Company Registration No 3284483

MFK GROUP LIMITED

Report and Financial Statements

28 February 2005

REPORT AND FINANCIAL STATEMENTS 2005

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MFK Group Limited

REPORT AND FINANCIAL STATEMENTS 2005

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

F Gypps
I Dartnall
N Dartnall
W Price

SECRETARY

I Dartnall

REGISTERED OFFICE

23-25 Gunnels Wood Park
Gunnels Wood Road
Stevenage
Hertfordshire
SG1 2BH

BANKERS

Allied Irish Bank (GB)
51 Belmont Road
Uxbridge
UB8 1RZ

AUDITORS

Lewis Allen & Co
Chartered Certified Accountants
Kebbell House
Delta Gain
Carpenders Park
WD19 5EF

MFK Group Limited

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 28 February 2005.

ACTIVITIES

The principal activity of the company for the period under review was that of a holding company. Since the year end, the Group has obtained significant new contracts, which will have a significant impact on the performance of MFK Information Services Limited and Pear Tree Press Limited.

DIVIDENDS

During the year an interim preference dividend of £nil (2004: £nil paid) was proposed and a final preference dividend of £nil (2004: £nil) has been proposed. An interim ordinary dividend of £nil (2004: £nil paid) was proposed and the directors propose a final dividend of £nil (2004: £nil)

The directors consider that in accordance with FRS4 guidelines and group Bank covenants the likelihood of the payment of dividends is remote and therefore no provision has been made in the financial statements for the current year.

DIRECTORS AND THEIR INTERESTS

The directors who served throughout the period are set out below.

The directors' interests in the share capital of the company were as follows:

	Ordinary Shares of £1 each		'B'Preference shares of 1p each	
	28 February 2005	1 March 2004	28 February 2005	1 March 2004
F Gypps	128,125	128,125	365,750	365,750
I Dartnall	53,125	53,125	156,750	156,750
N Dartnall	-	-	-	-
W Price - resigned 31/8/05	-	-	-	-

AUDITORS

During the period Lewis Allen were re-appointed as Auditors. A resolution to re-appoint Lewis Allen will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board

I Dartnall
Secretary

25/3 2006

MFK Group Limited

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 as at the end of the financial year 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; 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MFK GROUP LIMITED.

We have audited the financial statements on pages 9 to 20 of MFK Group Limited for the year ended 28 February 2005. 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 so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards 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 United Kingdom Auditing Standards.

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 explanantions we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read other information contained in the Annual report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

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

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

Going Concern

In forming our opinion we have considered the adequacy of the disclosures made in note 1 to the financial statements. In view of its significance we consider that it should be drawn to your attention. Our opinion is not qualified in this respect.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MFK GROUP LIMITED.

Fundamental uncertainty

In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the possible claim against the company for an amount owing under a guarantee. The future settlement of this claim could result in additional liabilities of £200,000. Details of the circumstances relating to this fundamental uncertainty are disclosed in note 17. Our opinion is not qualified in this respect.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 28 February 2005 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Lewis Allen & Co
Chartered Certified Accountants
Kebbell House
Delta Gain
Carpenders Park
WD19 5EF

20/3. 2006

MFK Group Limited

PURSUANT TO SECTION 248(3) OF THE COMPANIES ACT 1985

We have examined the financial statements of the company and each of its subsidiaries for the year ended 28 February 2005.

Basis of opinion

The scope of our work for the purpose of this report was limited to confirming that the Company is entitled to exemption from preparing group financial statements.

Opinion

In our opinion the company is entitled to the exemption from preparing group accounts conferred by Section 248 of the Companies Act 1985.

LEWIS ALLEN & COMPANY

CHARTERED CERTIFIED ACCOUNTANTS
AND REGISTERED AUDITORS

Kebbell House
Delta Gain
Carpenders Park
Watford
Herts WD19 5EF

20/3/06.

PROFIT AND LOSS ACCOUNT
Year ended 28 February 2005

	Note	2005	2004
		£	£
TURNOVER – Income from shares in Group companies	2	-	-
Administrative expenses - Normal		(230,979)	(126,905)
- Exceptional		(39,237)	-
OPERATING (LOSS)/PROFIT	3	(270,216)	(126,905)
Interest payable and similar charges	5	(60,479)	(45,319)
Interest receivable and similar income	5	435,457	144,000
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		104,762	(28,224)
Tax on profit on ordinary activities	6	-	-
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL PERIOD		104,762	(28,224)
Dividends – Equity and non-equity	7	279,629	-
RETAINED PROFIT/(LOSS)/PROFIT FOR THE YEAR		384,391	(28,224)

All turnover and expenses are derived from continuing operations.

There are no recognised gains and losses for the current year other than the loss for the year. Accordingly, no statement of total recognised gains and losses is given

MFK Group Limited

BALANCE SHEET
28 February 2005

	Note	2005 £	2004 £
FIXED ASSETS			
Investments	8	5,214,074	5,214,074
		5,214,074	5,214,074
CURRENT ASSETS			
Debtors	9	397,067	322,267
Cash at bank and in hand		-	-
		397,067	322,267
CREDITORS: amounts falling due within one year	10	(2,791,781)	(3,011,571)
NET CURRENT LIABILITIES		(2,394,714)	(2,689,304)
TOTAL ASSETS LESS CURRENT LIABILITIES		2,819,360	2,524,770
CREDITORS: amounts falling due after more than one year	11	(150,096)	(239,897)
		2,669,264	2,284,873
CAPITAL AND RESERVES			
Called up share capital	13	330,325	330,325
Share Premium account	14	1,797,168	1,797,168
Capital Redemption Reserve	14	200	200
Profit and loss account		541,571	157,180
SHAREHOLDERS' FUNDS	14	2,669,264	2,284,873
Attributable to:			
Equity interests		914,356	529,965
Non-equity interests		1,754,908	1,754,908
		2,669,264	2,284,873

These financial statements were approved by the Board of Directors on 20/3 2006

Signed on behalf of the Board of Directors

I J Dartnall
Director

CASH FLOW STATEMENT
28 February 2005

	Note	2005 £	2004 £
Net cash inflow from operating activities	1	205,016	6,973
Returns on investments and servicing of finance			
Interest paid		(60,479)	(45,319)
Non-equity dividends paid		-	-
Net cash outflow from returns on investments and servicing of finance		144,537	(45,319)
Taxation		-	-
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		-	-
Proceeds from sale of tangible fixed assets		-	12,000
Equity dividends paid		-	-
Net cash flow before financing		144,537	(26,345)
Financing			
New bank loan		-	-
Repayment of bank loan		-	4,000
Redemption of preference shares		-	-
Repayment of hire purchase creditor		-	(15,694)
(Decrease)/increase in cash in the year		144,537	(38,040)

NOTES TO THE CASH FLOW STATEMENT
28 February 2005

1. RECONCILIATION OF OPERATING PROFIT TO NET CASH FROM OPERATING ACTIVITIES

	2005	2004
	£	£
Operating(loss)/ profit	(270,216)	(126,905)
Management charges	435,457	144,000
(Increase)/Decrease in debtors	(74,800)	11,422
Increase/(Decrease) in creditors	114,575	(29,244)
Depreciation	-	410
Loss on disposal of fixed assets	-	7,290
Net cash flow from operating activities	205,016	6,973

2. ANALYSIS OF CHANGES IN NET DEBT

	At 1 March 2004	Cashflow	Other	At 28 February 2005
	£	£	£	£
Overdraft	(288,962)	54,735	-	(234,227)
	(288,962)	54,735	-	(234,227)
Debt due within one year	(112,800)	-	-	(112,800)
Debt due after one year	(239,898)	89,802	-	(150,096)
	(352,698)	89,802	-	(262,896)
Total	(641,660)	144,537	-	(497,123)

3. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2005	2004
	£	£
(Decrease)/increase in cash in the period	144,537	(38,040)
Repayments of loans	-	(3,999)
Hire purchase repayments	-	15,694
Change in net debt	144,537	(26,345)
Net debt on 1st March 2004	(641,660)	(615,315)
Net debt at 28 February 2005	(497,123)	(641,660)

NOTES TO THE ACCOUNTS
Year ended 28 February 2005

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below:

Accounting convention

The financial statements are prepared under the historical cost convention.

Consolidation

As permitted by Section 248 Companies Act 1985, consolidated accounts have not been prepared as the Group qualifies as a medium size group. The company's financial statements present the results of itself and are not consolidated to represent the Group.

Tangible fixed assets

Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Motor vehicles	25% on cost

Investments

Investments held as fixed assets are stated at cost less provision for any impairment in value. Those held as current assets are stated at the lower of cost and net realisable value.

Deferred Taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Going concern

The directors have prepared the accounts on the going concern basis and consider that this appropriate given the expected continuing support of the Group's bankers and other providers of finance.

The Group already has a strong pipeline of contracts for the year ending 28 February 2007. On the basis of cash flow information the group will continue to meet its obligations as and when they fall due.

The projections make certain assumptions related to the timing and amount of cash receipts from sales and inherently there can be no certainty in relation to these matters. The financial statements do not include any adjustments that would result from the withdrawal of the overdraft and other financial facilities by the Groups' bankers and other providers of finance or an adverse change to the timing and amount of cash receipts for its sales.

NOTES TO THE ACCOUNTS
Year ended 28 February 2005

1. ACCOUNTING POLICIES (continued)

2. TURNOVER

Turnover represents income received from the company's principal activity which is the holding of investments in subsidiary companies.

3. OPERATING PROFIT/(LOSS)/

	2005	2004
Operating (loss)/ profit is stated after charging:	£	£
Depreciation – owned assets	-	410
Auditors' remuneration – audit fees	3,300	3,000
Asset Disposal	-	7,290
Exceptional expense	39,237	-

Exceptional expense relates to a payment made under a guarantee for a subsidiary in receivership.

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

The directors of the parent company received remuneration from group companies as follows:

	2005	2004
	£	£
Directors' remuneration		
Aggregate emoluments	226,907	307,527
Pension contributions	437	11,343
	227,344	318,870

The company contributes to a defined contribution pension scheme for one director (2004: two).

Remuneration of the highest paid director:	2005	2004
	£	£
Remuneration	72,640	86,880
Pension contributions	437	5,250
	73,077	92,130

Staff costs during the year (including directors)

	2005	2004
	£	£
Wages and salaries	168,420	63,060
Social security costs	17,255	5,106
	185,675	68,166

The average number of persons employed by the company during the year was 5 (2004: 2)

5. INTEREST PAYABLE

	2005 £	2004 £
Bank loans and overdrafts	60,479	43,772
HP Interest	-	1,547
	60,479	45,319

INCOME RECEIVABLE

	2005 £	2004 £
Inter company management charges	435,457	144,000

6. TAX ON (LOSS)/PROFIT ON ORDINARY ACTIVITIES

	2005 £	2004 £
TAXATION		
Current tax:		
United Kingdom corporation tax on profits of period	-	-
Adjustments in respect of previous periods	-	-
Total current tax	-	-
Deferred tax:		
Origination and reversal of timing differences	-	-
Effect of increase tax rate on opening liability	-	-
Total deferred tax	-	-
Tax on profit on ordinary activities	-	-

Factors affecting tax charge for the period

The tax assessed for the period is higher than the standard rate of corporation tax in the UK (30%) as explained below:

	2005 £	2004 £
Profit/(Loss) on ordinary activities before tax	104,762	(28,224)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK (2004: 30%)	34,129	-
Effects of:		
Expenses not deductable for tax purposes	-	-
Capital allowances less than/(in excess of) depreciation	-	-
Dividends received from group companies not taxable	-	-
Losses surrendered by group companies	(22,400)	-
Losses brought forward	(9,029)	-
Current tax charge for the period	-	-

There are no material deferred tax balances.

NOTES TO THE ACCOUNTS
Year ended 28 February 2005

7. DIVIDENDS

	2005	2004
	£	£
Proposed dividend no longer required	279,629	-

8. INVESTMENTS HELD AS FIXED ASSETS

Investment in group companies

	2005	2004
	£	£
Cost		
At 1 March 2004	5,214,074	5,214,074
Additions	-	-
At 28 February 2005	5,214,074	5,214,074

The investments in group companies at 28 February 2005 are as follows:

Name of company	Country of Incorporation	Proportion of ordinary shares held: Directly	Indirectly	Principal activity
Amity Company Ltd	Isle of Man	100%	-	Intermediate parent company
MFK Information Services Ltd	Great Britain	-	100%	Information Processing
Mendip Communications Ltd	Great Britain	-	100%	Dormant
Pear Tree Press Ltd	Great Britain	-	100%	Printing and Imaging
Microset (UK) Limited	Great Britain	-	100%	Dormant
Petam Bookbinding Co Ltd	Great Britain	100%	-	Bookbinding
Chiltern Press Ltd	Great Britain	100%	-	Printing

NOTES TO THE ACCOUNTS
Year ended 28 February 2005

The results of the subsidiary companies for the year ended 28 February 2005 and their capital and reserves at 28 February 2005 are as follows:

Name of Company	Retained Profit/(loss) For the Year ended 28 February 2005 £	Capital and reserves at 28 February 2005 £
Amity Company Limited	-	1,350,368
MFK Information Services Limited	(197,906)	24,902
Mendip Communications Limited	-	559,454
Pear Tree Press Limited	(280,860)	58,664
Microset (UK) Limited	-	-
Petam Bookbinding Company Limited	62,073	86,206
Chiltern Press Limited (unaudited)	(198,502)	(184,016)

Chiltern Press Limited went into administration on the 6th June 2005

9. DEBTORS

	2005 £	2004 £
Called up share capital not paid	10,000	10,000
Amounts due from group undertakings	387,067	288,267
Prepayments	-	24,000
	397,067	322,267

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2005 £	2004 £
Bank loans and overdrafts	347,027	401,763
Amounts owed to group undertakings	2,331,070	2,287,435
Corporation tax	-	-
Taxation and social security	36,913	15,852
Other creditors	24,630	8,514
Accruals and deferred income	52,141	18,377
Proposed dividends	-	279,630
	2,791,781	3,011,571

NOTES TO THE ACCOUNTS
Year ended 28 February 2005

11. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	2005	2004
	£	£
Bank loans	150,096	239,897
	150,096	239,897

12. BORROWINGS

	2005	2004
Analysis of borrowings:	£	£
Due within one year	112,800	112,800
Due within one to two years	112,800	112,800
Due within two to five years	37,296	128,629
Due after five years	-	-
	262,896	354,229
Less: Deferred issue costs	-	(1,532)
	262,896	352,697

The borrowings are secured by a fixed and floating charge over the assets of the company and other group companies.

The loan is repayable in monthly instalments. Interest is charged at a rate of 2.25% in excess of the bank's base rate.

13. CALLED UP SHARE CAPITAL

	2005	2004
	£	£
Authorised, called up and allotted:		
206,250 ordinary shares of £1 each	206,250	206,250
106,250 A ordinary shares of £1 each	106,250	106,250
1,260,000 A preference shares of 1p each	12,600	12,600
522,500 B preference shares of 1p each	5,225	5,225
	330,325	330,325

13. CALLED UP SHARE CAPITAL (CONTINUED)

Class rights

Rights to dividend:

A preference shares	9% of subscription price
B preference shares	None
A ordinary shares	9% of subscription price (fixed dividend) and 10% of group profits (less the fixed dividends)
Ordinary shares	As approved by members in general meeting (subject to certain conditions)

Redemption rights:

A preference shares	Redeemable by the companys at £1 per share in twenty one equal instalments at six monthly intervals commencing 28 February 2002. Redemption is conditional upon certain Bank covenants being met No redemptions were made during the year.
B preference shares	Redeemable by the company at £1 per share on 28 February 2007

Rights on winding-up or capital reduction:

Payable in the following order after payment of outstanding dividends:

A preference shares	Subscription price
A Ordinary shares	Subscription price
B preference shares	Subscription price
Ordinary shares	Subscription price
A ordinary and ordinary shares	The surplus, as though one class of share.

Voting rights:

A preference shares	None
B preference shares	None
A Ordinary shares	One vote per share
Ordinary shares	One vote per share

14. RESERVES

Movement in Shareholders' Funds are as follows:

	Share Capital £	Share Premium £	Capital Redemption £	Profit/ (loss) £	Total £
At 1st March 2004	330,325	1,797,168	200	157,180	2,284,873
Profit for the financial year	-	-	-	384,391	384,391
Redemption of preference shares	-	-	-	-	-
Dividends					
At 28th February 2005	330,325	1,797,168	200	541,571	2,669,264

14. RESERVES (CONTINUED)

The total of shareholders' funds comprises:

	2005	2004
	£	£
Non-equity interests:		
-A preference shares	1,240,496	1,240,496
-B preference shares	514,412	514,412
	1,754,908	1,754,908
Equity interests	914,356	529,965
	2,669,264	2,284,873

15. CONTINGENT LIABILITIES

The company has entered into an omnibus guarantee and set off agreement with other group companies whereby it guarantees their bank loans and overdrafts. At the 28 February 2005 the aggregate amount of bank loans and overdrafts covered by these guarantees was approximately £973,414 (2004: £968,429). The company's assets are subject to a fixed and floating charge in respect of the guarantee.

The company has also entered into a cross guarantee with other group companies whereby it guarantees their hire purchase liabilities.

The company acts as guarantor for over all the property leases held by the subsidiary companies; MFK Information Services Limited and Pear Tree Press Limited.

16. RELATED PARTY TRANSACTIONS

During the period the company received dividends totaling £ Nil (2004: £nil) from Amity Company Limited.

At the end of the period the company owed £1,356,487 (2004: £1,356,487) to Amity Company Limited and £743,871 (2004: £537,207) to Pear Tree Press Limited and £230,712 (2004: £393,741) to MFK Information Services Limited. An amount of £15,487 (2004 £14,100) of was owing to the company from Petam Bookbinding Company Limited and £371,580 (2004: £274,167) from Chiltern Press Limited.

17. EVENTS SINCE THE END OF THE YEAR

Under the terms of a guarantee given by the company to a finance house for a lease rental agreement entered into by a former subsidiary, Chiltern Press Limited, now in receivership, the company is liable for an amount of £200,000. As the machinery has now been sold by the finance company for £350,000 the company considers that the amount is not due to the finance company. No provision has been made in the accounts for this amount as the directors consider that they can successfully defend the claim on the grounds that the contract terms are unfair.