

Company number 2671533

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**H H Associates Limited**

Report and Financial Statements

Year Ended

31 March 2006

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**BDO Stoy Hayward**  
Chartered Accountants

# **H H Associates Limited**

## **Annual report and financial statements for the year ended 31 March 2006**

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Directors

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### **Directors**

R J F MacMillan  
H R Hunt  
P T Samuels  
L G Humphreys  
A W Massey  
S P S Low  
A P Barnes

### **Secretary and registered office**

D J Attley, City House, Sutton Park Road, Sutton, Surrey, SM1 2AE

### **Company number**

2671533 (England and Wales)

### **Auditors**

BDO Stoy Hayward LLP, Emerald House, East Street, Epsom, Surrey, KT17 1HS

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## **H H Associates Limited**

### **Report of the directors for the year ended 31 March 2006**

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

#### **Results and dividends**

The profit and loss account is set out on page 6 and shows the profit for the year

An interim dividend of £24.99 per ordinary share was paid during the year (2005 £6.41). The directors do not recommend a final ordinary dividend (2005 £Nil).

#### **Principal activities, trading review and future developments**

The principal activity of the company in the year under review was that of print management.

##### *Trading Results*

As part of one of Europe's fastest growing group of print management and outsourcing companies, the company has seen a 20% increase in turnover in 2005/2006 with sales of £45.8m.

The growth is attributable to new contract wins from Whitbread plc, Intercontinental Hotels Group, Redcats, Nuffield Hospitals and Ford, together with consolidation from existing contracts such as Carphone Warehouse and the Royal Mail.

The contract with Ford, where the company provides logistical support through its facilities in Blackburn, has shown that the group can compete with established stand-alone logistics operations and improve the customer experience.

There were also significant contract wins with Hewlett Packard - one of the largest Pan-European print-management contracts to be signed - Black & Decker and the Sanitec Group of Companies.

The company recorded an operating profit before interest, tax, depreciation and amortisation ("EBITDA") of £1,025,000 (2005 - £1,415,000). The company has maintained good gross margin (16%) on the increased sales, but there were additional staffing costs to service the new business wins in both the UK and Europe, together with a full year of costs associated with the warehousing facility.

##### *Operations Review*

The company has continued its successful strategy in recruiting new people with many staff leaving other larger BPO organisations and choosing to work for HH. This has led to some very high calibre staff joining HH and complementing the existing staff.

There have been some changes within the senior management team to reflect the growth and change in the business. The business has become a more marketing services led organisation and senior personnel have changed in order to continue to move forward as a business. A new sales team has been recruited and we expect good results from this team next year.

## **H H Associates Limited**

### **Report of the directors for the year ended 31 March 2006 (Continued)**

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#### **Financial instruments**

The company's financial instruments comprise cash and liquid resources, and various items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of the financial instruments is to provide finance for the company's operations. The company financed its operations throughout the year from bank loans and invoice discounting facilities.

Where it is considered appropriate, the company enters into derivative transactions (principally foreign currency transactions). The purpose of such transactions is to manage the currency and interest rate risks arising from the company's operations and its sources of finance.

It is the company's policy that no speculative trading in financial instruments shall be undertaken. The main risks arising from the company's financial instruments are interest rate risk, liquidity risk and foreign currency risk. The directors review and agree policies for managing each of these risks.

The company's policy in respect of credit risk requires appropriate credit checks on potential customers before contracts are signed, and thereafter close management of outstanding debt and debtor ageing. Invoice discounting facilities are held in Sterling and Euros to mitigate foreign currency risk. The invoice discounting facilities and bank loans are maintained at bank variable rates which inherently brings interest rate risk.

#### **Directors**

The directors of the company during the year were

R J F MacMillan	
J D Reeves	(resigned 18 November 2005)
R Charnley	(resigned 20 May 2005)
H R Hunt	
M W Mills	
P T Samuels	
D S Mathers	(resigned 17 November 2005)
L G Humphreys	(appointed 22 November 2005)
A W Massey	(appointed 22 November 2005)
A C Marriner	(appointed 22 November 2005)
S P S Liow	(appointed 28 March 2006)

No director had any beneficial interest in the share capital of the company.

R J F MacMillan, H R Hunt, M W Mills, P T Samuels and S P S Liow are also directors of the ultimate parent company, H H Associates (Holdings) Limited, and their interests in the share capital of that company are shown in its financial statements.

A C Marriner and M W Mills resigned as directors of the company on 2 July 2006 and 25 November 2006 respectively.

A P Barnes was appointed as a director of the company on 26 January 2007.

#### **Political and charitable contributions**

During the year the company made charitable donations of £50 (2005 £450). There were no political contributions.

## H H Associates Limited

### Report of the directors for the year ended 31 March 2006 (Continued)

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#### Directors' responsibilities

The directors are responsible for preparing the Annual Report and 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,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- 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 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

#### Auditors

All of the current directors have taken all steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purpose of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO Stoy Hayward LLP were appointed as auditors during the year and have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

#### By order of the Board



D J Attley  
Secretary

Date

27/4/2007

## **H H Associates Limited**

### **Report of the independent auditors**

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#### **To the shareholders of H H Associates Limited**

We have audited the financial statements of H H Associates Limited for the year ended 31 March 2006 which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

#### *Respective responsibilities of 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 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 have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the directors' report is consistent with those 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 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and 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.

**H H Associates Limited**

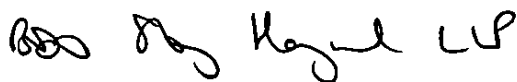
**Report of the independent auditors (*Continued*)**

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*Opinion*

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information in the directors' report is consistent with the financial statements



**BDO STOY HAYWARD LLP**

*Chartered Accountants  
and Registered Auditors*  
Epsom, Surrey, England

Date 

**H H Associates Limited**

**Profit and loss account for the year ended 31 March 2006**

	Notes	2006 £'000	2005 £'000
<b>Turnover</b>	2	45,784	38,082
Cost of sales		(38,317)	(32,920)
<b>Gross profit</b>		7,467	5,162
Administrative expenses		(6,977)	(4,004)
		490	1,158
Other operating income		100	5
<b>Operating profit</b>	5	590	1,163
Interest payable and similar charges	6	(432)	(153)
<b>Profit on ordinary activities before taxation</b>		158	1,010
Taxation on profit from ordinary activities	7	7	(379)
<b>Profit for the year</b>		165	631

All amounts relate to continuing activities

The company has no recognised gains or losses other than the profit for the current and previous years

The notes on pages 8 to 16 form part of these financial statements



**H H Associates Limited**

**Balance sheet at 31 March 2006**

	Note	2006 £'000	2006 £'000	2005 £'000	2005 £'000
<b>Fixed assets</b>					
Tangible assets	9		778		600
<b>Current assets</b>					
Stock	10	1,465		986	
Debtors	11	18,136		15,862	
Cash at bank and in hand		-		111	
		<u>19,601</u>		<u>16,959</u>	
<b>Creditors: amounts falling due within one year</b>	12	<u>(18,768)</u>		<u>(15,358)</u>	
<b>Net current assets</b>			<u>833</u>		<u>1,601</u>
<b>Total assets less current liabilities</b>			<u>1,611</u>		<u>2,201</u>
<b>Creditors: amounts falling due after more than one year</b>	13		<u>(503)</u>		<u>(258)</u>
<b>Net assets</b>			<u><u>1,108</u></u>		<u><u>1,943</u></u>
<b>Capital and reserves</b>					
Called up share capital	14		40		40
Profit and loss account	15		1,068		1,903
<b>Shareholders' funds</b>			<u><u>1,108</u></u>		<u><u>1,943</u></u>

The financial statements were approved by the board of directors and authorised for issue on 27/4/2007



R J F MacMillan  
Director

The notes on pages 8 to 16 form part of these financial statements

## H H Associates Limited

### Notes forming part of the financial statements for the year ended 31 March 2006

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#### 1 Accounting policies

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

The following principal accounting policies have been applied

##### *Cash flow statement*

The company has taken advantage of the exemption conferred by Financial Reporting Standard 1 'Cash Flow Statements (Revised 1996)' not to prepare a cash flow statement on the grounds that at least 90% of the voting rights in the company are controlled within the group headed by H H Associates (Holdings) Limited and the company is included in consolidated financial statements

##### *Turnover*

Turnover represents the value of print management and related services provided to external customers less value added tax and net of any discounts allowed. All income is recognised in the period in which goods are delivered or the service is provided

##### *Depreciation*

Depreciation is provided to write off the cost or valuation, less estimated residual values, of all fixed assets, except freehold land, evenly over their expected useful lives. It is calculated at the following rates

Plant and machinery	-	33% per annum, reducing balance
Motor vehicles	-	25% per annum on cost
Computer equipment	-	33% per annum on cost

##### *Stocks*

Stocks are valued at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis. Net realisable value is based on estimated selling price less additional costs to completion and disposal

##### *Deferred taxation*

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that the recognition of deferred tax assets is limited to the extent that the company anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences. Deferred tax balances are not discounted

##### *Foreign currencies*

Foreign currency transactions of individual companies are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet dates. Any differences are taken to the profit and loss account

## **H H Associates Limited**

### **Notes forming part of the financial statements for the year ended 31 March 2006 (Continued)**

#### **1 Accounting policies (Continued)**

##### *Dividends*

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when they are paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

##### *Leased assets*

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases) the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

Where assets are held on operating leases their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

##### *Pension costs*

Contributions to the company's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable.

#### **2 Turnover**

Turnover is wholly attributable to the principal activity of the company. An analysis of turnover by geographical market is given below.

	2006 £'000	2005 £'000
United Kingdom	38,847	35,420
Continental Europe	6,937	2,662
	<hr/>	<hr/>
	45,784	38,082
	<hr/>	<hr/>

## H H Associates Limited

### Notes forming part of the financial statements for the year ended 31 March 2006 (Continued)

#### 3 Employees

	2006 £'000	2005 £'000
Staff costs (including directors) consist of		
Wages and salaries	3,030	1,771
Social security costs	362	211
Other pension costs	47	34
	<u>3,439</u>	<u>2,016</u>

The average number of employees, including directors, during the year was as follows

	2006	2005
Directors	4	7
Others	96	53
	<u>100</u>	<u>60</u>

#### 4 Directors' remuneration

	2006 £'000	2005 £'000
Directors' emoluments	346	399
Company contributions to money purchase pension schemes	33	23
	<u></u>	<u></u>

There were three (2005 one) directors for whom the company made contributions to money purchase pension schemes on their behalf. Emoluments of the highest paid director amounted to £116,000 (2005 £184,000) and contributions paid to a pension scheme on their behalf were £29,000 (2005 £23,000).

#### 5 Operating profit

	2006 £'000	2005 £'000
This has been arrived at after charging/(crediting)		
Depreciation of tangible fixed assets		
- owned assets	130	182
- leased assets	305	70
Rentals payable under operating leases		
- land and buildings	218	113
- other operating leases	142	-
Loss/(profit) on disposal of fixed assets	34	(1)
Foreign exchange differences	7	(11)
Auditors' remuneration	75	10
	<u></u>	<u></u>

# **H H Associates Limited**

**Notes forming part of the financial statements for the year ended 31 March 2006 (Continued)**

## **6 Interest payable and similar charges**

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
Bank loans and discounting facility	340	15
Other interest charges	-	128
Finance leases and hire purchase contracts	92	10
	<u>432</u>	<u>153</u>

## **7 Taxation on profit from ordinary activities**

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
<i>Current tax</i>		
UK corporation tax on profits for the year	108	370
Adjustment in respect of previous years	(115)	9
	<u>(7)</u>	<u>379</u>
Taxation on profit on ordinary activities (see below)		

The tax assessed for the year is lower (2005 higher) than the standard rate of corporation tax in the UK  
The differences are explained below

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
Profit on ordinary activities before tax	<u>158</u>	<u>1,010</u>
Profit on ordinary activities at the standard rate of corporation tax in the UK of 30% (2005 – 30%)	47	303
Effects of		
Expenses not deductible for tax purposes	48	53
Depreciation in excess of capital allowances	40	14
Surrender of losses from other group companies	(38)	-
Adjustment to tax charge in respect of prior years	(115)	9
Other timing differences	11	-
	<u>(7)</u>	<u>379</u>
Current tax (credit)/charge for year		

# H H Associates Limited

## Notes forming part of the financial statements for the year ended 31 March 2006 (Continued)

### 8 Dividends

	2006 £'000	2005 £'000
Ordinary shares		
Interim paid of £24.99 (2005 £6.41) per share	1,000	257

### 9 Tangible fixed assets

	Plant and machinery £'000	Motor vehicles £'000	Computer equipment £'000	Total £'000
<i>Cost</i>				
At 1 April 2005	232	217	790	1,239
Additions	15	32	600	647
Disposals	(194)	(11)	(30)	(235)
At 31 March 2006	53	238	1,360	1,651
<i>Depreciation</i>				
At 1 April 2005	170	109	360	639
Provided for the year	32	46	357	435
Disposals	(184)	(11)	(6)	(201)
At 31 March 2006	18	144	711	873
<i>Net book value</i>				
At 31 March 2006	35	94	649	778
At 31 March 2005	62	108	430	600

The net book value of tangible fixed assets includes an amount of £615,000 (2005 £391,000) in respect of assets held under finance leases. The related depreciation charge for the period was £305,000 (2005 £70,000).

### 10 Stock

	2006 £'000	2005 £'000
Work in progress	469	353
Finished goods	996	633
	1,465	986

# H H Associates Limited

Notes forming part of the financial statements for the year ended 31 March 2006 (Continued)

## 11 Debtors

	2006 £'000	2005 £'000
Amounts falling due within one year		
Trade debtors	11,435	9,969
Amounts owed by group undertakings	5,938	5,150
Amounts due from joint ventures	322	-
Other debtors	360	564
Directors' current accounts	-	89
Prepayments and accrued income	81	90
	<u>18,136</u>	<u>15,862</u>

Included within amounts owed by group undertakings are amounts of £5,209,000 (2005 £4,852,000) due from H H Associates (Holdings) Limited, H H Associates Limited's parent company

The directors' loan account related to amounts owed from R J F MacMillan The maximum amount owed by R J F MacMillan during the course of the year was £244,000 (2005 £89,000)

## 12 Creditors: amounts falling due within one year

	2006 £'000	2005 £'000
Bank loan (secured)	375	-
Bank overdraft	810	-
Invoice discounting facility (secured)	4,325	4,001
Obligations under finance lease and hire purchase contracts	329	125
Trade creditors	8,879	8,771
Amounts owed to group undertakings	84	-
Corporation tax	72	115
Taxation and social security	255	122
Other creditors	-	39
Accruals and deferred income	3,639	2,185
	<u>18,768</u>	<u>15,358</u>

The bank loan and invoice discounting facility are secured by way of fixed and floating charges over all of the assets of the company

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

	2006 £'000	2005 £'000
Bank loan	188	-
Obligations under finance lease and hire purchase contracts	315	258
	<u>503</u>	<u>258</u>

# H H Associates Limited

## Notes forming part of the financial statements for the year ended 31 March 2006 (Continued)

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

#### Maturity of debt

	2006 Bank loans £'000	2005 Bank loans £'000	2006 Finance leases £'000	2005 Finance leases £'000
In more than one year but not more than two years	187	-	289	155
In more than two years but not more than five years	-	-	26	103
	<u>187</u>	<u>-</u>	<u>315</u>	<u>258</u>

### 14 Share capital

	2006 Number	Authorised 2005 Number	2006 £'000	2005 £'000
Ordinary shares of £1 each	100,000	100,000	100	100
	<u>100,000</u>	<u>100,000</u>	<u>100</u>	<u>100</u>
	Allotted, called up and fully paid			
	2006 Number	2005 Number	2006 £'000	2005 £'000
Ordinary shares of £1 each	40,009	40,009	40	40
	<u>40,009</u>	<u>40,009</u>	<u>40</u>	<u>40</u>

A legal charge over the shares of the company was registered on 10 April 2003

### 15 Reserves

	Profit and loss account £'000
At 1 April 2005	1,903
Retained profit for the year	165
Dividends paid	(1,000)
	<u>1,068</u>
At 31 March 2006	<u>1,068</u>



## H H Associates Limited

### Notes forming part of the financial statements for the year ended 31 March 2006 (Continued)

#### 16 Capital commitments

	2006 £'000	2005 £'000
Contracted but not provided for	-	492

#### 17 Pension commitments

The company operates a money purchase pension scheme

The pension cost charge represents contributions payable by the company and amounted to £47,000 (2005 £34,000) Contributions amounting to £1,000 (2005 £6,000) are included in accruals at 31 March 2006

#### 18 Commitments under operating leases

As at 31 March 2006, the company had annual commitments under non-cancellable operating leases as set out below

	2006 Land and buildings £'000	2006 Other £'000	2005 Land and buildings £'000	2005 Other £'000
Operating leases which expire				
Within one year	186	3	154	-
Within two to five years	138	95	-	-
After five years	-	-	-	-

#### 19 Related party transactions

During the year the company was controlled by H H Associates (Holdings) Limited, a company incorporated in England and Wales The ultimate controlling party of H H Associates (Holdings) Limited is R J F MacMillan, director

The company has taken advantage of the exemption conferred by Financial Reporting Standard 8 "Related Party Disclosures" not to disclose transactions with members of the group headed by H H Associates (Holdings) Limited on the grounds that at least 90% of the voting rights in the company are controlled within the group and the company is included in consolidated financial statements

During the year the company made sales of £117,000 (2005 £Nil), and recharged costs of £263,000 (2005 £Nil), to Becq & Millan UK Limited, part of a joint venture established between H H Associates (Europe) Limited and Mayence SA The balance due to the company from Becq and Millan UK Limited as at 31 March 2006 was £321,000 (2005 £Nil) The company also recharged costs of £10,000 (2005 £Nil) to another joint venture company Becq & Millan Deutschland GmbH The amount owed to the company by Becq & Millan Deutschland GmbH as at 31 March 2006 was £10,000 (2005 £Nil)

During the year Mr R J F MacMillan a director of the H H Associates Limited repaid a loan of £244,000 due to the company There was no outstanding balance due to the company at 31 March 2006 (2005 £89,000)

## **H H Associates Limited**

**Notes forming part of the financial statements for the year ended 31 March 2006 *(Continued)***

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### **20 Ultimate parent company**

At 31 March 2006 the company's ultimate parent company was H H Associates (Holdings) Limited which is the parent of both the smallest and largest groups of which the company is a member

Copies of the consolidated financial statements of H H Associates (Holdings) Limited are available from Companies House