

**Pensord Press Limited**

**Directors' report and financial  
statements**

**Registered number 939885**

**31 December 2004**



## Contents

Directors' report	1
Statement of directors' responsibilities	2
Independent auditors' report to the members of Pensord Press Limited	3
Profit and loss account	4
Balance sheet	5
Cash flow statement	6
Reconciliation of movements in shareholders' funds	7
Notes	8

## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2004.

### Principal activities

The principal activity of the company is the printing of magazines and periodicals.

### Business review

The results for the year are shown in the profit and loss account on page 4.

The company made a profit for the financial year of £106,355 (2003: loss £51,267).

### Charitable fund

A charitable fund was set up during the year. In line with company policy of employee involvement, employees will participate in the running of the fund and in the selection of local and national causes to be supported.

### Proposed dividend

No dividend was paid during the year (2003: £Nil). The directors do not recommend the payment of a final dividend.

### Directors and directors' interests

The directors who held office during the year were as follows:

AM Jones  
GP Lambert

The directors who held office at the end of the year had no disclosable interest in the shares of the company. Their interest in group companies is shown in the directors' report of the holding company, Pensord Holdings Limited.

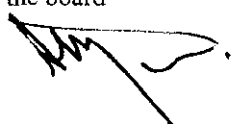
According to the register of directors interests, no rights to subscribe for shares in or debentures of the company were granted to any of the directors or their immediate families, or exercised by them, during the year.

### Auditors

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

By order of the board

AM Jones  
Director



Tram Road  
Pontllanfraith  
Blackwood  
Gwent  
NP12 2YA

6th May 2005

## Statement of directors' responsibilities

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 profit or loss for that period. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP

Marlborough House  
Fitzalan Road  
Cardiff  
CF24 0TE  
United Kingdom

## **Independent auditors' report to the members of Pensord Press Limited**

We have audited the financial statements on pages 4 to 16.

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

### **Respective responsibilities of directors and auditors**

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information and explanations we required for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

### **Basis of audit opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG LLP

*Chartered Accountants  
Registered Auditor*

9 May 2005

**Profit and loss account**  
*for the year ended 31 December 2004*

	<i>Note</i>	<b>2004</b> £	<b>2003</b> £
<b>Turnover</b>	<b>2</b>	<b>7,762,068</b>	<b>6,647,667</b>
Cost of sales		<b>(5,070,990)</b>	<b>(4,506,772)</b>
		<hr/>	<hr/>
<b>Gross profit</b>		<b>2,691,078</b>	<b>2,140,895</b>
Distribution costs		<b>(519,923)</b>	<b>(433,659)</b>
Administrative expenses		<b>(1,847,147)</b>	<b>(1,688,075)</b>
		<hr/>	<hr/>
<b>Operating profit</b>		<b>324,008</b>	<b>19,161</b>
Interest receivable	<b>6</b>	<b>1,292</b>	<b>5,737</b>
Interest payable	<b>7</b>	<b>(219,690)</b>	<b>(75,420)</b>
		<hr/>	<hr/>
<b>Profit/(loss) on ordinary activities before taxation</b>	<b>2-5</b>	<b>105,610</b>	<b>(50,522)</b>
Tax on profit/(loss) on ordinary activities	<b>8</b>	<b>745</b>	<b>(745)</b>
		<hr/>	<hr/>
<b>Retained profit/(loss) for the year</b>	<b>16</b>	<b>106,355</b>	<b>(51,267)</b>
		<hr/>	<hr/>

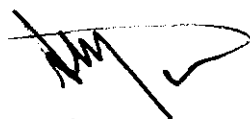
The company's operating profit/(loss) for the current and preceding financial year derives from continuing operations.

The company had no recognised gains or losses other than those included in the results above.

**Balance sheet**  
**at 31 December 2004**

	Note	2004	2003
		£	£
<b>Fixed assets</b>			
Tangible assets	9	3,586,812	2,631,722
<b>Current assets</b>			
Stocks	10	234,802	183,429
Debtors	11	1,401,564	1,427,014
Cash at bank and in hand		73,266	6,428
		<u>1,709,632</u>	<u>1,616,871</u>
<b>Creditors: amounts falling due within one year</b>	12	<u>(3,324,901)</u>	<u>(2,087,746)</u>
<b>Net current liabilities</b>		<u>(1,615,269)</u>	<u>(470,875)</u>
<b>Total assets less current liabilities</b>		<u>1,971,543</u>	<u>2,160,847</u>
<b>Creditors: amounts falling due after more than one year</b>	13	<u>(1,571,471)</u>	<u>(1,867,130)</u>
<b>Provisions for liabilities and charges</b>		<u>-</u>	<u>-</u>
<b>Net assets</b>		<u><u>400,072</u></u>	<u><u>293,717</u></u>
<b>Capital and reserves</b>			
Called up share capital	15	1,630,000	1,630,000
Revaluation reserve	16	142,000	142,000
Profit and loss account	16	(1,371,928)	(1,478,283)
<b>Equity shareholders' funds</b>		<u><u>400,072</u></u>	<u><u>293,717</u></u>

These financial statements were approved by the board of directors on 6th May 2005 and were signed on its behalf by:



AM Jones  
Director

**Cash flow statement**  
*for the year ended 31 December 2004*

	<i>Note</i>	<b>2004</b> £	<b>2003</b> £
<b>Cash inflow from operating activities</b>		<b>861,439</b>	<b>271,224</b>
<b>Returns on investments and servicing of finance</b>	<i>20</i>	<b>(218,398)</b>	<b>(69,683)</b>
<b>Taxation</b>		<b>-</b>	<b>-</b>
<b>Capital expenditure and financial investment</b>	<i>20</i>	<b>(31,805)</b>	<b>140,186</b>
Cash inflow before financing		611,236	341,727
<b>Financing</b>	<i>20</i>	<b>(389,185)</b>	<b>(1,081,327)</b>
<b>Increase/(decrease) in cash in the year</b>		<b>222,051</b>	<b>(739,600)</b>
<b>Reconciliation of net cash flow to movement in net debt</b>			
<b>Increase/(decrease) in cash in the year</b>		<b>222,051</b>	<b>(739,600)</b>
<b>Financing</b>		<b>389,185</b>	<b>1,081,327</b>
<b>Change in net debt resulting from cash flows</b>		<b>611,236</b>	<b>341,727</b>
<b>Non cash movements</b>	<i>21</i>	<b>(1,326,223)</b>	<b>245,000</b>
<b>Movement in net debt in the year</b>		<b>(714,987)</b>	<b>586,727</b>
<b>Net debt at the start of the year</b>	<i>21</i>	<b>(2,444,456)</b>	<b>(3,031,183)</b>
<b>Net debt at the end of the year</b>	<i>21</i>	<b>(3,159,443)</b>	<b>(2,444,456)</b>
<b>Reconciliation of operating profit to net cash flow from operating activities</b>			
<b>Operating profit</b>		<b>324,008</b>	<b>19,161</b>
<b>Depreciation charges</b>		<b>428,868</b>	<b>348,446</b>
<b>Profit on sale of fixed assets</b>		<b>(25,930)</b>	<b>(8,601)</b>
<b>Increase in stocks</b>		<b>(51,373)</b>	<b>(15,973)</b>
<b>Decrease/(increase) in debtors</b>		<b>25,450</b>	<b>(55,686)</b>
<b>Increase/(decrease) in creditors</b>		<b>160,416</b>	<b>(16,123)</b>
<b>Net cash inflow from operating activities</b>		<b>861,439</b>	<b>271,224</b>



**Reconciliation of movements in shareholders' funds**  
*for the year ended 31 December 2004*

	2004 £	2003 £
<b>Profit/(loss) for the financial year</b>	<b>106,355</b>	<b>(51,267)</b>
Share capital issued	-	1,600,000
	<hr/>	<hr/>
<b>Net increase in shareholders' funds</b>	<b>106,355</b>	<b>1,548,733</b>
Opening shareholders' funds	293,717	(1,255,016)
	<hr/>	<hr/>
<b>Closing shareholders' funds</b>	<b>400,072</b>	<b>293,717</b>
	<hr/>	<hr/>

## 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 accounting rules, modified to include the revaluation of certain land and buildings.

The company's ultimate parent undertaking Pensord Holdings Limited, has indicated that it will provide financial support to the company as may be required from time to time to enable it to meet its liabilities as they fall due.

#### *Fixed assets and depreciation*

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Plant and equipment	-	5 to 15 years
Freehold buildings	-	20 years

No depreciation is provided on freehold land.

#### *Leases*

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

#### *Post-retirement benefits*

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 against profits represents the contributions payable to the scheme in respect of the accounting period.

#### *Stocks*

Stocks are stated at the lower of cost and net realisable value. In determining the cost of raw materials and consumables, the latest purchase price is used. For work in progress cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

#### *Related party transactions*

The company has taken advantage of the FRS 8 exemption from disclosure of transactions within the group.

## Notes (continued)

### 1 Accounting policies (continued)

#### **Taxation**

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

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 FRS 19.

#### **Turnover**

Turnover represents the amounts (excluding value added tax) derived from the printing of magazines and periodicals for third party customers. Income is recognised on despatch of the publication.

#### **Cash and liquid resources**

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

### 2 Analysis of turnover and loss on ordinary activities before taxation

All turnover and losses before taxation are derived from printing and finishing and are by source and destination derived from operations in the United Kingdom.

### 3 Profit/(loss) on ordinary activities before taxation

	2004 £	2003 £
<b>Profit/(loss) on ordinary activities before taxation is stated</b>		
<i>after charging/(crediting):</i>		
Auditors' remuneration:		
Audit	7,500	7,500
Other services - fees paid to the auditor and its associates	5,600	3,900
Depreciation and other amounts written off tangible fixed assets:		
Owned	236,330	299,053
Leased	192,538	49,384
Hire of plant and machinery – rentals payable under operating leases	6,941	6,829
Hire of other assets – operating leases	58,945	57,092
(Profit)/loss on disposal of fixed assets	(25,930)	(8,601)

## Notes (continued)

### 4 Directors remuneration

	2004 £	2003 £
Directors remuneration	71,721	105,175
Company contribution to money purchase pension scheme	7,694	13,625
	<u>79,415</u>	<u>118,800</u>

Retirement benefits are accruing to one director (2003: two) under a money purchase scheme.

### 5 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	
	2004	2003
Production	83	87
Administration	22	21
Sales	8	7
	<u>113</u>	<u>115</u>

The aggregate payroll costs of these persons were as follows:

	2004 £	2003 £
Wages and salaries	2,819,307	2,670,127
Social security costs	289,892	269,305
Other pension costs	86,550	81,337
	<u>3,195,749</u>	<u>3,020,769</u>

### 6 Interest receivable

	2004 £	2003 £
Interest receivable	<u>1,292</u>	<u>5,737</u>

## Notes (continued)

### 7 Interest payable

	2004 £	2003 £
Interest payable on finance leases	164,298	40,285
Interest payable to invoice discounter	29,518	20,737
Interest payable on bank loans and overdrafts	25,874	14,398
Interest payable on group loans	-	-
	<u>219,690</u>	<u>75,420</u>

### 8 Taxation

#### Analysis of charge in period

	2004 £	2003 £
<i>UK corporation tax</i>		
Current tax on income for the period	-	745
Adjustments in respect of prior periods	(745)	-
	<u>(745)</u>	<u>745</u>
Tax on profit/(loss) on ordinary activities	(745)	745

#### Factors affecting the tax charge for the current period

The current tax charge for the period is lower (2003: higher) than the standard rate of corporation tax in the UK (30 %, 2003: 30 %). The differences are explained below.

	2004 £	2003 £
<i>Current tax reconciliation</i>		
Profit/(loss) on ordinary activities before tax	105,610	(50,522)
	<u>31,683</u>	<u>(15,157)</u>
Current tax at 30% (2003: 30%)		
<i>Effects of:</i>		
Expenses not deductible for tax purposes	4,738	4,523
Depreciation for period in excess of capital allowances	10,924	17,756
Other timing differences	3,436	5,794
Losses utilised	(50,441)	(11,225)
Reduced tax rate	(340)	(946)
Adjustment in respect of prior periods	(745)	-
	<u>(745)</u>	<u>745</u>
Total current tax charge (see above)	(745)	745

## Notes (continued)

### 9 Tangible fixed assets

	Freehold land and buildings £	Plant and equipment £	Total £
<b>Cost or valuation</b>			
At beginning of year	1,346,045	5,133,678	6,479,723
Additions	-	1,442,053	1,442,053
Disposals	-	(372,394)	(372,394)
At end of year	1,346,045	6,203,337	7,549,382
<b>Depreciation</b>			
At beginning of year	750,983	3,097,018	3,848,001
Charge for year	13,753	415,115	428,868
On disposals	-	(314,299)	(314,299)
At end of year	764,736	3,197,834	3,962,570
<b>Net book value</b>			
At 31 December 2004	581,309	3,005,503	3,586,812
At 31 December 2003	595,062	2,036,660	2,631,722

Freehold land was revalued on 7 March 2000 to £175,000. The valuation was performed by Cooke and Arkwright, RICS, on an open market value basis.

Included in the above are fixed assets held under finance leases/hire purchase contracts with a net book value of £2,490,003 (2003: £1,351,089). The depreciation on these assets was £192,538 (2003: £49,394).

### 10 Stocks

	2004 £	2003 £
Raw materials and consumables	223,003	159,366
Work in progress	11,799	24,063
	234,802	183,429

**Notes (continued)**

**11 Debtors**

	2004 £	2003 £
Trade debtors	1,254,848	1,279,579
Other debtors	82,845	75,674
Prepayments and accrued income	63,871	71,761
	<u>1,401,564</u>	<u>1,427,014</u>

Included within other debtors is £4,018 (2003: £4,018) in respect of debtors due in more than one year.

**12 Creditors: amounts falling due within one year**

	2004 £	2003 £
Mortgage loan	27,389	26,363
Amount due to invoice discounter	303,417	458,630
Obligations under finance lease/hire purchase contracts	1,330,432	98,761
Trade creditors	991,312	893,836
Corporation tax	-	745
Other taxes and social security	159,146	160,650
Accruals and deferred income	513,205	448,761
	<u>3,324,901</u>	<u>2,087,746</u>

**13 Creditors: amounts falling due after more than one year**

	2004 £	2003 £
Amounts owed to group undertakings	21,247	234,481
Obligations under finance lease/hire purchase contracts	1,166,172	1,219,748
Mortgage loan	384,052	412,901
	<u>1,571,471</u>	<u>1,867,130</u>

## Notes (continued)

### 13 Creditors: amounts falling due after more than one year (continued)

#### Analysis of debt

	2004 £	2003 £
<b>Mortgage loan and obligations under finance lease/hire purchase contracts</b>		
Debt can be analysed as falling due:		
In one year or less, or on demand	1,357,821	125,124
Between one and two years	208,273	1,225,525
Between two and five years	702,308	123,220
Over five years	639,643	283,903
	<hr/>	<hr/>
	2,908,045	1,757,772
	<hr/>	<hr/>

There is no fixed repayment date for the amount owed to group undertakings, although the group undertaking has confirmed that it will not be demanded within the next twelve months.

### 14 Provision for liabilities and charges

The elements of deferred taxation are as follows:

	2004 £	2003 £
Difference between accumulated depreciation and amortisation and capital allowances	56,174	67,099
Other timing differences	(11,640)	(8,204)
Tax losses	(44,534)	(58,895)
	<hr/>	<hr/>
Deferred tax	-	-
	<hr/>	<hr/>

A deferred tax asset of £46,179 (2003: £82,096) arises in respect of further tax losses which are available to be relieved against future trading profits. The directors do not consider it is appropriate to recognise the deferred tax asset.

### 15 Called up share capital

	2004 £	2003 £
<b>Authorised</b>		
Equity: Ordinary shares of 5p each	1,630,000	1,630,000
	<hr/>	<hr/>
<b>Allotted, called up and fully paid</b>		
Equity: Ordinary shares of 5p each	1,630,000	1,630,000
	<hr/>	<hr/>



## Notes (continued)

### 16 Reserves

	Revaluation reserve £	Profit and loss account £
At beginning of year	142,000	(1,478,283)
Retained profit for the year	-	106,355
<b>At end of year</b>	<b>142,000</b>	<b>(1,371,928)</b>

### 17 Commitments

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

	2004		2003	
	Land and buildings £	Other £	Land and buildings £	Other £
<i>Operating leases which expire</i>				
Within one year	-	2,234	-	2,782
In the second to fifth years inclusive	12,000	48,239	12,000	48,928
	<b>12,000</b>	<b>50,473</b>	<b>12,000</b>	<b>51,710</b>

(b) Capital commitments at the end of the financial year for which no provision has been made amount to £110,000

### 18 Pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the fund and amounted to £86,550 (2003: £81,537).

Contributions amounting to £21,284 (2003: £14,121) were payable to the fund and are included in creditors.

### 19 Ultimate parent undertaking

The company's immediate parent undertaking is Pensord Press Holdings Limited, which is incorporated in England.

The company's ultimate parent undertaking is Pensord Holdings Limited which is incorporated in England.

The smallest and largest group in which the results of the company are consolidated is headed by Pensord Holdings Limited.

**Notes (continued)**

**20 Analysis of cash flows**

	2004 £	2004 £	2003 £	2003 £
<b>Returns on investment and servicing of finance</b>				
Interest received	1,292		5,737	
Interest paid	(219,690)		(75,420)	
		(218,398)		(69,683)
<b>Capital expenditure and financial investment</b>				
Purchase of tangible fixed assets	(115,830)		(82,314)	
Proceeds from disposal of tangible fixed assets	84,025		222,500	
		(31,805)		140,186
<b>Financing</b>				
Repayment of parent company loan	(213,234)		(1,484,100)	
New loan	-		455,000	
Repayment of loan	(27,823)		(15,736)	
Capital element of hire purchase and lease rentals	(148,128)		(36,491)	
		(389,185)		(1,081,327)

**21 Analysis of net debt**

	At beginning of year £	Cash flow £	Other non cash changes £	At end of year £
Cash in hand, at bank	6,428	66,838	-	73,266
Invoice discounting	(458,630)	155,213	-	(303,417)
	(452,202)	222,051	-	(230,151)
Debt due after one year	(1,867,130)	1,488,257	(1,192,598)	(1,571,471)
Debt due within one year	(125,124)	(1,099,072)	(133,625)	(1,357,821)
	(2,444,456)	611,236	(1,326,223)	(3,159,443)

Other non cash movements comprise new finance lease obligations.