	(301,435)	219,720
Adjustment for ACT on past dividends	-	(378,426)	-	(378,426)
Provision carried forward	<u>436,656</u>	<u>743,329</u>	<u>436,427</u>	<u>737,862</u>

The group's provision for deferred taxation consists of the tax effect of timing differences in respect of:

Group	2006		2005	
	Provided	Unprovided	Provided	Unprovided
	£	£	£	£
Excess of taxation allowances over depreciation on fixed assets	816,210	-	1,121,755	-
ACT	(378,426)	-	(378,426)	-
Other timing differences	(1,128)	-	-	-
	<u>436,656</u>	<u>-</u>	<u>743,329</u>	<u>-</u>

The company's provision for deferred taxation consists of the tax effect of timing differences in respect of:

Company	2006		2005	
	Provided	Unprovided	Provided	Unprovided
	£	£	£	£
Excess of taxation allowances over depreciation on fixed assets	815,981	-	1,116,288	-
ACT	(378,426)	-	(378,426)	-
Other timing differences	(1,128)	-	-	-
	<u>436,427</u>	<u>-</u>	<u>737,862</u>	<u>-</u>

18 Commitments under operating leases

At 31 March 2006 the group had annual commitments under non-cancellable operating leases as set out below.

The group	2006		2005	
	Land and buildings	Other items	Land and Buildings	Other items
	£	£	£	£
Operating leases which expire:				
Within 2 to 5 years	239,950	95,355	-	113,723
After more than 5 years	746,093	-	986,541	-
	<u>986,043</u>	<u>95,355</u>	<u>986,541</u>	<u>113,723</u>

18 Commitments under operating leases (continued)

At 31 March 2006 the company had annual commitments under non-cancellable operating leases as set out below.

The company	2006		2005	
	Land and buildings £	Other items £	Land and Buildings £	Other items £
Operating leases which expire:				
Within 2 to 5 years	149,350	95,355	-	113,723
After more than 5 years	746,093	-	895,941	-
	<u>895,443</u>	<u>95,355</u>	<u>895,941</u>	<u>113,723</u>

19 Contingent liabilities

The bank holds an unlimited cross guarantee between the group undertakings. The indebtedness to the bank by the company in respect of its subsidiary undertaking at 31 March 2006 was £35,361 (2005: £90,417).

There were no other contingent liabilities at 31 March 2006 or 31 March 2005.

20 Related party transactions

During the year a creditor of the company made an interest free loan of £600,000 to Mr I T Cooper, a director and shareholder of Cooper Clegg Limited.

On 31 March 2006 Mr I T Cooper purchased £600,000 of 'Z' ordinary shares. See note 21 for details of these shares.

The company was under the control of Mr I T Cooper throughout the current and previous year. Mr I T Cooper is the managing director and majority shareholder.

21 Share capital (continued)

21 Share capital

Authorised share capital:

	2006	2005
	£	£
160,000 5.25% cumulative convertible participating preferred shares of £1 each	160,000	160,000
780,832 'A' ordinary shares of £1 each	780,832	780,832
59,168 'B' ordinary shares of £1 each	59,168	59,168
600,000 'Z' shares of £1 each	600,000	-
	<u>1,600,000</u>	<u>1,000,000</u>

Allotted, called up and fully paid:

	2006		2005	
	No	£	No	£
5.25% cumulative convertible participating preferred ordinary shares of £1 each	160,000	160,000	160,000	160,000
'A' ordinary shares of £1 each	372,512	372,512	372,512	372,512
'B' ordinary shares of £1 each	56,851	56,851	56,851	56,851
'Z' shares of £1 each	600,000	600,000	-	-
	<u>1,189,363</u>	<u>1,189,363</u>	<u>589,363</u>	<u>589,363</u>

On 31 March 2006 the group issued 600,000 'Z' ordinary shares of £1 each at par.

Cumulative convertible participating preferred ordinary shares

The cumulative convertible participating preferred ordinary shares, which carry one vote per share, are equity shares.

No dividend shall be declared or paid until the aggregate dividend amount of Z share dividends paid equals £600,000 (see below). Thereafter, the cumulative convertible participating preferred ordinary shares carry a right to a cumulative participating dividend, calculated at 5.25% of 'Net Profit' for each financial year. 'Net Profit' is defined as the historical cost consolidated profit before taxation, exceptional items, dividends and transfers to reserves, to which is added the emoluments and pensions of any director who holds more than 5% of the issued share capital of the company.

After payment of the cumulative dividends and the dividends attributable to the 'A' and 'B' ordinary shareholders (see below), the shares rank *pari passu* with the 'A' and 'B' ordinary shares of the company and as such carry the right to share in the profits which the company determines to distribute in each financial year.

The cumulative convertible participating preferred ordinary shareholders have the right, at any time, to convert their shares into 'A' ordinary shares.

On a return of capital, the cumulative convertible participating preferred ordinary shares rank second after 'Z' shares for payment of their subscription price per share, together with any arrears of dividends. They then rank equally with the 'A' and 'B' ordinary shares in any further distribution.

21 Share capital (continued)

'A' and 'B' ordinary shares

The 'A' and 'B' ordinary shares, which carry one vote per share, are equity shares.

No dividend shall be declared or paid until the aggregate dividend amount of Z share dividends paid equals £600,000 (see below). Thereafter, the 'A' and 'B' ordinary shares can receive, at the discretion of the directors, a dividend per share not greater than the amount paid on the cumulative convertible participating preferred ordinary shares for each financial year (subject to a restriction on payment of dividends to 'B' ordinary shareholders in the first two financial years of issue).

After payment of the cumulative dividends attributable to the cumulative convertible participating preferred ordinary shares and the dividends attributable to the 'A' and 'B' ordinary shareholders, the 'A' and 'B' ordinary shares rank *pari passu* with the cumulative convertible participating preferred ordinary shares of the company and as such carry the right to share in the profits which the company determines to distribute in each financial year.

On return of capital the 'A' and 'B' ordinary shares rank third for payment of an amount equal to the amount of capital paid on each cumulative convertible participating preferred ordinary share. They then rank equally with the cumulative convertible participating preferred ordinary shares in any further distribution.

'Z' shares

The holders of 'Z' shares shall be entitled to receive notice of and to attend and speak but not vote at any general meeting of the company.

The holders of the 'Z' shares shall be entitled to an aggregate dividend equal to 0.5% of the post tax profit once it has exceeded £5,000,000. When the aggregate amount of 'Z' dividends reaches £600,000 the 'Z' shares shall cease to be entitled to any further dividends.

On a return on capital the 'Z' shares will be paid first with an amount equal to the exit amount, which shall be distributed to the holders of 'Z' shares *pro rata*, according to the amounts paid up on 'Z' shares held by them respectively. The exit amount is defined as the par value of the 'Z' shares less the aggregate dividends paid on them from the date of issue to the exit date.

22 Reconciliation of shareholders' funds and movement on reserves

Group	Share capital	Share premium account	Capital redemption reserve	Profit and loss account	Total shareholders' funds
	£	£	£	£	£
At 1 April 2004	589,363	7,578	59,200	2,176,067	2,832,208
Loss for the year	-	-	-	(848,132)	(848,132)
At 31 March 2005 and 1 April 2005	589,363	7,578	59,200	1,327,935	1,984,076
Loss for the year	-	-	-	1,326,446	1,326,446
Other movements					
New equity share capital subscribed	600,000	-	-	-	600,000
At 31 March 2006	1,189,363	7,578	59,200	1,489	1,257,630

Company	Share capital	Share premium account	Capital redemption reserve	Profit and loss account	Total shareholders' funds
	£	£	£	£	£
At 1 April 2004	589,363	7,578	59,200	1,928,034	2,584,175
Loss for the year	-	-	-	(583,672)	(583,672)
At 31 March 2005 and 1 April 2005	589,363	7,578	59,200	1,344,362	2,000,503
Loss for the year	-	-	-	1,109,285	1,109,285
Other movements					
New equity share capital subscribed	600,000	-	-	-	600,000
At 31 March 2006	1,189,363	7,578	59,200	235,077	1,491,218

23 Reconciliation of operating loss to net cash inflow from operating activities

	2006	2005
	£	£
Operating loss	(746,681)	(53,792)
Depreciation	3,136,700	3,551,007
Profit on disposal of fixed assets	(266,816)	(825)
Decrease in stocks	83,131	193,766
Decrease/(increase) in debtors	953,423	(416,579)
Increase in creditors	164,251	76,448
Net cash inflow from operating activities	3,324,008	3,350,025

24 Reconciliation of net cash flow to movement in net debt

	2006	2005
	£	£
Increase in cash in the period	630,657	84,508
Cash outflow in respect of finance leases and hire purchase	<u>2,348,721</u>	<u>2,104,930</u>
Change in net debt resulting from cash flows	2,979,378	2,189,438
New finance leases	—	(329,644)
Movement in net debt in the period	<u>2,979,378</u>	<u>1,859,794</u>
Net debt at 1 April 2005	<u>(13,279,754)</u>	<u>(15,139,548)</u>
Net debt at 31 March 2006	<u>(10,300,376)</u>	<u>(13,279,754)</u>

25 Analysis of changes in net debt

	At 1 Apr 2005	Cash flows	At 31 Mar 2006
	£	£	£
Net cash:			
Bank loans and overdrafts	<u>(2,420,133)</u>	<u>630,657</u>	<u>(1,789,476)</u>
Debt:			
Finance leases and hire purchase agreements	<u>(10,859,621)</u>	<u>2,348,721</u>	<u>(8,510,900)</u>
Net debt	<u>(13,279,754)</u>	<u>2,979,378</u>	<u>(10,300,376)</u>

26 Non-cash transactions

During the year, the company entered into finance lease arrangements in respect of assets with a total capital value at the inception of the lease of £81,062 (2005 - £329,644).

27 Going Concern

Despite group net current liabilities totalling £4,468,009 (2005 : £3,937,570), the directors consider that it is appropriate to prepare the financial statements on a going concern basis.

The group has committed to significant levels of investment in recent years which has equipped the group with a range of modern machinery making it one of the larger single site web offset and binding facilities in the UK. This has, however, left it with high levels of finance lease debt. The downturn in the economy has led to reduced levels of demand. Together with increased competition from both the UK and mainland Europe, this has led to severe pressure on margins and volumes.

As stated in the business review the Board has taken steps to return the group to profitability and financial stability. Wage costs have been substantially reduced and work previously sub-contracted has been brought in house. In addition the repayment terms of a significant proportion of finance lease debt have been renegotiated. The group has had a long term relationship (20 years) with the provider of finance lease debt and this has been recognised in the flexibility afforded to the group in the rescheduling of the debt. This has allowed and continues to allow the group to meet its normal trading liabilities as they fall due.

The board has also prepared profit and loss and cash flow forecasts for a period of twelve months from the signing of these financial statements and these forecasts, together with the support of the bank and finance lease creditor, has allowed the Board to reach its conclusion on going concern.

The financial statements therefore reflect the re-scheduling of the finance lease debt, agreed on 31 March 2006. However, it should be noted that the original rights and obligations of the finance lease provider remain unaltered as a result of the re-scheduling of the debt. If payments are not made in accordance with the revised schedule, then the finance provider could seek repayments in accordance with the original agreements and the directors might, at that point, have to reconsider their view on going concern. Your attention is drawn to notes 13, 15 and 16 of these financial statements which set the quantum of the debt.