

REGISTRAR OF COMPANIES

REGISTERED NUMBER: 247566

(ENGLAND + WALES)



COGENT ELLIOTT GROUP LIMITED

2005 ANNUAL REPORT & ACCOUNTS



Dafferns

Chartered Accountants & Business Advisers

COGENT ELLIOTT GROUP LIMITED

REPORT OF THE DIRECTORS

The directors present their report together with the accounts of the group for the year ended 31 December 2005.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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 group and of the profit or loss of the group for that period. In preparing those financial statements we are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the group will continue in business.

We are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and enable us to ensure that the financial statements comply with the Companies Act 1985. We are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PRINCIPAL ACTIVITY

The group trades as an advertising and marketing agency.

BUSINESS REVIEW

The directors are pleased to report further improvement in the trading performance following completion of the group's restructuring programme.

As reported last year, the group has substituted significant work for MG Rover with a major contract gain with Jaguar. 2005 saw further growth in activities within the automotive and luxury sectors, which has continued into 2006.

In Autumn 2005, the group expanded its photographic offering with the commissioning of a 15,000 square feet facility in Banbury, Oxfordshire, providing state-of-the-art commercial photographic studios, creative image manipulation and digital asset management services. This business trades as Junction Eleven.

RESULTS AND DIVIDENDS

The group profit and loss account is shown on page 4.

The directors do not recommend the payment of a dividend and the retained profit for the year has been added to reserves.

DIRECTORS

The directors during the year under review were:

Executive directors
W.E. Husselby
P.C.J. Buckley
M.A. Rayner
M.S. Husselby
S.F. Kendall

Non executive directors
M.C. Fetherston - Dilke
D.C. Fildes
Sir D.P. Hornby

The beneficial interests of the directors in the share capital of the company are shown in note 2 to the accounts.

P.C.J. Buckley, M.A. Rayner, M.S. Husselby, S.F. Kendall each held 500 and M.C. Fetherston-Dilke 100 1p Incentive shares in subsidiaries Cogent Group Limited and Junction Eleven Limited at the year end.

COGENT ELLIOTT GROUP LIMITED

REPORT OF THE DIRECTORS (CONTINUED)

CHARITABLE DONATIONS

During the year the company made charitable donations amounting to £758.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the company's auditors are unaware, and each director has taken all steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

Messrs. Dafferns, Chartered Accountants, have indicated their willingness to continue in office as auditors to the company and a resolution for their re-appointment will be proposed at the annual general meeting.

By Order of the Board



P.R. PATTISON

Secretary

25 August 2006

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF

COGENT ELLIOTT GROUP LIMITED

We have audited the financial statements of Cogent Elliott Group Limited for the year ended 31 December 2005 on pages 4 to 21. These financial statements have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 1 the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 if, in our opinion, the Report of the Directors 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 director's 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's and the group's affairs as at 31 December 2005 and of the profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

Queens House,
Queens Road,
Coventry,
CV1 3DR

25 August 2006



DAFFERNS
Chartered Accountants
Registered Auditors

COGENT ELLIOTT GROUP LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
Years ended 31 December

	Notes	<u>2005</u> £	<u>2004</u> as restated £
TURNOVER		6,216,948	6,302,391
Materials and external charges		(2,314,550)	(2,225,547)
Staff costs	2	(2,593,176)	(2,740,336)
Depreciation, adjusted for profit on sale of assets		(84,971)	(43,950)
Other operating charges		(1,119,420)	(1,292,996)
Other operating income		417,282	309,658
		<hr/>	<hr/>
OPERATING PROFIT BEFORE EXCEPTIONAL ITEM	4	522,113	309,220
Exceptional item	3	-	50,000
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		522,113	359,220
Interest and other finance income	5	(147,535)	(188,188)
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		374,578	171,032
Taxation on profit on ordinary activities	6	21,303	(23,300)
		<hr/>	<hr/>
RETAINED PROFIT FOR GROUP	13	<u>395,881</u>	<u>147,732</u>

The notes on pages 9 to 21 form an integral part of these accounts

COGENT ELLIOTT GROUP LIMITED

Years ended 31 December

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>2005</u>		<u>2004</u> as restated	
	£	£	£	£
Profit for the financial year		395,881		147,732
Other recognised gains and losses relating to the year (net)		243,600		90,300
		<hr/>		<hr/>
Net addition to shareholders' funds		639,481		238,032
Opening shareholders' funds :				
As previously reported	3,101,303		2,999,374	
Prior year adjustments (note 7)	<u>(984,667)</u>		<u>(1,120,770)</u>	
As restated		2,116,636		1,878,604
		<hr/>		<hr/>
Closing shareholders' funds (equity interests)		<u>2,756,117</u>		<u>2,116,636</u>

Continuing operations

Turnover and operating profit derive wholly from continuing operations during the above two financial years.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

	<u>2005</u>		<u>2004</u> as restated	
	£	£	£	£
Profit for the financial year		395,881		147,732
Actual return less expected return on pension scheme assets	475,000		91,000	
Experience gains and losses arising on scheme liabilities	864,000		38,000	
Changes in assumptions underlying the present value of the scheme liabilities	<u>(991,000)</u>		<u>-</u>	
	348,000		129,000	
Deferred taxation on pension liability	<u>(104,400)</u>		<u>(38,700)</u>	
Actual gains on pension scheme		243,600		90,300
Total recognised gains and losses relating to the year		<hr/> 639,481		<hr/> 238,032
Prior year adjustment (note 7)		<u>(984,667)</u>		<u>(1,120,770)</u>
Total gains and losses recognised since last annual report		<hr/> <u>(345,186)</u>		<hr/> <u>(882,738)</u>

The notes on pages 9 to 21 form an integral part of these accounts

COGENT ELLIOTT GROUP LIMITED

CONSOLIDATED BALANCE SHEET

Years ended 31 December

		<u>2005</u>		<u>2004</u> as restated	
	Notes	£	£	£	£
FIXED ASSETS					
Tangible assets	8		5,124,876		4,561,822
CURRENT ASSETS					
Debtors	10	1,035,640		1,227,755	
Cash at bank and in hand		293,980		812,872	
		<u>1,329,620</u>		<u>2,040,627</u>	
CREDITORS					
Amounts falling due within one year	11	<u>(1,368,189)</u>		<u>(2,015,605)</u>	
NET CURRENT (LIABILITIES)/ASSETS			<u>(38,569)</u>		<u>25,022</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>5,086,307</u>		<u>4,586,844</u>
CREDITORS					
Amounts falling due after one year	11		<u>(1,402,690)</u>		<u>(1,255,208)</u>
NET ASSETS EXCLUDING PENSION LIABILITY			<u>3,683,617</u>		<u>3,331,636</u>
PENSION LIABILITY	15		<u>(927,500)</u>		<u>(1,215,000)</u>
NET ASSETS INCLUDING PENSION LIABILITY			<u>2,756,117</u>		<u>2,116,636</u>
CAPITAL AND RESERVES					
Called up share capital	12		102,480		102,480
Share premium account	13		17,100		17,100
Revaluation reserve	13		1,480,153		1,480,153
Capital redemption reserve	13		100		100
Profit and loss account	13		1,156,284		516,803
			<u>2,756,117</u>		<u>2,116,636</u>



W.E. HUSSELYBY - Director

Approved by the Board on 25 August 2006

The notes on pages 9 to 21 form an integral part of these accounts

COGENT ELLIOTT GROUP LIMITED

BALANCE SHEET

Years ended 31 December

	Notes	£	<u>2005</u>	£	£	<u>2004</u>	£
FIXED ASSETS							
Investments	9			282			440
CURRENT ASSETS							
Debtors	10	1,186,114			1,329,793		
CREDITORS							
Amounts falling due within one year	11	<u>(40,182)</u>			<u>(184,019)</u>		
NET CURRENT ASSETS				<u>1,145,932</u>			<u>1,145,774</u>
TOTAL ASSETS LESS CURRENT LIABILITIES				<u>1,146,214</u>			<u>1,146,214</u>
CAPITAL AND RESERVES							
Called up share capital	12			102,480			102,480
Share premium account	13			17,100			17,100
Capital redemption reserve	13			100			100
Profit and loss account	13			1,026,534			1,026,534
				<u>1,146,214</u>			<u>1,146,214</u>



W.E. HUSSEY - Director

Approved by the Board on 25 August 2006

The notes on pages 9 to 21 form an integral part of these accounts

COGENT ELLIOTT GROUP LIMITED

CASH FLOW STATEMENT

Years ended 31 December

	Notes	<u>2005</u> £	<u>2004</u> as restated £
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	17a)	(48,162)	559,020
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	17b)	(97,535)	(105,188)
TAXATION		-	-
CAPITAL EXPENDITURE	17c)	(529,436)	(29,722)
NET CASH (OUTFLOW)/INFLOW BEFORE FINANCING		(675,133)	424,110
FINANCING	17d)	156,241	(39,701)
(DECREASE)/INCREASE IN CASH		<u>(518,892)</u>	<u>384,409</u>

The notes on pages 9 to 21 form an integral part of these accounts

COGENT ELLIOTT GROUP LIMITED

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

The following statements outline the main accounting policies of the group.

a) Basis of accounting

The accounts have been prepared under the historical cost convention as modified by the revaluation of land and buildings and in accordance with applicable accounting standards.

b) Basis of consolidation

The consolidated accounts incorporate the accounts of the company and all its subsidiaries. Goodwill arising on consolidation, representing the excess of the cost of acquisition over the fair value attributed to net tangible assets, is written off on acquisition against reserves in the group accounts. No profit and loss account is presented for the company as permitted by Section 230 of the Companies Act 1985.

c) Turnover

Turnover represents the fair value of services provided during the year on clients assignments. Turnover is recognised as contract activity progresses and the right to consideration is earned. Fair value reflects the amount expected to be recoverable from clients and is based on the time spent, skills and expertise provided and expenses incurred. Turnover excludes Value Added Tax.

Unbilled turnover on individual client assignments is included as accrued income within debtors.

This is a change in accounting policy as described in the prior year adjustment note 7.

d) Tangible fixed assets and depreciation

Depreciation is provided on the cost of tangible fixed assets in equal annual instalments over the estimated useful lives, which are as follows:-

Short leasehold property	- 10 years
Equipment and vehicles	- Between 3 and 5 years

It is the group's policy to maintain its long leasehold property to such a high standard that in the opinion of the directors any element of depreciation would be immaterial and no provision has been made.

The group has adopted FRS 15, 'Tangible Fixed Assets' and has followed the transitional provisions to retain the book value of long-term leasehold property, which was revalued in 1992.

e) Leases

The cost of assets held under finance leases is included within tangible fixed assets and depreciation is provided at the appropriate rate. The capital element of future lease payments is included in creditors. Rentals payable under operating leases are charged to the profit and loss account in the year to which they relate.

f) Hire purchase contracts

The cost of assets held under hire purchase contracts are included within tangible fixed assets and depreciation is provided at the appropriate rate. The capital element of future payments is included in creditors.

COGENT ELLIOTT GROUP LIMITED

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES (continued)

g) Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

h) Pensions

The group makes contributions to a money purchase pension scheme and a defined benefit scheme. Money purchase pension contributions are charged to the profit and loss account when payable.

Defined benefit scheme assets are valued at fair value and liabilities are measured on an actuarial basis using the projected unit method. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting asset or liability, net of deferred tax, is presented separately after other net assets on the face of the balance sheet.

The amount charged to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of the other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

The treatment as stated above for the defined benefit scheme is a change in accounting policy as described in the prior year adjustment note 7.

2. DIRECTORS AND EMPLOYEES

	<u>2005</u>	<u>2004</u>
	£	as restated £
a) Staff costs		
Wages and salaries	2,166,085	2,336,993
Social security costs	240,048	238,290
Pension costs (note 15)	187,043	165,053
	<hr/> 2,593,176 <hr/>	<hr/> 2,740,336 <hr/>
b) Average number of employees	Number	Number
Agency	21	21
Studio and design	21	23
Finance and administration	17	13
	<hr/> 59 <hr/>	<hr/> 57 <hr/>

COGENT ELLIOTT GROUP LIMITED

NOTES TO THE ACCOUNTS

2. DIRECTORS AND EMPLOYEES (continued)	<u>2005</u>	<u>2004</u> as restated
	£	£
c) Directors' remuneration		
Fees	36,000	35,500
Other emoluments including benefits in kind	623,855	687,487
	<u>659,855</u>	<u>722,987</u>
Directors' pension contributions to money purchase schemes	54,708	55,842
Directors' remuneration excluding pension contributions was as follows:		
Highest paid director	<u>179,827</u>	<u>257,461</u>

During the year pension contributions were paid in respect of one (2004: one) director for defined benefit schemes and three (2004: three) in respect of money purchase schemes.

d) Loans to/(from) directors	<u>1 January 2005</u>	<u>Highest balance in period</u>	<u>31 December 2005</u>
	£	£	£
W.E. Husselby	-	4,448	-

e) Directors' interests

The interests of the directors of the company at 31 December 2005 in the share capital of the company were as follows:-

	<u>31 December 2005</u>		<u>31 December 2004</u>	
	<u>Ordinary shares</u>	<u>'A' shares</u>	<u>Ordinary shares</u>	<u>'A' shares</u>
W.E. Husselby	41,082	41,082	41,082	41,082
Sir D.P. Hornby	570	570	570	570

3. EXCEPTIONAL ITEM	<u>2005</u>	<u>2004</u>
	£	£
Severance pay	<u>-</u>	<u>(50,000)</u>

COGENT ELLIOTT GROUP LIMITED

NOTES TO THE ACCOUNTS

4. OPERATING PROFIT BEFORE EXCEPTIONAL ITEM	<u>2005</u>	<u>2004</u> as restated
	£	£
Operating profit is stated after charging/(crediting):		
Depreciation - owned assets	56,384	51,950
Depreciation - assets on hire purchase contracts	28,587	-
Profit on disposal of tangible fixed assets	-	(8,000)
Auditors' remuneration	18,600	18,800
Operating lease charges		
Equipment and vehicles	56,939	73,952
Land and buildings (gross)	98,973	68,965
Less rents receivable	<u>(282,211)</u>	<u>(253,092)</u>
 5. INTEREST AND OTHER FINANCE INCOME		
Hire purchase interest	6,263	-
Bank loan interest	105,473	122,460
	<u>111,736</u>	<u>122,460</u>
Interest receivable	<u>(14,201)</u>	<u>(19,272)</u>
	97,535	103,188
Expected return on pension scheme assets	(480,000)	(443,000)
Interest on pension scheme liabilities	530,000	528,000
	<u>147,535</u>	<u>188,188</u>

6. TAXATION

Analysis of the tax charge

The tax (credit)/charge on the profit on ordinary activities for the year was as follows:-

	<u>2005</u>	<u>2004</u> as restated
	£	£
Current tax:		
UK corporation tax	-	-
Prior year	(40,403)	-
	<u>(40,403)</u>	<u>-</u>
Total current tax	(40,403)	-
Deferred taxation on pension liability	19,100	23,300
	<u>19,100</u>	<u>23,300</u>
Tax on profit on ordinary activities	<u>(21,303)</u>	<u>23,300</u>

COGENT ELLIOTT GROUP LIMITED

NOTES TO THE ACCOUNTS

6. TAXATION (CONTINUED)

Factors affecting the tax charge

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	<u>2005</u>	<u>2004</u> as restated
	£	£
Group profit before tax	374,578	171,032
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2004 - 30%)	112,373	51,310
Effects of:		
Disallowed expenditure	19,555	36,692
Capital allowances in excess of depreciation	(17,635)	(14,214)
Pension adjustments	(39,057)	(18,160)
Utilised brought forward tax losses	(76,052)	(79,204)
Unutilised tax losses	816	30,657
Prior year adjustments	(40,403)	(7,081)
	<hr/>	<hr/>
Current tax credit	(40,403)	-
	<hr/>	<hr/>

7. PRIOR YEAR ADJUSTMENTS

The prior year adjustment relates to the change in accounting policy for the defined benefit pension scheme and turnover.

	<u>2005</u>	<u>2004</u> as restated
	£	£
Recognition of FRS17 pension scheme liability	(1,736,000)	(1,942,000)
Deferred tax asset thereon	521,000	583,000
Reversal of SSAP24 pension provision	183,400	214,900
Change in income recognition/work-in-progress	46,933	23,330
	<hr/>	<hr/>
Prior year adjustment	(984,667)	(1,120,770)
	<hr/>	<hr/>

COGENT ELLIOTT GROUP LIMITED

NOTES TO THE ACCOUNTS

8. TANGIBLE FIXED ASSETS

	Short-term leasehold property £	Long-term leasehold property £	Equipment and vehicles £	Total £
GROUP				
Cost or valuation				
At 1 January 2005	-	4,520,196	865,857	5,386,053
Additions	379,991	60,855	207,179	648,025
Disposals	-	-	(156,161)	(156,161)
	<u>379,991</u>	<u>4,581,051</u>	<u>916,875</u>	<u>5,877,917</u>
At 31 December 2005				
	<u>379,991</u>	<u>4,581,051</u>	<u>916,875</u>	<u>5,877,917</u>
At cost	379,991	406,051	916,875	1,702,917
At valuation - 1992	-	4,175,000	-	4,175,000
	<u>379,991</u>	<u>4,581,051</u>	<u>916,875</u>	<u>5,877,917</u>
Depreciation				
At 1 January 2005	-	-	824,231	824,231
Charge for year	18,625	-	66,346	84,971
Disposals	-	-	(156,161)	(156,161)
	<u>18,625</u>	<u>-</u>	<u>734,416</u>	<u>753,041</u>
At 31 December 2005				
	<u>18,625</u>	<u>-</u>	<u>734,416</u>	<u>753,041</u>
Net book value				
31 December 2005	<u>361,366</u>	<u>4,581,051</u>	<u>182,459</u>	<u>5,124,876</u>
31 December 2004	<u>-</u>	<u>4,520,196</u>	<u>41,626</u>	<u>4,561,822</u>

Included in the above are fixed assets held under hire purchase contracts with a net book value of £90,003 (2004 : £nil).

Included in long-term leasehold property is an asset under the course of construction at the balance sheet date.

If long-term leasehold property had not been revalued it would have been included at the following historical cost:

	<u>2005</u> £	<u>2004</u> as restated £
Cost	<u>3,100,898</u>	<u>3,040,043</u>

No deferred tax has been provided in respect of the surplus arising on revaluation of land and buildings. The potential liability amounted to approximately £40,000 at the balance sheet date.

COGENT ELLIOTT GROUP LIMITED

NOTES TO THE ACCOUNTS

9. FIXED ASSET INVESTMENTS	<u>2005</u>	<u>2004</u> as restated
	£	£
Parent company		
Shares in subsidiary companies		
At 1 January 2005	440	440
Additions	100	-
Disposals	(258)	-
	<hr/>	<hr/>
At 31 December 2005	<u>282</u>	<u>440</u>

The company owns the whole of the ordinary share capital of the following companies, except where indicated *, all of which are registered in England and Wales:

Advertising services

Cogent Elliott Limited *
The Drury Lane Company Limited *
Cogent Elliott Investments Limited
Junction Eleven Limited

Dormant

Cogent Consultants Limited
ARM Communications Limited
Cogent Elliott Public Relations Limited
Lobelia Investment Company Limited
Cogent Group Limited - incorporated 28 January 2005
The Creative Company Limited
Elliott Advertising Limited
Cogent Advertising Limited

* These are wholly-owned subsidiaries of Cogent Group Limited.

Cogent Elliott Group Limited acquired Cogent Group Limited on 28 July 2005.

Cogent Elliott Group Limited sold its entire holdings of Cogent Elliott Limited and The Drury Lane Company Limited to Cogent Group limited on 28 July 2005.

10. DEBTORS	<u>2005</u>	<u>Group</u> <u>2004</u> as restated	<u>Parent company</u> <u>2005</u>	<u>2004</u>
	£	£	£	£
Trade debtors	775,164	968,140	-	-
Amounts owed by group companies	-	-	1,186,114	1,329,793
Other debtors	4,764	20,576	-	-
Accrued income	135,134	128,440	-	-
Prepayments	120,578	110,599	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	<u>1,035,640</u>	<u>1,227,755</u>	<u>1,186,114</u>	<u>1,329,793</u>

COGENT ELLIOTT GROUP LIMITED

NOTES TO THE ACCOUNTS

11. CREDITORS

	<u>2005</u>	<u>Group</u> <u>2004</u> as restated	<u>Parent company</u> <u>2005</u>	<u>2004</u>
	£	£	£	£
Amounts falling due within one year				
Bank loan (secured)	157,000	157,000	-	-
Trade creditors	625,212	806,461	-	-
Hire purchase contracts	39,531	-	-	-
Payments on account	124,375	151,121	-	-
Amounts owed to group companies	-	-	40,182	184,019
Other taxes and social security	195,974	330,908	-	-
Other creditors	44,594	301,823	-	-
Accruals	181,503	268,292	-	-
	<u>1,368,189</u>	<u>2,015,605</u>	<u>40,182</u>	<u>184,019</u>
Amounts falling due after one year				
Bank loan (secured)	1,327,970	1,134,970	-	-
Hire purchase contracts	42,299	-	-	-
Other creditors	32,421	120,238	-	-
	<u>1,402,690</u>	<u>1,255,208</u>	<u>-</u>	<u>-</u>

The following secured debts are included within creditors:

	<u>2005</u> £	<u>2004</u> £
Bank loan	<u>1,484,970</u>	<u>1,291,970</u>

Bank borrowings are secured by a fixed charge over the group's properties and a floating charge over all the group's assets.

An analysis of the maturity of the loan is given below:

Amounts falling due within one year or on demand	157,000	157,000
Amounts falling due between one and two years	157,000	157,000
Amounts falling due between two and five years	471,000	471,000
Amounts falling due after five years	699,970	506,970

COGENT ELLIOTT GROUP LIMITED

NOTES TO THE ACCOUNTS

12. CALLED UP SHARE CAPITAL

	<u>2005</u> £	<u>2004</u> £
Authorised		
100,000 Ordinary shares of £1 each	100,000	100,000
100,000 'A' Shares of £1 each	100,000	100,000
	<u>200,000</u>	<u>200,000</u>
Allotted, issued and fully paid		
51,240 Ordinary shares of £1 each	51,240	51,240
51,240 'A' Shares of £1 each	51,240	51,240
	<u>102,480</u>	<u>102,480</u>

13. RESERVES

	<u>Share premium</u> £	<u>Revaluation</u> £	<u>Capital redemption</u> £	<u>Profit and loss account</u> £
GROUP				
At 1 January 2005	17,100	1,480,153	100	1,501,470
Profit for the year - Group	-	-	-	395,881
Actuarial gains on pension scheme	-	-	-	243,600
Prior year adjustments (note 7)	-	-	-	(984,667)
	<u>17,100</u>	<u>1,480,153</u>	<u>100</u>	<u>1,156,284</u>
PARENT COMPANY				
At 1 January 2005 and 31 December 2005	<u>17,100</u>	<u>-</u>	<u>100</u>	<u>1,026,534</u>

14. COMMITMENTS

	<u>2005</u> £	<u>2004</u> £
GROUP		
a) Future capital expenditure Authorised and contracted for	<u>62,404</u>	<u>398,826</u>

COGENT ELLIOTT GROUP LIMITED

NOTES TO THE ACCOUNTS

14. COMMITMENTS (CONTINUED)

b) Operating leases

At 31 December 2005 there were the following annual commitments under non-cancellable operating leases:

	<u>2005</u>		<u>2004</u>	
	<u>Land and buildings</u>	<u>Other</u>	<u>Land and buildings</u>	<u>Other</u>
	£	£	£	£
Operating leases which expire:-				
Within one year	-	767	-	-
Between two and five years	12,500	66,986	15,000	56,920
After five years	147,312	-	61,700	-
	<u>159,812</u>	<u>67,753</u>	<u>76,700</u>	<u>56,920</u>

15. PENSIONS

The group operates a defined benefit scheme and a defined contribution scheme in the UK.

A full actuarial valuation of the group defined benefit scheme which was carried out at 31 March 2005 was updated to 31 December 2005 by a qualified independent actuary. The major assumptions used by the actuary were:

	<u>At 31 December 2005</u>	<u>At 31 December 2004</u>
Rate of increase in pensionable salaries	3.00%	3.25%
Rate of increase in pensions in payment	0.00%	0.00%
Discount rate	5.00%	5.40%
Inflation assumption	2.50%	2.75%

The assets of the scheme and the expected rates of return were:

	<u>Rate of return expected at 31 December 2005</u>	<u>Value at 31 December 2005</u>	<u>Rate of return expected at 31 December 2004</u>	<u>Value at 31 December 2004</u>
	£	£	£	£
Equities	7.75%	2,861,000	8.00%	1,523,000
Bonds	5.00%	5,195,000	5.40%	6,801,000
Other	7.00%	885,000		-
Total market value of assets		<u>8,941,000</u>		<u>8,324,000</u>
Present value of scheme liabilities		<u>(10,266,000)</u>		<u>(10,060,000)</u>
Deficit in the scheme		<u>(1,325,000)</u>		<u>(1,736,000)</u>
Deferred tax at 30%		397,500		521,000
Net pension liability		<u><u>(927,500)</u></u>		<u><u>(1,215,000)</u></u>

The full actuarial valuation at 31 March 2005 showed a reduction in the deficit from £1.106m to £749,000. No contributions will be paid until 31 December 2006 and then 20.2% per annum of current salaries.

COGENT ELLIOTT GROUP LIMITED

NOTES TO THE ACCOUNTS

15. PENSIONS (CONTINUED)	<u>2005</u> £	<u>2004</u> £
Analysis of the amount charged to operating profit under FRS17		
Current service cost	100,000	74,000
	<hr/>	<hr/>
Total operating charge	<u>100,000</u>	<u>74,000</u>
Analysis of the amount credited to other finance income		
Expected return on pension scheme assets	480,000	443,000
Interest on pension scheme liabilities	(530,000)	(528,000)
	<hr/>	<hr/>
Net return	<u>(50,000)</u>	<u>(85,000)</u>
Analysis of amount of the actuarial gain in the statement of total recognised gains and losses		
Actual return less expected return on pension scheme assets	475,000	91,000
Experience gains and losses arising on the scheme liabilities	864,000	38,000
Changes in assumptions underlying the present value of the schemes liabilities	(991,000)	-
	<hr/>	<hr/>
Actuarial gain	<u>348,000</u>	<u>129,000</u>
Movement in deficit during the year		
Deficit in scheme at beginning of year	(1,736,000)	(1,942,000)
Movement in year:		
Current service cost	(100,000)	(74,000)
Contributions	213,000	236,000
Other finance costs	(50,000)	(85,000)
Actuarial gain	348,000	129,000
	<hr/>	<hr/>
Deficit in scheme at end of year	<u>(1,325,000)</u>	<u>(1,736,000)</u>
History of experience gains and losses		
Difference between the expected and actual return on scheme assets:-		
Amount (£)	475,000	91,000
Percentage of scheme assets	5%	1%
Experience gains and losses on scheme liabilities:		
Amount (£)	864,000	38,000
Percentage of scheme liabilities	8%	0%
Total actuarial gain:		
Amount (£)	348,000	129,000
Percentage of the present value of the scheme liabilities	3%	1%

The charge for the year in respect of the defined contribution scheme was £87,712 (2004 - £92,243).

COGENT ELLIOTT GROUP LIMITED

NOTES TO THE ACCOUNTS

16. CONTINGENT LIABILITY

The parent company has guaranteed borrowings by subsidiary companies amounting to £1,680,408 (2004 - £1,291,970).

17. CASH FLOW STATEMENT ANALYSIS

	<u>2005</u> £	<u>2004</u> £
a) RECONCILIATION OF OPERATING PROFIT TO CASH FLOW FROM OPERATING ACTIVITIES		
Operating profit	522,113	309,220
Exceptional item (note 3)	-	50,000
Depreciation	84,971	51,950
Profit on sale of fixed assets	-	(8,000)
Pension current service cost	100,000	74,000
Pension contributions	(213,000)	(236,000)
Decrease/(increase) in debtors	192,115	(242,924)
(Decrease)/increase in creditors	(734,361)	560,774
	<hr/>	<hr/>
Net cash (outflow)/inflow from operating activities	<u>(48,162)</u>	<u>559,020</u>
 b) RETURNS OF INVESTMENTS AND SERVICING OF FINANCE		
Interest received	14,201	19,272
Bank interest paid	(105,473)	(124,460)
Interest element of hire purchase payments	(6,263)	-
	<hr/>	<hr/>
	<u>(97,535)</u>	<u>(105,188)</u>
 c) CAPITAL EXPENDITURE		
Payments to acquire tangible fixed assets	(529,436)	(37,722)
Receipts from sale of tangible fixed assets	-	8,000
	<hr/>	<hr/>
	<u>(529,436)</u>	<u>(29,722)</u>

COGENT ELLIOTT GROUP LIMITED

NOTES TO THE ACCOUNTS

17. CASH FLOW STATEMENT ANALYSIS (CONTINUED)

NET CASH INFLOW FROM FINANCING (CONTINUED)

	2005 £	2004 £		
d) FINANCING				
Bank loan advanced	350,000	-		
Bank loan repaid	(157,000)	(39,701)		
Capital element of hire purchase payments	(36,759)	-		
	<u>156,241</u>	<u>(39,701)</u>		
	<u><u>156,241</u></u>	<u><u>(39,701)</u></u>		
e) RECONCILIATION OF NET CASH INFLOW TO MOVEMENTS IN NET DEBT				
Analysis of changes in net debt	1 January 2005 £	Cashflow £	Other non-cash changes £	31 December 2005 £
Net cash:				
Cash at bank and in hand	<u>812,872</u>	<u>(518,892)</u>	<u>-</u>	<u>293,980</u>
Debt:				
Hire purchase contracts	-	36,759	(118,589)	(81,830)
Bank loan	(1,291,970)	(193,000)	-	(1,484,970)
	<u>(1,291,970)</u>	<u>(156,241)</u>	<u>(118,589)</u>	<u>(1,566,800)</u>
Total	(479,098)	(675,133)	(118,589)	(1,272,820)

18. ULTIMATE CONTROLLING PARTY

The ultimate controlling party is Mr. W.E. Husselby.