

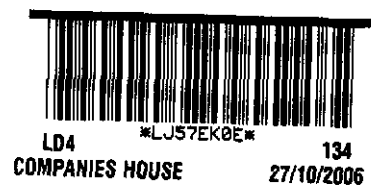
**SANDOM GROUP LIMITED**

**Company No. 2781951**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31 DECEMBER 2005**



# **Sandom Group Limited**

## **Directors and Officers**

### **Directors**

T Lovett  
H Leeson  
J Sandom  
J Wringe

### **Secretary**

T Lovett

### **Registered Office**

Old Brewery  
Russell Street  
Windsor  
Berkshire  
SL4 1HQ

### **Auditors**

Kingston Smith LLP  
141 Wardour Street  
London  
W1F 0UT

# Sandom Group Limited

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# **Sandom Group Limited**

## **Report of the Directors**

### **For the year ended 31 December 2005**

The directors have pleasure in presenting their report and financial statements for the year ended 31 December 2005.

#### **Principal activities and business review**

The principal activities of the group are those of business, brand and communications consultants.

#### **Business Review**

2005 was a successful year for the Sandom Group with us delivering our best ever operating profit performance, as well as the third consecutive year of above sector average growth, in both turnover and gross profit, as well as improved margins.

This performance is particularly strong as the group has continued investment in new talent across all of its businesses (each of which met their 2005 targets), as well as borne the pressure of procurement and volume discounts increasingly demanded by our larger clients.

Specific highlights include:-

Vibrandt Ltd consolidated its position as a top 5 UK brand design agency through significant incremental organic growth with existing and new clients. It is well placed now to extend its offering internationally in 2006.

Impactt Ltd completed the acquisition of the northern based product and pack design agency, Pure Realisation Ltd. in June 2005 to take it into market leadership within UK structural packaging design. It is well placed now to evolve its product and service offering in 2006.

Distillery Ltd showed strong growth in 2005, delivering strategic research and innovation consultancy to group and discrete clients.

Also, at least two major national TV campaigns for existing clients were created through the established JV with STARCHAMBER's ad agency partners, Farm Communications Ltd.

Significant resources and expenditure was committed in 2005 towards specialist external advisors investigating particular acquisition targets which - not being completed - resulted in extraordinary costs; a resultant 'normalising' shows an even stronger, underlying profit performance.

Additional investment was made in 2005 on dedicated strategic and management resources for the group's collaborative 'growth consultancy' offering - STARCHAMBER - particularly aimed at new clients and sectors to the group.

The group is well advanced now in its mid-term development plan to double profitability by the broadening of services to help clients build their businesses and brands.

#### **Results and dividends**

The audited accounts for the year ended 31 December 2005 are set out on pages 5 to 16. The group's retained profit for the year was £633,631 (2004: £197,077). The company's retained loss for the year was £411,414 (2004: loss of £203,900).

The directors recommend the payment of a dividend for the year of £nil (2004: £415,000).

The company has taken advantage of Section 230 of the Companies Act 1985 and consequently a profit and loss account for the company alone is not presented.

The group made charitable donations totalling £850 (2004: £200) in the year.

# Sandom Group Limited

## Report of the Directors (continued)

### For the year ended 31 December 2005

#### Directors and their interests

The directors who served the company during the year together with their interests (including family interests) in the shares of the company, at the beginning and end of the year were as follows:

	31 December 2005		31 December 2004	
	Ordinary 'A' Shares of £1 each	Ordinary 'B' Shares of £1 each	Ordinary 'A' Shares of £1 each	Ordinary 'B' Shares of £1 each
J.R. Sandom	5,300	4,876	5,300	4,876
H.V. Leeson	2,600	2,392	2,600	2,392
T.A. Lovett	2,100	1,932	2,100	1,932
J. Wringe	-	800	-	800

#### Subsidiary Undertakings

At 31 December 2005, none of the directors of Sandom Group Limited had shares or debentures in any of the subsidiary undertakings which were owned by Sandom Group Limited.

Financial information on the subsidiary undertakings is given in note 12 to the financial statements.

#### Auditors

On 1st May 2006, Kingston Smith transferred their business to Kingston Smith LLP, a limited liability partnership incorporated under the Limited Liability Partnership Act 2000. The company's consent has been given to treating the appointment of Kingston Smith as extending to Kingston Smith LLP under the provision of section 26(5) of the Companies Act 1989. Kingston Smith LLP have indicated their willingness to continue in office and in accordance with the provisions of the Companies Act it is proposed that they be re-appointed auditors for the ensuing year.

#### Directors' responsibilities

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware. The directors 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.

Approved by the board

24/10/05



T.A. LOVETT  
DIRECTOR

~~J-Sandom~~  
Director

Old Brewery  
Russell Street  
Windsor  
Berkshire  
SL4 1HQ

# **Sandom Group Limited**

## **Directors' Responsibilities and Report of the Auditors**

### **For the year ended 31 December 2005**

#### **Statement of Directors' Responsibilities**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss 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 a going concern basis unless it is inappropriate to assume 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.

#### **Independent Auditors' Report to the members of Sandom Group Limited**

We have audited the financial statements of Sandom Group Limited for the year ended 31 December 2005 which comprise the *Consolidated Profit & Loss Account, Balance Sheets, Consolidated Cash Flow Statement and related notes*. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

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

#### **Respective Responsibilities of Directors and Auditors**

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

Our responsibility is to audit the financial statements in accordance with relevant legal regulatory requirements and International Standards on Auditing (UK and Ireland).

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

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

**Sandom Group Limited**  
**Report of the Auditors (continued)**  
**For the year ended 31 December 2005**

**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 company's circumstances, consistently applied and adequately disclosed.

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

**Opinion**

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

26/10/06

141 Wardour Street  
London  
W1F 0UT

*Kingston Smith LLP*

KINGSTON SMITH LLP  
Chartered Accountants  
and Registered Auditors

**Sandom Group Limited**  
**Consolidated Profit and Loss Account**  
**For the year ended 31 December 2005**

	Note	Before exceptional items 2005 £	Exceptional items 2005 £	Total 2005 £	2004 £
<b>Turnover</b>		7,721,048		7,721,048	7,327,740
Cost of sales		<u>(1,378,227)</u>		<u>(1,378,227)</u>	<u>(1,409,210)</u>
<b>Gross Profit</b>		6,342,821		6,342,821	5,918,530
Administrative expenses		(5,303,535)		(5,303,535)	(4,946,782)
Exceptional items	16		(135,120)	(135,120)	
<b>Operating Profit</b>	3	<u>1,039,286</u>	<u>(135,120)</u>	<u>904,166</u>	<u>971,748</u>
Interest receivable and similar income	6	42,809		42,809	21,197
Other interest payable and similar charges	7	<u>(11)</u>		<u>(11)</u>	<u>(23)</u>
<b>Profit on Ordinary Activities Before Taxation</b>		1,082,084	(135,120)	946,964	992,922
Taxation on ordinary activities	8	<u>(289,000)</u>		<u>(289,000)</u>	<u>(283,500)</u>
<b>Profit on Ordinary Activities After Taxation</b>		793,084	(135,120)	657,964	709,422
Equity minority interests		<u>(24,333)</u>		<u>(24,333)</u>	<u>(4,544)</u>
<b>Profit for the year</b>		768,751	(135,120)	633,631	704,878
Dividends		-		-	(507,801)
<b>Retained Profit for the year transferred to Reserves</b>		<u><u>768,751</u></u>	<u><u>(135,120)</u></u>	<u><u>633,631</u></u>	<u><u>197,077</u></u>

There were no recognised gains or losses in either year other than the profit for the year.

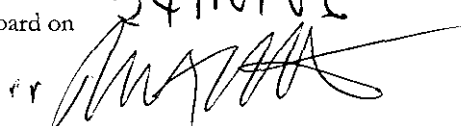


# Sandom Group Limited

## Consolidated Balance Sheet as at 31 December 2005

	Note	2005	2004
		£	£
<b>Fixed Assets</b>			
Goodwill	11	52,236	55,138
Tangible assets	11	342,130	373,371
Investments	12	4	4
		<u>394,370</u>	<u>428,513</u>
<b>Current Assets</b>			
Debtors	13	2,246,208	2,860,923
Cash at bank		<u>2,123,739</u>	<u>648,522</u>
		4,369,947	3,509,445
<b>Creditors: Amounts falling due within one year</b>	14	<u>(1,872,992)</u>	<u>(1,704,598)</u>
<b>Net Current Assets</b>		<u>2,496,955</u>	<u>1,804,848</u>
<b>Total Assets less Current Liabilities</b>		<u><u>2,891,325</u></u>	<u><u>2,233,361</u></u>
<b>Capital and Reserves</b>			
Called up share capital - equity interests	10	20,000	20,000
Shares to be issued	9	50,860	50,860
Profit and loss account	9	<u>2,728,961</u>	<u>2,095,330</u>
<b>Shareholders' Funds</b>		2,799,821	2,166,190
Minority interests	15	<u>91,504</u>	<u>67,171</u>
		<u><u>2,891,325</u></u>	<u><u>2,233,361</u></u>

Approved by the Board on

24/10/06  


~~J Sandom~~  
Director

T A LOVETT  
DIRECTOR


**Sandom Group Limited**  
**Company Balance Sheet as at 31 December 2005**

	Note	2005 £	2004 £
<b>Fixed Assets</b>			
Tangible assets	11	117,758	127,201
Investments	12	<u>226,451</u>	<u>226,453</u>
		344,209	353,654
<b>Current Assets</b>			
Debtors	13	289,843	614,173
Cash at bank and in hand		<u>2,119,885</u>	<u>644,638</u>
		2,409,728	1,258,811
<b>Creditors: Amounts falling due within one year</b>	14	<u>(2,987,253)</u>	<u>(1,434,367)</u>
<b>Net Current Liabilities</b>		<u>(577,525)</u>	<u>(175,556)</u>
<b>Total Assets less Current Liabilities</b>		<u>(233,316)</u>	<u>178,098</u>
<b>Capital and Reserves</b>			
Called up share capital - equity interests	10	20,000	20,000
Profit and loss account	9	<u>(253,316)</u>	<u>158,098</u>
		<u>(233,316)</u>	<u>178,098</u>

Approved by the Board on

24/10/06

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 Director

T. LOVETT  
 DIRECTOR

# Sandom Group Limited

## Consolidated Cashflow Statement for the year ended 31 December 2005

	Note	Year ended 31 December 2005		Year ended 31 December 2004	
		£	£	£	£
<b>Net Cash Inflow from Operating Activities</b>	A		1,986,951		486,521
<b>Dividends Received from Associates</b>			-		-
<b>Returns on Investments and Servicing of Finance</b>					
Interest received			42,809		21,197
Interest paid			(11)		(23)
Dividends paid to minority interests			-		-
<b>Net Cash Inflow from Returns on Investments and Servicing of Finance</b>			42,798		21,174
<b>Taxation</b>					
Corporation tax paid			(181,918)		(279,500)
<b>Capital Expenditure</b>					
Payments to acquire tangible fixed assets			(121,787)		(214,418)
Receipts from sale of tangible fixed assets			19,421		89,373
<b>Net Cash Outflow from Investing Activities</b>			(102,366)		(125,045)
			1,745,465		103,150
<b>Equity Dividends Paid</b>			(207,803)		(558,652)
<b>Financing</b>					
Sale of part of subsidiary undertaking			-		296
<b>Net Cash Outflow from Financing</b>			-		296
<b>(Decrease) / Increase in cash</b>	B		1,537,662		(455,206)

**Sandom Group Limited**  
**Notes to the Consolidated Cashflow Statement**  
**For the year ended 31 December 2005**

<b>A. Reconciliation of operating profit to net cash inflow from operating activities</b>	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
Operating profit	904,166	971,748
Depreciation	108,657	119,806
Amortisation of goodwill	2,902	2,902
Loss/(Profit) on sale of fixed assets	24,950	(9,330)
Decrease/(Increase) in debtors	614,715	(856,541)
Increase in creditors	331,561	257,936
<b>Net cash inflow from operating activities</b>	<b><u>1,986,951</u></b>	<b><u>486,521</u></b>

<b>B. Reconciliation of net cash flow to movement in net funds</b>	<b>£</b>	<b>£</b>
Increase/(Decrease) in cash in the year	1,537,662	(455,206)
Net funds at 1 January 2005	582,329	1,037,535
<b>Net funds at 31 December 2005</b>	<b><u>2,119,991</u></b>	<b><u>582,329</u></b>

<b>C. Analysis of changes in net funds</b>	<b>At 1 January 2005</b>	<b>Cash Flows</b>	<b>At 31 December 2005</b>
Cash at bank and in hand	648,522	1,475,217	2,123,739
Bank loans and overdraft	(66,193)	62,445	(3,748)
	<b><u>582,329</u></b>	<b><u>1,537,662</u></b>	<b><u>2,119,991</u></b>

	<b>At 1 January 2004</b>	<b>Cash Flows</b>	<b>At 31 December 2004</b>
Cash at bank and in hand	1,049,859	(401,337)	648,522
Bank loans and overdraft	(12,324)	(53,869)	(66,193)
	<b><u>1,037,535</u></b>	<b><u>(455,206)</u></b>	<b><u>582,329</u></b>

**Sandom Group Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2005**

**1. Accounting Policies**

**a) Accounting basis and standards**

The financial statements have been prepared under the historical cost convention, and in accordance with applicable Accounting Standards. The following principal accounting policies have been applied:

**b) Basis of consolidation**

The group financial statements consolidate the financial statements of the company and its subsidiaries for financial periods ended 31 December 2005 using the acquisition method of accounting.

**c) Investments**

Fixed asset investments are stated at cost less provision for diminution in value.

**d) Tangible fixed assets**

Tangible fixed assets are shown at original cost, less accumulated depreciation.

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

Motor Vehicles, Motor Craft and Plant & Equipment	- 25% Reducing balance
Leasehold Improvements	- 20% Straight Line

**e) Taxation**

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred taxation is accounted for under the liability method in respect of the taxation effects of all timing differences which are expected to reverse in the future, calculated at the rate at which it is estimated the tax will be payable.

**f) Leasing**

Rentals paid under operating leases are charged to the profit and loss account as they accrue.

**g) Pension contributions**

The company makes contributions to certain employees' personal pension plans. The assets of the schemes are held separately from those of the company. Contributions are charged to the profit and loss account as they occur.

**h) Foreign Currencies**

Transactions denominated in foreign currencies are translated into Sterling at the rate of exchange at the date of the transaction. Assets and liabilities in foreign currencies are translated into Sterling at rates of exchange ruling at the end of the financial period. Exchange differences arising from the translation of foreign subsidiaries are taken directly to reserves. All other exchange differences are dealt with through the profit and loss account.

**i) Turnover**

Turnover is the total amount derived from the provision of goods and services falling within the ordinary activities of the Group, after deductions of trade discounts and value added tax.

**j) Income recognition**

Profit is recognised on long-term contracts on a percentage completion basis in line with UITF 40. Turnover is calculated as that proportion of total contract value which costs to date bear to total expected costs for that contract.

**k) Goodwill**

Goodwill arising on the acquisition of businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired is capitalised and written off in a straight line basis over its useful economic life which is 20 years. Provision is made for any impairment.

**Sandom Group Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2005 (continued)**

<b>2. Turnover</b>	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
Geographical analysis:		
United Kingdom	5,012,200	5,293,163
Rest of Europe	1,886,099	1,559,131
Rest of World	822,749	475,446
	<u>7,721,048</u>	<u>7,327,740</u>
 <b>3. Operating Profit</b>		
The operating profit is stated after charging/(crediting):	<b>£</b>	<b>£</b>
Depreciation - owned tangible fixed assets	108,657	119,806
Amortisation - goodwill	2,902	2,902
Lease rentals - land and buildings	180,000	180,000
(Profit)/Loss on disposal of fixed assets	24,950	(9,330)
Auditors' remuneration - audit fees	20,215	21,423
	<u></u>	<u></u>
 <b>4. Employee Information</b>		
The average number of persons employed by the group (including directors) during the year was:	<b>No.</b>	<b>No.</b>
	<u>65</u>	<u>63</u>
Their total remuneration was:	<b>£</b>	<b>£</b>
Wages and salaries	3,646,503	3,298,355
Social security costs	431,930	405,967
Pension costs - defined contribution	19,000	33,333
Other staff costs	104,618	95,677
	<u>4,202,051</u>	<u>3,833,332</u>
 <b>5. Directors' Emoluments</b>	<b>£</b>	<b>£</b>
Remuneration for management services	1,493,170	1,415,311
Pension costs - defined contribution	19,000	19,000
	<u>1,512,170</u>	<u>1,434,311</u>
 <b>Highest paid director</b>	<b>£</b>	<b>£</b>
Remuneration for management services	<u>184,857</u>	<u>188,699</u>

2 directors (2004: 2) were members of a defined contribution pension scheme.

**Sandom Group Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2005 (continued)**

		2005	2004
		£	£
6. <b>Investment Income</b>			
Bank interest		<u>42,809</u>	<u>21,197</u>
7. <b>Interest Payable</b>			
Bank overdrafts and loans		<u>11</u>	<u>23</u>
		<u>11</u>	<u>23</u>
8. <b>Tax on profit on ordinary activities</b>			
a) <b>Charge for the year</b>			
		£	£
<b>Current taxation</b>			
UK Corporation tax based on profit for the year		289,000	283,500
Under provision in previous year		-	-
Tax on profit on ordinary activities		<u>289,000</u>	<u>283,500</u>
b) <b>Factors affecting the tax charge for the year</b>			
	2005	2005	2004
	£	£	£
Profit on ordinary activities before tax		<u>946,964</u>	<u>992,922</u>
Theoretical consolidated tax charge at 30%		284,089	297,876
<i>Effects of:</i>			
Other tax adjustments	(1,018)		6,354
Marginal relief	(13,200)		(16,500)
Expenses not deductible for tax purposes	14,103		20,473
Depreciation in excess of Capital Allowances	5,026		(15,123)
Losses brought forward	-		(9,580)
Losses carried forward against future profits	<u>-</u>	<u>4,911</u>	<u>(14,376)</u>
<b>Current Tax charge (as per note 8a)</b>		<u>289,000</u>	<u>283,500</u>

**Sandom Group Limited**  
**Notes to the Financial Statements**  
**For the year to 31 December 2005 (continued)**

**9. Shareholders' Funds**

<b>Group</b>	<b>Called up share capital £</b>	<b>Other reserves £</b>	<b>Profit and loss account £</b>	<b>Total £</b>
Balance at 1 January 2004	20,000	50,860	1,898,253	1,969,113
Retained profit for the year	-	-	197,077	197,077
At 31 December 2004	20,000	50,860	2,095,330	2,166,190
Shares issued during year	-	-	-	-
Retained profit for the year	-	-	633,631	633,631
At 31 December 2005	20,000	50,860	2,728,961	2,799,821

<b>Company</b>	<b>Called up share capital £</b>	<b>Profit and loss account £</b>	<b>Total £</b>
Balance at 1 January 2004	20,000	361,998	381,998
Retained loss for the year	-	(203,900)	(203,900)
At 31 December 2004	20,000	158,098	178,098
Retained loss for the year	-	(411,414)	(411,414)
At 31 December 2005	20,000	(253,316)	(233,316)

**10. Share Capital**

**Allotted, called up and fully paid:**

	<b>2005 £</b>	<b>2004 £</b>
Ordinary 'A' Shares of £1 each	10,000	10,000
Ordinary 'B' Shares of £1 each	10,000	10,000
	<u>20,000</u>	<u>20,000</u>

**Authorised:**

Ordinary 'A' Shares of £1 each	10,000	10,000
Ordinary 'B' Shares of £1 each	10,000	10,000
	<u>20,000</u>	<u>20,000</u>

The 'B' Ordinary Shares do not carry voting rights save in relation to a resolution which varies the rights of those shares. In the event of a return of capital or external sale the holders of the 'A' Ordinary Shares are entitled to the first £6 million of distribution or proceeds, and the holders of the 'B' Ordinary Shares are entitled to any excess over this amount.



**Sandom Group Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2005 (continued)**

**11(a). Group**

**Intangible Fixed Assets**

**Goodwill**

	£
At 1 January 2005	55,138
Amortisation	<u>(2,902)</u>
At 31 December 2005	<u>52,236</u>

**Tangible Fixed Assets**

	Leasehold Improvements	Plant and Equipment	Motor Craft	Motor Vehicles	Total
Cost	£	£	£	£	£
At 1 January 2005	51,659	584,624	49,500	97,520	783,303
Additions	-	88,185	-	33,604	121,789
Disposals	<u>-</u>	<u>(79,320)</u>	<u>-</u>	<u>(48,192)</u>	<u>(127,512)</u>
At 31 December 2005	<u>51,659</u>	<u>593,489</u>	<u>49,500</u>	<u>82,932</u>	<u>777,580</u>
<b>Depreciation</b>					
At 1 January 2005	51,659	299,133	24,201	34,939	409,932
Charge for the year	-	91,412	6,325	10,920	108,657
Eliminated on Disposal	<u>-</u>	<u>(58,217)</u>	<u>-</u>	<u>(24,922)</u>	<u>(83,139)</u>
At 31 December 2005	<u>51,659</u>	<u>332,328</u>	<u>30,526</u>	<u>20,937</u>	<u>435,450</u>
<b>Net book value</b>					
At 31 December 2005	<u>-</u>	<u>261,161</u>	<u>18,974</u>	<u>61,995</u>	<u>342,130</u>
At 31 December 2004	<u>-</u>	<u>285,491</u>	<u>25,299</u>	<u>62,581</u>	<u>373,371</u>

**11(b). Company**

**Tangible Fixed Assets**

	Leasehold Improvements	Plant and Equipment	Motor Craft	Motor Vehicles	Total
Cost	£	£	£	£	£
At 1 January 2005	51,659	143,665	49,500	9,484	254,308
Additions	-	17,310	-	12,424	29,734
Disposals	<u>-</u>	<u>(2,103)</u>	<u>-</u>	<u>(3,925)</u>	<u>(6,028)</u>
At 31 December 2005	<u>51,659</u>	<u>158,872</u>	<u>49,500</u>	<u>17,983</u>	<u>278,014</u>
<b>Depreciation</b>					
At 1 January 2005	51,659	49,058	24,201	2,189	127,107
Charge for year	-	28,796	6,325	2,336	37,457
Eliminated on Disposal	<u>-</u>	<u>(1,852)</u>	<u>-</u>	<u>(2,456)</u>	<u>(4,308)</u>
At 31 December 2005	<u>51,659</u>	<u>76,002</u>	<u>30,526</u>	<u>2,069</u>	<u>160,256</u>
<b>Net book value</b>					
At 31 December 2005	<u>-</u>	<u>82,870</u>	<u>18,974</u>	<u>15,914</u>	<u>117,758</u>
At 31 December 2004	<u>-</u>	<u>94,607</u>	<u>25,299</u>	<u>7,295</u>	<u>127,201</u>

**Sandom Group Limited**  
**Notes to the Financial Statements**  
**For the year ended 31 December 2005 (continued)**

**12. Fixed Asset Investments**

	<b>Group 2005 £</b>	<b>Group 2004 £</b>	<b>Company 2005 £</b>	<b>Company 2004 £</b>
<b>Shares in group undertakings</b>				
Cost at 31 December	<u>-</u>	<u>-</u>	<u>226,451</u>	<u>226,453</u>
<b>Unlisted investments</b>				
Cost at 1 January	4	4	-	-
Additions	-	-	-	-
Revaluation	-	-	-	-
Cost at 31 December	<u>4</u>	<u>4</u>	<u>-</u>	<u>-</u>

<b>Name of subsidiary undertaking</b>	<b>Principal Activity</b>	<b>Holding</b>	<b>Country of incorporation</b>
Impackt Limited	Brand Consultancy	90%	England and Wales
Distillery Limited	Dormant	100%	England and Wales
Distillery Research Limited	Brand Consultancy	85%	England and Wales
Vibrandt Limited	Brand Consultancy	100%	England and Wales
The Brand Communications Agency Limited	Advertising	100%	England and Wales
Star Chamber Limited	Dormant	100%	England and Wales
The Sandom Partnership Limited	Dormant	100%	England and Wales

The results of all the above subsidiaries have been consolidated into these financial statements.

The above percentages refer to the percentage of shares which carry voting rights. In Vibrandt Limited there are minority shareholders that hold 'B' shares which are dividend bearing, but these shares do not hold voting rights.

**13. Debtors**

	<b>Group 2005 £</b>	<b>Group 2004 £</b>	<b>Company 2005 £</b>	<b>Company 2004 £</b>
Trade debtors	1,863,832	2,667,387	197,739	29,885
Amounts owed by group undertakings	-	-	-	522,234
Other debtors	146,697	142,500	18,779	11,018
Prepayments and accrued income	235,679	51,036	73,325	51,036
	<u>2,246,208</u>	<u>2,860,923</u>	<u>289,843</u>	<u>614,173</u>

**14. Creditors: Amounts falling due within one year**

	<b>Group 2005 £</b>	<b>Group 2004 £</b>	<b>Company 2005 £</b>	<b>Company 2004 £</b>
Bank loans and overdraft	3,748	66,193	-	-
Trade creditors	288,377	337,546	146,606	87,887
Amounts owed to group undertakings	-	-	2,647,571	778,421
Corporation tax	289,000	181,919	-	-
Accruals & deferred income	909,835	199,364	163,498	199,364
Other creditors	10,618	374,773	3,648	-
Other taxation and social security	371,414	337,000	25,930	253,695
Dividends	-	207,803	-	115,000
	<u>1,872,992</u>	<u>1,704,598</u>	<u>2,987,253</u>	<u>1,434,367</u>

**Sandom Group Limited**  
**Notes to the Financial Statements**  
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**15. Minority Interests**

	£
At 31 December 2004	67,171
Dividends paid within the year	-
Minority share of the result for the year	24,333
Dividend payable	-
At 31 December 2005	<u>91,504</u>

**16. Exceptional items**

	£ 2005	£ 2004
Costs on prospective acquisitions	<u>135,120</u>	<u>-</u>

**17. Future Financial Commitments**

**Operating leases**

At 31 December 2005 the group had annual commitments under operating leases as set out below:

	Land and buildings 2005	2004
	£	£
Expiring in more than five years	<u>180,000</u>	<u>180,000</u>

**18. Related Party Transactions**

The Company has taken advantage of the exemption conferred by Financial Reporting Standard 8 not to disclose transactions with other members of the Group headed by Sandom Group Limited where at least 90% of the equity is owned by the Group and which have been eliminated on consolidation.

During the year the Company recharged expenses of £1,927 (2004: £3,600) and made purchases of £599 (2004: £1,353) from Huntley and Palmers Limited on an arms-length basis. J R Sandom and H V Leeson are directors and shareholders of Huntley and Palmers Limited.

During the year the Sandom Group Limited recharged expenses of £166,891 (2004: £119,877) to Distillery Research Limited (a subsidiary company). At the year end there was a balance of £64,880 owing to (2004: £218,636 due from) Distillery Research Limited.

**19. Controlling Party**

The controlling party is J R Sandom, by virtue of his shareholding in the parent company.

**20. Profit of Sandom Group Limited**

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of the parent company is not presented as part of these financial statements. The consolidated profit for the financial year includes a loss after tax of £411,414 (2004: loss of £203,900) relating to Sandom Group Limited.