

Company Registration No 2299109 (England and Wales)

REVISED

TAG EUROPE LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2006

THURSDAY



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COMPANIES HOUSE

TAG EUROPE LIMITED

COMPANY INFORMATION

Directors

M Hearn
S Parish
C L Bond
M Harrison
M J Stroud
R M Jameson

Secretary

R M Jameson

Company number

2299109

Registered office

29 Clerkenwell Road
London
EC1M 5TA

Auditors

BDO Stoy Hayward LLP
Chartered Accountants
Registered Auditors
Emerald House
East Street
Surrey
KT17 1HS

TAG EUROPE LIMITED

CONTENTS

	Page
Directors' report	1 - 4
Independent auditors' report	5 - 6
Profit and loss account	7
Balance sheet	8
Cash flow statement	9
Notes to the cash flow statement	10
Notes to the financial statements	11 - 22

TAG EUROPE LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2006

The directors present their report and financial statements for the year ended 31 December 2006

Revised financial statements

These revised financial statements of Tag Europe Limited for the year ended 31 December 2006 replace the original financial statements which were approved by the board on 8 October 2007. They are now the statutory financial statements of the company for that financial year. The revised accounts have been prepared as at 8 October 2007 and not at the date of revision and accordingly do not deal with events between those dates.

The financial statements have been revised to reflect the transfer of specific fixed assets between Tag Europe Limited and Tag PRS Limited, a fellow subsidiary, which took place in February 2006. This transfer was incorrectly omitted from the original financial statements and therefore, the original financial statements did not give a true and fair view of the state of affairs of the company and of the profit or loss of the company for the year ended 31 December 2006 and consequently did not comply with the Act. The amendments made to the original financial statements have resulted in fixed assets increasing from £2,879,202 to £3,020,772 and the retained profit for the period decreasing from £1,746,034 to £1,634,093.

Principal activities and review of the business

The principal activity of the company continued to be that of pre-press services and electronic image manipulation.

The company met its expectations in the year to 31 December 2006. The company achieved turnover in excess of £20mn in the year compared to £13.3mn in 2005 representing an increase of 51.8%. The company generated gross profits of £10mn during the year compared to £7.2mn in 2005, representing an increase of £2.8mn. The gross profit margin achieved by the company was 49.72%, down from 54.40% in 2005. The company also earned a profit before taxation of £2,001,490 which was a marked increase from £438,680 in 2005. At the balance sheet date the company net assets of £2.4mn up from £780k in 2005.

Our strategy continues to be to prioritise the growth and profitability of the company. We expect the profitability of the company to continue for the foreseeable future and, together with a planned rationalisation of costs, expect the company to deliver improved profitability in future years. At this stage of the year we are already confident of reaching our targets for 2007.

In February 2006 Tag PRS Limited, a fellow subsidiary transferred its reprographic and premedia trading division to the company.

The principal risks and uncertainties facing the company are the threats of a global economic downturn which could in turn put pressure on the company's ability to achieve its objectives. Like many businesses the key risk is client retention, in order to mitigate this risk the company continues to strive to maintain high levels of services and customer satisfaction.

Results and dividends

The results for the year are set out on page 7.

The directors do not recommend payment of an ordinary dividend.

TAG EUROPE LIMITED

DIRECTORS' REPORT (CONTINUED) **FOR THE YEAR ENDED 31 DECEMBER 2006**

Treasury Management and Financial Risk

The company is part of a group that operates a central treasury function which is primarily responsible for managing cash balances and foreign currency risks. Forward exchange contracts and similar instruments will continue to be used on a selective basis to hedge against currency exposure.

The company seeks to specifically manage financial risk, to ensure sufficient liquidity is available to meet foreseeable needs as and when they fall due. Liquid resources are managed to ensure cash assets are invested safely and profitably.

The main risk from the company's other financial instruments is interest rate risk. The directors review and agree the policies for managing this and other risks. In relation to interest rate risk, the directors aim to strike a balance between the operational needs of the business, floating rate interest risk and the expense of fixed interest rates.

The company has no significant concentrations of credit risk. The company has implemented policies that require appropriate credit checks on potential customers before sales commence.

TAG EUROPE LIMITED

DIRECTORS' REPORT (CONTINUED) **FOR THE YEAR ENDED 31 DECEMBER 2006**

Directors

The following directors have held office since 1 January 2006

V J Tickel	(Resigned 23 January 2007)
M E Gill	(Resigned 23 January 2007)
M Hearn	
S Parish	
C L Bond	
M Eggleton	(Resigned 24 October 2006)
M Harrison	
M J Stroud	
R M Jameson	

Directors' interests

The directors' interests in the shares of the company were as stated below

	Ordinary shares of £1 each	
	31 December 2006	1 January 2006
V J Tickel	-	-
M E Gill	-	-
M Hearn	200	200
S Parish	-	-
C L Bond	200	200
M Harrison	200	200
M J Stroud	-	-
R M Jameson	-	-

In addition to the above, Messrs Tickel, Gill and Stroud held 200 and Messrs Parish, Tickel, Gill and Stroud held 400 shares on behalf of the company's management which includes the above directors

The directors beneficial interests in the parent company as at 31 December 2006 were, V J Tickel 21.8%, M E Gill 15.4%, M J Stroud 15.4% and S Parish 9%

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that BDO Stoy Hayward LLP be reappointed as auditors of the company will be put to the Annual General Meeting

TAG EUROPE LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2006

Directors' responsibilities

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice. 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 of the company 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,
- 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 enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

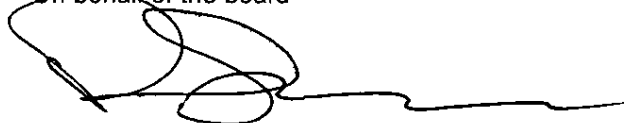
The Act requires that where revised financial statements are issued, a revised auditors' report is issued and this is attached on pages 5 and 6. Under s245 of the Act the directors have authority to revise annual financial statements, the directors' report or directors' remuneration report if they do not comply with this Act. The revised financial statements must be amended in accordance with the Companies (Revision of Defective Accounts and Reports) Regulations 1990 and in accordance therewith do not take account of events which have taken place after the date on which the original financial statements were approved. The regulations require that the revised financial statements show a true and fair view as if they were prepared and approved by the directors at the date of the original financial statements.

Statement of disclosure to auditor

(a) so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board



R M Jameson

Director
28/3/8

TAG EUROPE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF TAG EUROPE LIMITED

We have audited the revised financial statements of Tag Europe Limited (formerly Adplates Limited) for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein. The revised financial statements replace the original financial statements approved by the directors on 8 October 2007.

Respective responsibilities of the directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the revised 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 revised financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with those revised 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 are also required to report whether in our opinion the original financial statements failed to comply with the requirements of the Companies Act 1985 in the respects identified by the directors.

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

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

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 revised financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed. The audit of revised financial statements includes the performance of additional procedures to assess whether the revisions made by the directors are appropriate and have been properly made.

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 revised 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 revised financial statements.

TAG EUROPE LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE SHAREHOLDERS OF TAG EUROPE LIMITED

Opinion

In our opinion

- the revised financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended,
- the original financial statements for the year ended 31 December 2006 failed to comply with the requirements of the Companies Act 1985 in the respects identified by the directors in the statement contained in the Directors' Report,
- the revised financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the revised financial statements

BDO Stoy Hayward LLP

BDO Stoy Hayward LLP

Chartered Accountants

Registered Auditor

Emerald House

East Street

Epsom

Surrey

KT17 1HS

Date *3 APRIL 2008*

TAG EUROPE LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	2006 £	2005 £
Turnover	2	20,188,599	13,298,707
Cost of sales		(10,149,052)	(6,064,175)
Gross profit		10,039,547	7,234,532
Distribution costs		(2,031,366)	(1,302,105)
Administrative expenses		(6,690,141)	(6,218,614)
Other operating income		950,266	888,000
Operating profit	3	2,268,306	601,813
Investment income	4	107	-
Interest payable and similar charges	5	(266,923)	(163,133)
Profit on ordinary activities before taxation		2,001,490	438,680
Tax on profit on ordinary activities	6	(367,397)	(347,933)
Profit for the year	16	1,634,093	90,747

The profit and loss account has been prepared on the basis that all operations are continuing operations

There are no recognised gains and losses other than those passing through the profit and loss account

TAG EUROPE LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2006

	Notes	2006 £	£	2005 £	£
Fixed assets					
Tangible assets	7	3,020,772		2,615,637	
Investments	8	20,000		20,000	
		<u>3,040,772</u>		<u>2,635,637</u>	
Current assets					
Stocks	9	400,600		91,320	
Debtors	10	13,517,619		10,285,776	
Investments	11	1,000		1,000	
Cash at bank and in hand		2,526		5,066	
		<u>13,921,745</u>		<u>10,383,162</u>	
Creditors amounts falling due within one year	12	(13,272,488)		(10,459,846)	
Net current assets/(liabilities)		<u>649,257</u>		<u>(76,684)</u>	
Total assets less current liabilities		<u>3,690,029</u>		<u>2,558,953</u>	
Creditors amounts falling due after more than one year	13	(1,275,454)		(1,778,471)	
		<u>2,414,575</u>		<u>780,482</u>	
Capital and reserves					
Called up share capital	15	9,600		9,600	
Other reserves	16	900		900	
Profit and loss account	16	2,404,075		769,982	
Shareholders' funds	17	<u>2,414,575</u>		<u>780,482</u>	

Approved by the Board and authorised for issue on

28/3/8

R M Jameson
Director

TAG EUROPE LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2006

	£	2006 £	£	2005 £
Net cash inflow/(outflow) from operating activities		3,080,500		(1,294,652)
Returns on investments and servicing of finance				
Interest paid	(266,923)		(163,133)	
Dividends received	107		-	
Net cash outflow for returns on investments and servicing of finance		(266,816)		(163,133)
Taxation		(221,578)		(99,251)
Capital expenditure				
Payments to acquire tangible assets	(1,235,837)		(819,564)	
Receipts from sales of tangible assets	3,999		23,650	
Net cash outflow for capital expenditure		(1,231,838)		(795,914)
Net cash inflow/(outflow) before management of liquid resources and financing		1,360,268		(2,352,950)
Financing				
Other new short term loans	1,924,896		-	
Capital element of hire purchase contracts	(326,433)		132,725	
Net cash inflow from financing		1,598,463		132,725
Increase/(decrease) in cash in the year		2,958,731		(2,220,225)

TAG EUROPE LIMITED

NOTES TO THE CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2006

1	Reconciliation of operating profit to net cash inflow/(outflow) from operating activities	2006		2005	
		£		£	
	Operating profit	2,268,306		601,813	
	Depreciation of tangible assets	1,090,680		833,921	
	Loss on disposal of tangible assets	10,088		13,102	
	(Increase)/decrease in stocks	(309,280)		-	
	Increase in debtors	(3,231,843)		(4,103,016)	
	Increase in creditors within one year	3,252,549		1,359,528	
	Net cash inflow/(outflow) from operating activities	3,080,500		(1,294,652)	
2	Analysis of net debt	1 January 2006	Cash flow	Other non-cash changes	31 December 2006
		£	£	£	£
	Net cash				
	Cash at bank and in hand	5,066	(2,540)	-	2,526
	Bank overdrafts	(3,598,826)	2,961,271	-	(637,555)
		<u>(3,593,760)</u>	<u>2,958,731</u>	<u>-</u>	<u>(635,029)</u>
	Liquid resources				
	Current asset investments	1,000	-	-	1,000
	Debt				
	Finance leases	(713,712)	326,433	-	(387,279)
	Debts falling due within one year	-	(1,924,896)	-	(1,924,896)
	Debts falling due after one year	(1,688,527)	537,748	-	(1,150,779)
		<u>(2,402,239)</u>	<u>(1,060,715)</u>	<u>-</u>	<u>(3,462,954)</u>
	Net debt	(5,994,999)	1,898,016	-	(4,096,983)
3	Reconciliation of net cash flow to movement in net debt	2006		2005	
		£		£	
	Increase/(decrease) in cash in the year	2,958,731		(2,220,225)	
	Cash outflow from decrease in debt and lease financing	(1,060,715)		772,452	
	Movement in net debt in the year	1,898,016		(1,447,773)	
	Opening net debt	(5,994,999)		(4,547,226)	
	Closing net debt	(4,096,983)		(5,994,999)	

TAG EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards

1.2 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts. Sales are recognised once the product has been delivered and signed off as completed by all parties.

1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Leasehold improvements	Over 15 years
Plant and machinery	Over 3 to 5 years
Fixtures, fittings & equipment	Over 7 years
Motor vehicles	Over 5 years

1.4 Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.5 Investments

Fixed asset investments are stated at cost less provision for diminution in value.
Current asset investments are stated at the lower of cost and net realisable value.

1.6 Stock and work in progress

Work in progress is valued at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving stocks.

1.7 Pensions

The company operates a defined contribution scheme for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable.

1.8 Deferred taxation

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

1.9 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

TAG EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2006

1 Accounting policies (continued)

1.10 Factoring and invoice discounting arrangements

The company has an agreement under which debts approved by the factor company are assigned to them with recourse. The company has an obligation to support any losses from the factored debts. Amounts due to the factor company are included within other creditors. The factoring charges are charged to the profit and loss as they accrue and are included within other interest payable.

2 Turnover

Geographical market

	Turnover	
	2006	2005
	£	£
United Kingdom	19,446,600	12,556,616
Rest of European Union	741,999	742,091
	<u>20,188,599</u>	<u>13,298,707</u>

3 Operating profit	2006	2005
	£	£
Operating profit is stated after charging		
Depreciation of tangible assets	1,090,680	833,921
Loss on disposal of tangible assets	10,088	13,102
Loss/(profit) on foreign exchange transactions	140,617	(18,629)
Debt factoring charges	50,000	-
Operating lease rentals	489,858	413,216
Auditors' remuneration	15,000	14,000
	<u></u>	<u></u>

Included within administration expenses are £412,835 (2005: £nil) relating to restructuring costs incurred during the year. The company carried out an extensive restructuring programme during the year in order to streamline the company's activities.

4 Investment income	2006	2005
	£	£
Income from fixed asset investments	<u>107</u>	<u>-</u>

TAG EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2006

5	Interest payable	2006	2005
		£	£
	On bank loans and overdrafts	213,133	103,555
	Hire purchase interest	10,742	40,290
	Other interest	43,048	19,288
		<u>266,923</u>	<u>163,133</u>
6	Taxation	2006	2005
		£	£
	Domestic current year tax		
	U K corporation tax	367,397	347,933
	Current tax charge	<u>367,397</u>	<u>347,933</u>
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	2,001,490	438,680
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2005 - 30.00%)	<u>600,447</u>	<u>131,604</u>
	Effects of		
	Non deductible expenses	278,136	338,578
	Depreciation add back	330,230	250,176
	Capital allowances	(272,110)	(233,975)
	Tax losses utilised	(569,306)	(138,450)
		<u>(233,050)</u>	<u>216,329</u>
	Current tax charge	<u>367,397</u>	<u>347,933</u>

A deferred tax asset of £273,043 (2005 £149,084) for depreciation in excess of capital allowances and other short term timing differences has not been recognised because in the opinion of the directors there will be no suitable taxable gains available in the foreseeable future

TAG EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2006

7 Tangible fixed assets

	Land and buildings Leasehold	Plant and machinery	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 January 2006	915,506	8,962,425	1,467,107	369,631	11,714,669
Inter company transfers	-	576,620	-	10,134	586,754
Additions	150,459	823,699	261,679	-	1,235,837
Disposals	-	-	-	(31,125)	(31,125)
At 31 December 2006	1,065,965	10,362,744	1,728,786	348,640	13,506,135
Depreciation					
At 1 January 2006	384,467	7,454,000	1,100,657	159,908	9,099,032
Inter company transfers	-	305,482	-	7,207	312,689
On disposals	-	-	-	(17,038)	(17,038)
Charge for the year	66,949	831,008	128,249	64,474	1,090,680
At 31 December 2006	451,416	8,590,490	1,228,906	214,551	10,485,363
Net book value					
At 31 December 2006	614,549	1,772,254	499,880	134,089	3,020,772
At 31 December 2005	531,039	1,508,425	366,450	209,723	2,615,637

Included above are assets held under finance leases or hire purchase contracts as follows

	Plant and machinery	Motor vehicles	Total
	£	£	£
Net book values			
At 31 December 2006	178,645	129,677	308,322
At 31 December 2005	445,556	198,025	643,581
Depreciation charge for the year			
At 31 December 2006	266,911	54,260	321,171
At 31 December 2005	168,530	44,852	213,382

TAG EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2006

8 Fixed asset investments

	Unlisted investments £
Cost and net book value	
At 1 January 2006 & at 31 December 2006	20,000

9 Work in progress

	2006 £	2005 £
Work in progress	400,600	91,320

The difference between purchase price or production cost of stocks and their replacement cost is not material

10 Debtors

	2006 £	2005 £
Trade debtors	6,542,789	3,651,693
Amounts owed by parent and fellow subsidiary undertakings	6,199,694	6,186,230
Other debtors	447,458	104,960
Prepayments and accrued income	327,678	342,893
	13,517,619	10,285,776

11 Current asset investments

	2006 £	2005 £
Listed investments	1,000	1,000
Market valuation of listed investments	4,898	4,027

TAG EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2006

12 Creditors' amounts falling due within one year	2006	2005
	£	£
Bank loans and overdrafts	637,555	3,598,826
Net obligations under hire purchase contracts	262,604	623,768
Trade creditors	1,701,735	826,779
Amounts owed to parent and fellow subsidiary undertakings	4,978,152	2,943,581
Corporation tax	695,173	549,354
Other taxes and social security costs	689,889	360,749
Directors' current accounts	585,250	-
Other creditors	2,419,419	95,791
Accruals and deferred income	1,302,711	1,460,998
	<u>13,272,488</u>	<u>10,459,846</u>

The bank loan and overdraft are secured by a standard bank debenture and cross guarantee between companies within the Adplates Group. Net obligations under finance lease and hire purchase contracts are secured over the assets to which they relate.

13 Creditors' amounts falling due after more than one year	2006	2005
	£	£
Net obligations under hire purchase contracts	124,675	89,944
Amounts owed to group undertakings	1,150,779	1,688,527
	<u>1,275,454</u>	<u>1,778,471</u>
Net obligations under hire purchase contracts		
Repayable within one year	262,604	623,767
Repayable between two and five years	124,675	89,945
	<u>387,279</u>	<u>713,712</u>
Included in liabilities falling due within one year	(262,604)	(623,768)
	<u>124,675</u>	<u>89,944</u>

Net obligations under finance leases and hire purchase contracts are secured over the assets to which they relate.

TAG EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2006

14 Pension costs

Defined contribution

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 pension cost charge represents contributions payable by the company to the fund. There were no amounts payable to the scheme at the year end (2005: £nil).

	2006 £	2005 £
Contributions payable by the company for the year	108,095	115,523

15 Share capital

	2006 £	2005 £
Authorised		
10,000 Ordinary shares of £1 each	10,000	10,000
Allotted, called up and fully paid		
9,600 Ordinary shares of £1 each	9,600	9,600

16 Statement of movements on reserves

	Other reserves (see below) £	Profit and loss account £
Balance at 1 January 2006	900	769,982
Profit for the year	-	1,634,093
Balance at 31 December 2006	900	2,404,075
Other reserves		
Capital redemption reserve		
Balance at 1 January 2006 & at 31 December 2006	900	

TAG EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2006

17 Reconciliation of movements in shareholders' funds	2006 £	2005 £
Profit for the financial year	1,634,093	90,747
Opening shareholders' funds	780,482	689,735
Closing shareholders' funds	2,414,575	780,482

18 Contingent liabilities

At the balance sheet date the company had contingent liabilities in respect of unlimited bank guarantees in respect of other group companies. The amount covered by these guarantees at the year end is £2,431,776 (2005 £1,225,408)

19 Financial commitments

At 31 December 2006 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 December 2007

	Land and buildings		Other	
	2006	2005	2006	2005
	£	£	£	£
Operating leases which expire				
Within one year	-	-	-	9,395
Between two and five years	-	-	-	6,588
In over five years	452,850	442,000	-	-
	452,850	442,000	-	15,983

TAG EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2006

20 Directors' emoluments	2006 £	2005 £
Emoluments for qualifying services	1,215,543	1,346,283
Company pension contributions to money purchase schemes	77,300	37,500
	<u>1,292,843</u>	<u>1,383,783</u>

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 5 (2005 - 5)

Emoluments disclosed above include the following amounts paid to the highest paid director

Emoluments for qualifying services	257,653	243,560
Company pension contributions to money purchase schemes	24,000	24,000
	<u>281,653</u>	<u>267,560</u>

The highest paid director's remuneration was recharged to Adplates Group Limited, the company's holding company

21 Employees

Number of employees

The average monthly number of employees (including directors) during the year was

	2006 Number	2005 Number
Production	113	72
Sales, distribution and administration	104	92
	<u>217</u>	<u>164</u>

Employment costs	2006 £	2005 £
Wages and salaries	9,386,695	7,191,437
Social security costs	523,669	498,464
Other pension costs	108,095	115,523
	<u>10,018,459</u>	<u>7,805,425</u>

TAG EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2006

22 Related party transactions

During the year the company traded with fellow subsidiaries of the Adplates Group Limited

The following amounts were due to the company from the holding company and fellow subsidiaries and associates

	2006 £	2005 £
Trading balances		
Tag Creative Limited	13,497	1,451
Tag@Baker Street Ltd (formerly Tag at Comma Limited)	27,944	4,935
Tag Print Services Limited (formerly East Central One Media Limited)	-	-
Tag @ Ogilvy Limited	2,350	12,056
Turning Point Technologies Limited	4,348	6,168
Transcolour (Scotland) Limited	-	-
World Writers Limited	4,944	14,866
Smoke and Mirrors Productions Limited	28,200	28,200
Tag at RKCR/YR Limited	2,683	1,807
Non trading balances		
Adplates Group Limited	485,568	3,053,227
Blue Tag Limited	14,690	-
Transcolour (Scotland) Limited	126,759	126,759
Tag Print Services Limited (formerly East Central One Media Limited)	1,313,034	986,359
Tag Worldwide Sweden Limited	172,381	172,381
The Clerkenwell Partnership Limited	-	193,000
Tag Worldwide USA Inc	683,603	1,076,827
Smoke and Mirrors Productions Limited	1,820,577	134,521
Tag at RKCR/YR Limited	537,823	-
Tag Worldwide Singapore pte	165,166	-
United Digital UK Limited	446,264	-
Highball Limited	349,863	324,863

The following amounts were due from the company to the holding company and fellow subsidiaries and associates

	2006 £	2005 £
Trading balances		
Turning Point Technologies Limited	344,480	160,713
Tag Print Services Limited (formerly East Central One Media Limited)	102,972	21,168
Tag Creative Limited	102,107	42,229
Transcolour (Scotland) Limited	8,225	8,225
Smoke and Mirrors Productions Limited	182,336	126,431
Tag PRS Limited (formerly Vertis PRS Limited)	94,742	60,570
Admagic Limited	16,534	-
Tag at RKCR/YR Limited	5,405	-
Tag USA	1,952	-
World Writers Limited	100,316	49,958

TAG EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2006

22 Related party transactions

(continued)

Non trading balances

Optikos Laboratories Limited	274,252	-
Adplates Group Limited	-	400,000
Tag@Baker Street Ltd (formerly Tag at Comma Limited)	1,234,717	1,220,298
Tag @ Ogilvy Limited	95,536	707,470
United Digital UK Limited	-	217,369
Tag Worldwide USA Inc	-	-
Turning Point Technologies Limited	197,670	734,117
Tag Creative Limited	284,911	245,257
World Writers Limited	953,109	554,409
Tag PRS Limited (formerly Vertis PRS Limited)	1,433,273	-
Admagic Limited	696,395	-
Tag at RKCR/YR Limited	-	83,893

During the year the company made the following sales with fellow subsidiaries

	2006	2005
	£	£
Turning Point Technologies Limited	31,200	-
Tag Creative Limited	43,070	22,810
Tag@Baker Street Ltd (formerly Tag at Comma Limited)	73,582	71,900
World Writers Limited	4,208	14,712
Tag @ Ogilvy Limited	56,246	59,138
Tag @ MWO Limited	-	9,340
Tag at RKCR/YR Limited	55,116	24,675
Smoke and Mirrors Productions Limited	6,057	-

TAG EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2006

22 Related party transactions

(continued)

During the year the company made the following purchases from fellow subsidiaries

	2006	2005
	£	£
Turning Point Technologies Limited	491,510	293,156
Tag Creative Limited	30,195	81,140
Smoke and Mirrors Productions Limited	291,538	301,851
United Digital UK Limited	-	1,999
Tag @ RKCR/YR Limited	4,600	-

During the year the company received the following management charges from fellow subsidiaries

	2006	2005
	£	£
Tag@Baker Street Ltd (formerly Tag at Comma Limited)	120,000	72,000
Tag Creative Limited	156,000	156,000
Turning Point Technologies Limited	126,000	126,000
Tag @ Ogilvy Limited	110,000	60,000
World Writers Limited	27,000	27,000
United Digital UK Limited	8,250	33,000
Tag Print Services Limited (formerly East Central One Media Limited)	54,000	54,000
Tag Worldwide USA Inc	96,000	96,000
Smoke and Mirrors Productions Limited	144,000	144,000
Tag at RKCR/YR Limited	60,000	60,000

During the year the company paid rent of £405,857 (2005 £410,000) to VMM Limited, a company in which V J Tickel, M E Gill and M J Stroud are directors

During the year the company was charged £141,472 (2005 £105,429) for accountancy and consultancy services by Vantis Group Limited, a company in which P F Jackson is a director P F Jackson is a shareholder of Adplates Group Limited At the year end the amount due to Vantis Group Limited was £17,669 (2005 £12,143)

At the balance sheet date the company owed S Parish, a director of the company, £585,250 Interest is charged at 5% on this loan During the year the company was charged interest of £27,000 The loan is unsecured and repayable on demand

23 Ultimate parent company

The parent and ultimate parent company is Adplates Group Limited, a company incorporated in England and Wales Copies of the group financial statements of Adplates Group Limited are available from Companies House, Crown Way, Mandy, Cardiff, CF4 3UZ