Buckley Jewellery Limited

Consolidated financial statements
For the year ended 31 January 2006

Grant Thornton

Company No. 2343583

Company information

Company registration number	2343583
Registered office	Unit G3 Wyther Lane Industrial Estate Wyther Green Leeds LS5 3AR
Directors	Mr A J L Buckley (Chief Executive) Mr R J Steele (Non-executive Chairman) Mr A S Henderson (Executive Director) Mr K M Benson (Executive Director) Mr N J Thompson (Executive Director) Mr I V Potter (Finance Director)
Secretary	Mr I V Potter
Bankers	Barclays Bank plc 17 Market Street Huddersfield West Yorkshire HD1 2AB
Solicitors	McCombie & Co St Pauls House 23 Park Square Leeds West Yorkshire LS1 2ND
Auditor	Grant Thornton UK LLP Chartered Accountants Registered Auditors St Johns Centre 110 Albion Street Leeds LS2 8LA

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Report of the directors

The directors present their report together with the audited financial statements for the year ended 31 January 2006.

Principal activities and business review

The group is principally engaged in the design and distribution of jewellery.

In December 2005, the company acquired the whole of the issued share capital of Unbeadable Limited for a consideration of £2.1 million. The trading results for the year and the group's financial position at the end of the year are shown in the attached financial information.

Results and dividends

There was a loss for the year after taxation amounting to £299,897 (2005: a loss of £100,000). Particulars of dividends paid are detailed in note 7 to the financial statements. The loss for the year was after charging £340,000 in respect of dividends on shares classified as financial liabilities and a charge for impairment of purchased goodwill of £300,000. Without these charges there would have been a profit for the year of £340,103.

Financial risk management objectives and policies

The company uses various financial instruments, these include loans, cash and various items, such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the company's operations. The existence of these financial instruments exposes the company to a number of financial risks, which are reviewed regularly by the directors.

In reviewing these risks the directors take into account all available information covering current and future interest rates and exchange rates. They then set the policy to be adhered to for a set period, at which time they will review the situation and set a new policy if required.

The directors and their interests in the shares of the company

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

	Ordinary shares of £0.10 each	
	At 31 January 2006	At 1 February 2005
Mr A J L Buckley (Chief Executive)	1,279,050	1,279,050
Mr R J Steele (Non-executive Chairman)	12,750	12,750
Mr A S Henderson (Executive Director)	-	-
Mr P A Houlton (Executive Director) - resigned 21 June 2006	-	-
Mr K M Benson (Executive Director)	-	-

Mr I V Potter was appointed as a director on 21 June 2006 and Mr N J Thompson was appointed as a director on 30 June 2006.

No director had, during or at the end of the period, a material interest in any contract which was significant in relation to the company's business except as disclosed in note 18.

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 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 company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and the group 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.

Charitable and political donations

Donations to charitable organisations amounted to £550 (2005: £4,900). There were no donations to political organisations.

Auditor

A resolution to re-appoint Grant Thornton UK LLP as auditor for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD

Mr I V Potter
Secretary
24 July 2006

Grant Thornton

Report of the independent auditor to the members of Buckley Jewellery Limited

We have audited the group and parent company financial statements (the "financial statements") of Buckley Jewellery Limited for the year ended 31 January 2006 which comprise the principal accounting policies, the group profit and loss account, the group and company balance sheets, the group cash flow statement and notes 1 to 26. 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 whether 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 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 group's and company's circumstances, consistently applied and adequately disclosed.

Report of the independent auditor to the members of Buckley Jewellery Limited (continued)

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 group's and the parent company's affairs as at 31 January 2006 and of the group's loss for the year then ended; and

have been properly prepared in accordance with the Companies Act 1985.

Grant Thornton UK LLP

GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
LEEDS

30 August 2006

Principal accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention.

The principal accounting policies of the group which, with the exceptions as highlighted under "Changes in accounting policies" have remained unchanged from the previous period, are set out below.

Changes in accounting policies

In preparing the financial statements for the current year, the company has adopted the following Financial Reporting Standards:

-FRS 21 'Events after the Balance Sheet date (IAS 10)'; and

-the presentation requirements of 'FRS 25 'Financial Instruments: Disclosure and Presentation (IAS 32)".

FRS 21 'Events after the Balance Sheet date (IAS 10)'

The adoption of FRS 21 has resulted in a change in accounting policy in respect of proposed equity dividends. If the company declares dividends to the holders of equity instruments after the balance sheet date, the company does not recognise those dividends as a liability at the balance sheet date. Previously, proposed equity dividends were recorded as liabilities at the balance sheet date.

FRS 25 'Financial Instruments: Disclosure and Presentation (IAS 32)'

In preparing the financial statements for the current year, the company has adopted the presentation requirements of FRS25. This requires financial instruments to be presented in accordance with their substance. Therefore shares, which previously were always presented as part of shareholders' funds regardless of the substance of the instrument, may now be presented as a liability when in substance that share is equivalent to a liability. Where the return to a shareholder is less than an arm's length investor would accept, FRS25 assumes that the reason for this is that there is an equity element as well. This equity element, representing the extent to which the present value of the investors return, at market rates, is more than the par value of the original investment, has been shown in the financial statements in "Other equity reserves". The accounting policy for financial instruments is set out more fully below.

Consolidation

The group's financial statements consolidate those of the company and its subsidiary undertakings (see note 11) drawn up to 31 January 2006. Profits or losses on intra-group transactions are eliminated in full. On acquisition of a subsidiary, all of the subsidiary's assets and liabilities which exist at the date of acquisition are recorded at their fair values reflecting their condition at that date.

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax.

Purchased goodwill

Purchased goodwill is subject to impairment review on acquisition. Amortisation is calculated so as to write off the cost of an asset over the useful economic life of that asset as follows:

Purchased goodwill	-	20 years straight line

Fixed assets

All fixed assets are initially recorded at cost.

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 as follows:

Improvements to leasehold property	-	33% straight line
Fixtures and fittings	-	25% straight line.
Motor vehicles	-	25% or 33% straight line.
Models and moulds	-	20% straight line.

Stocks

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

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 profit and loss account on a straight line basis.

Finance lease agreements

Where the group 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 with creditors. Rentals payable are apportioned between the finance element, which is charged to the 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 profit and loss account.

Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or event that give the company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered.

Deferred tax is measured using rates of tax that have been enacted or substantially enacted by the balance sheet date.

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.

Compound instruments comprise both a liability and an equity component. At date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar debt instrument. The liability component is accounted for as a financial liability.

The residual is the difference between the net proceeds of issue and the liability component (at time of issue). The residual is the equity component, which is accounted for as an equity instrument.

The interest expense on the liability component is calculated applying the effective interest rate for the liability component of the instrument. The difference between this amount and any repayments is added to the carrying amount of the liability in the balance sheet.

Employee benefit trust

Assets held by the company's Employee Benefit Trust (EBT) are included in the company's balance sheet as current asset investments, subject to any provision for diminution in value, until they are unconditionally distributed to beneficiaries at the unfettered discretion of the trustees of the EBT.

Investments

Investments are included at cost.

Foreign currencies

Transactions in foreign currencies are translated at the average exchange rate for the period. Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Exchange rate differences are dealt with through the profit and loss account.

Consolidated profit and loss account

	Note	2006 £	2005 *(restated)* £
Turnover	1		
- Continuing operations		13,866,368	10,819,460
- Acquisitions		381,903	-
		14,248,271	10,819,460
Cost of sales		(9,987,825)	(6,948,729)
Gross profit		4,260,446	3,870,731
Administrative expenses		(4,115,203)	(3,470,221)
Operating profit	2		
- Continuing operations		77,998	400,510
- Acquisitions		67,245	-
Interest receivable		4,565	922
Interest payable and similar charges	5	(65,785)	(40,237)
Finance charge on shares classified as financial liabilities		(340,000)	(340,000)
(Loss)/profit on ordinary activities before taxation		(255,977)	21,195
Tax on (loss)/profit on ordinary activities	6	(43,920)	(121,195)
Loss for the financial year	23	(299,897)	(100,000)

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 period as set out above.

Consolidated balance sheet

	Note	2006 £	2005 (restated) £
Fixed assets			
Intangible assets	9	1,414,062	-
Tangible assets	10	348,450	334,039
		1,762,512	334,039
Current assets			
Stocks	12	3,101,641	2,070,969
Debtors	13	1,943,468	1,171,489
Investments	15	3,000	3,000
Cash at bank and in hand		109,510	1,014,242
		5,157,619	4,259,700
Creditors: amounts falling due within one year	16	(5,589,366)	(2,913,763)
Net current (liabilities)/assets		(431,747)	1,345,937
Total assets less current liabilities		1,330,765	1,679,976
Capital and reserves			
Called-up equity share capital	20	129,180	129,180
Share premium account	21	72,120	72,120
Capital redemption reserve	22	50	50
Other equity reserve	22	(1,375,740)	(1,375,740)
Profit and loss account	23	2,505,155	2,854,366
Shareholders' funds	24	1,330,765	1,679,976

These financial statements were approved by the directors on 24 July 2006 and are signed on their behalf by:

Mr A J L Buckley (Chief Executive)

Mr R J Steele (Non-executive Chairman)

The accompanying accounting policies and notes form part of these financial statements.

Balance sheet

	Note	2006 £	2005 *(restated)* £
Fixed assets			
Intangible assets	9	–	–
Tangible assets	10	**333,966**	334,039
Investments	11	**2,135,941**	–
		2,469,907	334,039
Current assets			
Stocks	12	**2,990,451**	2,070,969
Debtors	13	**1,662,825**	1,171,489
Investments	15	**3,000**	3,000
Cash at bank and in hand		**476**	1,014,242
		4,656,752	4,259,700
Creditors: amounts falling due within one year	16	**(5,824,775)**	(2,913,763)
Net current (liabilities)/assets		**(1,168,023)**	1,345,937
Total assets less current liabilities		**1,301,884**	1,679,976
Capital and reserves			
Called-up equity share capital	20	**129,180**	129,180
Share premium account	21	**72,120**	72,120
Capital redemption reserve	22	**50**	50
Other equity reserve	22	**(1,375,740)**	(1,375,740)
Profit and loss account	23	**2,476,274**	2,854,366
Shareholders' funds	24	**1,301,884**	1,679,976

These financial statements were approved by the directors on 24 July 2006 and are signed on their behalf by:

Mr A J L Buckley (Chief Executive)

Mr R J Steele (Non-executive Chairman)

The accompanying accounting policies and notes form part of these financial statements.

Consolidated cash flow statement

	Note	2006 £	2005 (restated) £
Net cash inflow from operating activities	25	265,539	1,529,747
Returns on investments and servicing of finance	25	(377,420)	(379,315)
Taxation		(125,000)	(338,195)
Capital expenditure and financial investment	25	(507,714)	(115,070)
Acquisitions and disposals			
Purchase of investment		(1,635,942)	-
Equity dividends paid		-	(31,102)
Cash (outflow)/inflow before financing		(2,380,537)	666,065
Financing	25	-	(14,153)
(Decrease)/increase in cash	25	(2,380,537)	651,912

Notes to the financial statements

1 Turnover

The turnover and profit before tax are attributable to the one principal activity of the group. An analysis of turnover is given below:

	2006 £	2005 £
United Kingdom	13,461,737	10,239,316
Europe	494,959	237,415
North America	123,852	131,713
Africa, Far and Middle East	167,723	211,016
	14,248,271	10,819,460

2 Operating profit

Operating profit is stated after charging/(crediting):

	2006 £	2005 £
Amortisation of intangibles	300,000	–
Depreciation of owned fixed assets	209,909	227,387
Profit on disposal of fixed assets	(1,385)	(10,858)
Auditor's remuneration:		
- Audit fees	15,275	15,000
- Non audit fees	28,650	5,000
Operating lease costs:		
- Land and buildings	139,581	112,794
- Vehicles	25,333	32,620

3 Staff costs

The average number of persons employed by the group during the financial year, including the directors, amounted to 106 (2005: 102).

The aggregate payroll costs of the above were:

	2006 £	2005 £
Wages and salaries	2,696,284	2,497,771
Social security costs	275,065	256,975
Other pension costs	77,640	79,170
	3,048,989	2,833,916

4 Directors

Remuneration in respect of directors was as follows:

	2006 £	2005 £
Emoluments receivable	456,407	456,528
Value of company pension contributions to money purchase schemes	23,636	26,292
Payments to third parties for director's services	25,000	24,833
Compensation for loss of directorship	-	29,501
	505,043	537,154

Emoluments of highest paid director:

	2006 £	2005 £
Total emoluments (excluding pension contributions)	184,442	145,874

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

	2006 No	2005 No
Money purchase schemes	4	4

5 Interest payable and similar charges

	2006 £	2005 £
Interest payable on bank borrowing	41,985	39,776
Other interest payable	23,800	-
Finance charges	-	461
	65,785	40,237

6 Taxation on ordinary activities

(a) Analysis of charge in the year

	2006	2005 (restated)
	£	£
Current tax:		
UK Corporation tax based on the results for the year at 30% (2005: 30%)	115,404	125,000
(Over)/under provision in prior year	(46,202)	4,195
	69,920	129,195
Deferred tax:		
Origination and reversal of timing differences (note 14)		
Capital allowances	(26,000)	(8,000)
Tax on profit on ordinary activities	43,920	121,195

(b) Factors affecting current tax charge

	2006	2005 (restated)
	£	£
(Loss)/profit on ordinary activities before taxation	(255,911)	21,195
Profit on ordinary activities multiplied by the standard rate of tax applying	(76,773)	6,359
Expenses not deductible for tax purposes	117,796	118,762
Other timing differences	63,278	-
Depreciation in excess of capital allowances	12,302	8,000
Adjustments to the tax charge in respect of previous periods	(46,202)	4,195
Marginal relief	(1,552)	(8,426)
Roundings	1,071	305
Total current tax (note 6(a))	69,920	129,195

7 Dividends

Dividends on shares classed as equity

	2006	2005
	£	£
Proposed at the year-end (recognised as a liability)		
Compensatory dividends on ordinary shares of 10p each	49,314	-

Dividends on shares classed as financial liabilities

	2006	2005
	£	£
Paid in the year		
Fixed dividend on "A" Ordinary shares of 10p each	340,000	340,000

8 Profit for the financial year

The parent company has taken advantage of section 230 of the Companies Act 1985 and has not included its own profit and loss account in these financial statements. The group loss for the year includes a loss of £328,778 (2005: a loss of £100,000) which is dealt with in the financial statements of the parent company.

9 Intangible fixed assets

The group

	Purchased goodwill £
Cost	
Additions and at 31 January 2006	1,714,062
Amortisation	
Impairment charge for the year and at 31 January 2006	300,000
Net book value	
At 31 January 2006	1,414,062

No annual amortisation has been charged on the goodwill arising on the acquisition of Unbeadable Limited as the acquisition only occurred in December 2005.

The company

	Purchased goodwill £
Cost	
Additions and at 31 January 2006	300,000
Amortisation	
Impairment charge for the year and at 31 January 2006	300,000
Net book value	
At 31 January 2006	-
At 31 January 2005	-

10 Tangible fixed assets

The group

	Improvements to leasehold property £	Fixtures, fittings and computer equipment £	Motor vehicles £	Models and moulds £	Total £
Cost					
At 1 February 2005	116,550	792,025	204,569	150,000	1,263,144
Additions	29,965	167,475	24,075	-	221,515
Acquisition of subsidiary	2,643	37,932	-	-	40,575
Disposals	-	-	(38,245)	-	(38,245)
At 31 January 2006	149,158	997,432	190,399	150,000	1,486,989
Depreciation					
At 1 February 2005	116,267	525,006	145,332	142,500	929,105
Charge for the year	2,358	158,425	41,626	7,500	209,909
Acquisition of subsidiary	945	24,410	-	-	25,355
On disposals	-	-	(25,830)	-	(25,830)
At 31 January 2006	119,570	707,841	161,128	150,000	1,138,539
Net book value					
At 31 January 2006	**29,588**	**289,591**	**29,271**	**-**	**348,450**
At 31 January 2005	283	267,019	59,237	7,500	334,039

The company

	Improvements to leasehold property £	Fixtures, fittings and computer equipment £	Motor vehicles £	Models and moulds £	Total £
Cost					
At 1 February 2005	116,550	792,025	204,569	150,000	1,263,144
Additions	29,965	167,475	24,075	-	221,515
Disposals	-	-	(38,245)	-	(38,245)
At 31 January 2006	146,515	959,500	190,399	150,000	1,446,414
Depreciation					
At 1 February 2005	116,267	525,006	145,332	142,500	929,105
Charge for the year	2,282	157,765	41,626	7,500	209,173
On disposals	-	-	(25,830)	-	(25,830)
At 31 January 2006	118,549	682,771	161,128	150,000	1,112,448
Net book value					
At 31 January 2006	**27,966**	**276,729**	**29,271**	**-**	**333,966**
At 31 January 2005	283	267,019	59,237	7,500	334,039

11 Fixed asset investments

The company

	£
Cost	
Additions and at 31 January 2006	2,135,941
Net book value	
At 31 January 2006	2,135,941

In December 2005 the company purchased 100% of the share capital of Unbeadable Limited, a company incorporated in the United Kingdom, for £2,135,941. The company is principally involved in jewellery design, manufacturing, and marketing.

The capital and reserves and result for the relevant financial period were as follows:

	£
Capital and reserves	770,128
Profit for the financial period	518,513

The company has a 100% interest in Buckley Americas which was established during the year and a 50% joint-venture interest in Buckley Jewellery PTY Limited, a company incorporated in South Africa.

The company also hold, as a current asset investment via the Buckley Jewellery Employees' Benefit Trust, 100% of the A ordinary share capital in Neban 64, an unlimited investment company incorporated in Great Britain.

Neban 64 has been excluded from consolidation as, in the opinion of the directors, its inclusion is not material for the purpose of giving a true and fair view.

12 Stocks

	The group		The company	
	2006	2005	2006	2005
	£	£	£	£
Finished goods	3,101,641	2,070,969	2,990,451	2,070,969

13 Debtors

	The group		The company	
	2006	2005	2006	2005
	£	£	£	£
Trade debtors	1,740,384	1,059,883	1,383,397	1,059,883
Amounts owed by group undertakings	-	-	101,795	-
Amounts owed by joint venture	46,894	-	46,894	-
Director's current account	456	14,154	456	14,154
Other debtors	32,570	1,650	29,744	1,650
Prepayments and accrued income	79,164	77,802	56,539	77,802
Deferred taxation (note 14)	44,000	18,000	44,000	18,000
	1,943,468	1,171,489	1,662,825	1,171,489

14 Deferred taxation

The group and the company

The deferred tax included in the balance sheet is as follows:

	2006	2005
	£	£
Included in debtors (note 13)	44,000	18,000

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

	2006	2005
	£	£
Balance brought forward	18,000	10,000
Profit and loss account movement arising during the year	26,000	8,000
Balance carried forward	44,000	18,000

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of:

	2006	2005
	£	£
Excess of depreciation on fixed assets over taxation allowances	44,000	18,000

15 Investments

The group and the company

During the year ended 31 January 2004, the company made a contribution of £3,000 to the Buckley Jewellery Limited Employee Benefit Trust (the Trust). This was established to provide benefits to employees and directors of the company. Assets held by the Trust may be distributed to individuals at the unfettered discretion of the trustees, from time to time.

At the year end the Trust held the following assets:

	2006	2005
	£	£
Unquoted investments	200	200
Cash	2,800	2,800
	3,000	3,000

The unquoted investments are the A shares in Neban 64 referred to in note 11 to the financial statements.

As part of a negotiated settlement with HM Revenue & Customs, the company has agreed to pay Employer's National Insurance on the dividends paid by Neban 64. The company is in the process of settling with HMRC to pay the Employer's NIC of £167,069, together with estimated interest of £23,800. The company paid £118,701 on account on 26 June 2006, and the balance was due for payment in July 2006.

16 Creditors: amounts falling due within one year

	The group 2006	The group 2005 (restated)	The company 2006	The company 2005 (restated)
	£	£	£	£
Bank loans and overdrafts	1,123,315	25,705	1,123,315	25,705
Trade creditors	1,268,778	503,414	1,206,615	503,414
Corporation tax payable	275,798	125,000	48,798	125,000
Other taxation and social security	319,252	248,184	248,826	248,184
Amounts owed to group undertakings	-	-	600,000	-
Other creditors	567,944	344,178	567,944	344,178
Accruals and deferred income	616,039	249,042	611,037	249,042
Shares classified as financial liabilities	1,418,240	1,418,240	1,418,240	1,418,240
	5,589,366	2,913,763	5,824,775	2,913,763

17 Leasing commitments

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

	2006 Land & buildings	2006 Other items	2005 Land & buildings	2005 Other items
	£	£	£	£
Operating leases which expire:				
Within 1 year	-	13,330	2,813	397
Within 2 to 5 years	124,638	2,481	88,500	26,710
After more than 5 years	32,715	-	-	-
	157,353	15,811	91,313	27,107

18 Transactions with the directors

An amount of £456 was due from Mr A J L Buckley at the year end (2005: £14,154). The maximum liability during the year was £33,183 (2005: £67,954).

19 Related party transactions

The company was under the control of Mr A J L Buckley throughout the current and previous year. Mr A J L Buckley is the chief executive and majority shareholder.

20 Share capital

Authorised share capital:

	2006	2005 (restated)
	£	£
1,482,555 Ordinary shares of 10 pence each	**148,256**	148,256
425,000 "A" Ordinary shares of 10 pence each	**42,500**	42,500
	190,756	190,756

Allotted and called up:

	2006		2005	
	No	£	No	£
Ordinary shares of 10 pence each	**1,291,800**	**129,180**	1,291,800	129,180
"A" Ordinary shares of 10 pence each	**425,000**	**42,500**	425,000	42,500
	1,716,800	**171,680**	1,716,800	171,680
Equity shares				
Ordinary shares of 10 pence each	**1,291,800**	**129,180**	1,291,800	129,180
Shares classified as financial liabilities				
"A" Ordinary shares of 10 pence each	**425,000**	**42,500**	425,000	42,500

The "A" Ordinary shares of 10 pence each are entitled to a fixed dividend of £0.80 per share per annum, a participating dividend of 8% of the group profit for the year, less the "A" Ordinary fixed dividend paid for the same period and a compensatory dividend if the benefits payable to the Shareholding directors exceed an agreed amount.

The holders of the "A" Ordinary shares may, at any time, convert the whole of their "A" Ordinary shares into a like number of Ordinary shares. The "A" Ordinary shares have one vote per share

21 Share premium account

There was no movement on the share premium account during the financial year.

22 Other reserves

The group and the company

	Capital redemption reserve	Other equity reserve
	£	£
At 1 February 2005		
As previously reported	50	-
Prior year adjustment	-	(1,375,740)
As restated at 1 February 2005 and at 31 January 2006	**50**	**(1,375,740)**

The other equity reserve represents the extent to which the present value of the "A" Ordinary shareholders return, at market rates, is more than the par value of the original investment.

23 Profit and loss account

	The group 2006 £	The group 2005 £	The company 2006 £	The company 2005 £
Balance brought forward	**2,854,366**	2,954,366	**2,854,366**	2,954,366
Retained loss for the financial year	**(299,897)**	(100,000)	**(328,778)**	(100,000)
Equity dividends proposed at year end	**(49,314)**	-	**(49,314)**	-
Balance carried forward	**2,505,155**	2,854,366	**2,476,274**	2,854,366

24 Reconciliation of movements in shareholders' funds

	The group 2006 £	The group 2005 *(restated)* £	The company 2006 £	The company 2005 *(restated)* £
Retained loss for the financial year	**(299,897)**	(100,000)	**(328,778)**	(100,000)
Equity dividends proposed at year end	**(49,314)**	-	**(49,314)**	-
Net reduction in shareholders' funds	**(349,211)**	(100,000)	**(378,092)**	(100,000)
Opening shareholders' funds:				
As previously reported	**3,098,216**	3,198,216	**3,098,216**	3,198,216
Prior year adjustment	**(1,418,240)**	(1,418,240)	**(1,418,240)**	(1,418,240)
As restated	**1,679,976**	1,779,976	**1,679,976**	1,779,976
Closing shareholders' funds	**1,330,765**	1,679,976	**1,301,884**	1,679,976

25 Notes to the consolidated statement of cash flows

Reconciliation of operating profit to net cash inflow from operating activities

	2006 £	2005 *(restated)* £
Operating profit	**145,243**	400,510
Amortisation	**300,000**	–
Depreciation	**209,909**	227,387
Profit on disposal of fixed assets	**(1,385)**	(10,858)
(Increase)/decrease in stocks	**(1,000,972)**	350,826
(Increase)/decrease in debtors	**(82,433)**	80,398
Increase in creditors	**695,177**	481,484
Net cash inflow from operating activities	**265,539**	1,529,747

25 Notes to the consolidated statement of cash flows (continued)

Returns on investments and servicing of finance

	2006	2005 *(restated)*
	£	£
Interest received	4,565	922
Interest paid	(41,985)	(39,776)
Interest element of finance leases and hire purchase	-	(461)
Dividends paid on shares classified as financial liabilities	(340,000)	(340,000)
Net cash outflow from returns on investments and servicing of finance	(377,420)	(379,315)

Capital expenditure

	2006	2005
	£	£
Payments to acquire intangible fixed assets	(300,000)	-
Payments to acquire tangible fixed assets	(221,515)	(139,883)
Receipts from sale of fixed assets	13,801	24,813
Net cash outflow from capital expenditure	(507,714)	(115,070)

Reconciliation of net cash flow to movement in net debt

	2006	2005 *(restated)*
	£	£
(Decrease)/increase in cash in the period	(2,380,537)	651,912
Net cash acquired with subsidiary	378,195	-
Cash outflow in respect of finance leases and hire purchase	-	14,153
Change in net debt	(2,002,342)	666,065
Net funds at 1 February 2005	(429,703)	(1,095,768)
Net debt at 31 January 2006	(2,432,045)	(429,703)

25 Notes to the consolidated statement of cash flows (continued)

Analysis of changes in net debt

	At 1 Feb 2005 *(restated)* £	Net cash acquired with subsidary £	Cash flows £	At 31 Jan 2006 £
Cash in hand and at bank	1,014,242	378,195	(1,282,927)	109,510
Bank loans and overdrafts	(25,705)	–	(1,097,610)	(1,123,315)
Shares classified as financial liabilities	(1,418,240)	–	–	(1,418,240)
Net debt	(429,703)	378,195	(2,380,537)	(2,432,045)

26 Acquisitions

In December 2005 the company acquired 100 ordinary shares of £1 each in Unbeadable Limited, being 100% of its nominal share capital, for an initial consideration of £1,635,942 satisfied in cash and deferred consideration of £500,000.

The profit after tax of Unbeadable Limited for the period from 1 January 2005 to the date of acquisition was £470,265. The profit after taxation for the year ended 31 December 2004 was £366,434.

The assets and liabilities of Unbeadable Limited acquired were as follows:

	Book value £	Fair value adjustments £	Fair value at acquisition £
Fixed assets	15,221	-	15,221
Current assets	693,246	-	693,246
Cash at bank and in hand	378,195	-	378,195
Net current liabilities	(364,782)	-	(364,782)
	721,880	-	721,880
Goodwill			1,414,062
			2,135,942
Satisfied by:			
Initial consideration			1,600,000
Costs of acquisition			35,942
Deferred consideration			500,000
			2,135,942