

INKFISH SERVICES LIMITED
(Registered No: 3789864)

DIRECTORS' REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 MARCH 2006

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INKFISH SERVICES LIMITED
DIRECTORS' REPORT

The directors submit their report and the accounts of the Company for the year ended 31 March 2006.

PRINCIPAL ACTIVITY

The principal activities of the Company are fulfilment and mailing services.

RESULTS AND DIVIDENDS

The results for the year are shown in the profit and loss account on page 6. The directors do not propose to recommend the payment of a dividend. Total dividends for the year amounted to £nil (2005: £25,000)

DIRECTORS

The directors who held office during the year ended 31 March 2006 were:

S D Garbett
J J Pearmund
D R Potter - Resigned 30 April 2005
J S Ritchie
K S Wilson

DIRECTORS' INTERESTS

The directors' interests in the share capital of the Company or any group company requiring disclosure in these accounts are as follows:

	Domestic & General Group PLC Fully Paid Ordinary Shares of 10p each		Domestic & General Group PLC Shares under Performance Share Plan		Domestic & General Group PLC Deferred Shares under Annual Bonus Incentive Plan	
	<u>31.3.06</u>	<u>31.3.05</u>	<u>31.3.06</u>	<u>31.3.05</u>	<u>31.3.06</u>	<u>31.3.05</u>
S D Garbett	-	-	4,825	2,707	-	-
			Domestic & General Group PLC Options over Ordinary Shares under Executive Share Option Scheme		Domestic & General Group PLC Options over Ordinary Shares under Savings Related Share Option Scheme	
			<u>31.3.06</u>	<u>31.3.05</u>	<u>31.3.06</u>	<u>31.3.05</u>
S D Garbett			-	3,235	-	-

The number of directors with shares receivable under the Domestic & General Group PLC Performance Share Plan was 4 and under the Deferred Bonus Scheme at 31 March 2006 was 3. The number of directors who exercised share options during the year was 2. The interests of J J

Pearmund, J S Ritchie and K S Wilson are disclosed in the accounts of the ultimate holding company, Domestic & General Group PLC.

DIRECTORS' AND OFFICERS' INSURANCE AND DIRECTORS' INDEMNITIES

The Company has purchased and maintained throughout the year directors' and officers' liability insurance in respect of the Company and its directors. The directors are also entitled, under the Articles of Association, to be indemnified by the Company against costs, charges, losses, expenses and liability incurred in the discharge of their duties, unless prohibited by statute.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards.

The financial statements are required by law to 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 year.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether UK 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 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.

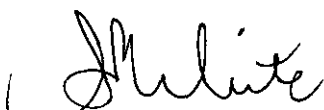
DISCLOSURE OF INFORMATION TO AUDITORS

The directors who held office at the date of approval of the directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

AUDITORS

A resolution in accordance with Section 384, Companies Act 1985, for the reappointment of KPMG Audit PLC as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By Order of the Board



P White
Secretary

26 May 2006

Registered Office
Swan Court
2A Mansel Road
Wimbledon
London SW19 4AA

INKFISH SERVICES LIMITED
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements of Inkfish Services Limited for the year ended 31 March 2006, which comprise the Profit and Loss Account, the Balance Sheet, the Reconciliation of Movement in Shareholders' Funds and the related notes. 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 auditors

As described in the Statement of Directors' Responsibilities on page 2, the Company's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

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. We also report to you whether in our opinion the information given in the Directors' Report 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 Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

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 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.

INKFISH SERVICES LIMITED
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with UK 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 given in the Directors' Report is consistent with the financial statements.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London

8 Salisbury Square
London EC4Y 8BB

26 May 2006

INKFISH SERVICES LIMITED
 PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 2006

	Note	Year to 31 March 2006 £	Year to 31 March 2005 £
TURNOVER	2	5,703,067	4,890,822
Direct costs		<u>(2,455,914)</u>	<u>(2,351,257)</u>
GROSS PROFIT		3,247,153	2,539,565
Administrative expenses		<u>(3,219,391)</u>	<u>(2,523,773)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3	27,762	15,792
Tax on profit on ordinary activities	6	<u>(12,155)</u>	<u>(7,465)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	15	<u>15,607</u>	<u>8,327</u>

All income and expenditure relates to continuing operations.

There are no recognised gains or losses other than those recognised in the profit and loss account.

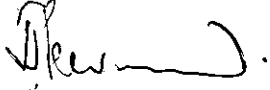

The notes on pages 9 to 15 form an integral part of these financial statements.

INKFISH SERVICES LIMITED
BALANCE SHEET AT 31 MARCH 2006

	Note	31 March 2006 £	£	31 March 2005 £	£
FIXED ASSETS					
Tangible assets	8		6,657,786		6,596,486
CURRENT ASSETS					
Stocks	9	26,246		32,040	
Debtors	10	485,921		567,232	
Cash at bank and in hand		35,968		6,082	
		<u>548,135</u>		<u>605,354</u>	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	11	<u>(6,828,829)</u>		<u>(6,942,527)</u>	
NET CURRENT LIABILITIES			<u>(6,280,694)</u>		<u>(6,337,173)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			377,092		259,313
DEFERRED TAXATION	12		<u>(198,265)</u>		<u>(96,093)</u>
			<u>178,827</u>		<u>163,220</u>
CAPITAL AND RESERVES					
Called up share capital	14		50,000		50,000
Profit and loss account	15		<u>128,827</u>		<u>113,220</u>
			<u>178,827</u>		<u>163,220</u>

The notes on pages 9 to 15 form an integral part of these financial statements.

These accounts were approved by the Board of directors on 26 May 2006.

J J PARMUND

J S RITCHIE

} Directors

INKFISH SERVICES LIMITED
 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
 FOR THE YEAR ENDED 31 MARCH 2006

	Note	Year to 31 March 2006 £	Year to 31 March 2005 £
Total recognised gains for the year		15,607	8,327
Dividends		<u>-</u>	<u>(25,000)</u>
Movement on reserves		15,607	(16,673)
Opening shareholders' funds as previously stated		163,220	154,893
Prior year adjustment re dividends	7	<u>-</u>	<u>25,000</u>
Opening shareholders' funds restated		<u>163,220</u>	<u>179,893</u>
Closing shareholders' funds		<u>178,827</u>	<u>163,220</u>

I ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

FRS21, Events after the Balance Sheet Date, has been adopted during the year, resulting in a change in the recognition of the dividend charge. Dividends now take effect in the period in which they are approved.

(a) Basis of Preparation

The financial statements have been prepared under the historical cost convention and comply with applicable accounting standards.

(b) Turnover

Turnover represents amounts receivable for services provided, exclusive of Value Added Tax.

(c) Depreciation

Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life using the straight line method. The principal rates are as follows:

Buildings	2% per annum
Computer equipment	25% per annum
Motor vehicles	25% per annum
Fixtures, fittings, furniture & equipment	10% - 15% per annum

(d) Stocks

Stocks are stated at the lower of cost and net realisable value.

(e) Pension Scheme

The Company participates in the defined contribution pension scheme operated by Domestic & General Group PLC in whose accounts full disclosure of the pension arrangements are made.

The costs of providing pensions for employees are charged in the profit and loss account in the year to which they relate.

(f) Deferred Taxation

Deferred tax is recognised, without discounting, in respect of all timing differences, between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS19.

INKFISH SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

(g) Cash Flow Statement

The Company has taken advantage of the exemption within Financial Reporting Standard 1 (Revised) not to provide a cash flow statement because it is a wholly owned subsidiary undertaking of Domestic & General Group PLC.

(h) Related Party Transactions

The Company has taken advantage of the exemption within Financial Reporting Standard 8 not to disclose transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties) because it is a wholly owned subsidiary undertaking of Domestic & General Group PLC.

2 TURNOVER

	Year to 31 March 2006 £	Year to 31 March 2005 £
Mailing activities	4,706,909	4,048,001
Fulfillment activities	996,158	842,821
	<u>5,703,067</u>	<u>4,890,822</u>

All business originated in the United Kingdom.

3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	Year to 31 March 2006 £	Year to 31 March 2005 £
Profit on ordinary activities before taxation is stated after charging:		
Depreciation	666,594	359,453
Profit on disposal of tangible assets	(14,396)	-
Auditors' remuneration	<u>10,400</u>	<u>10,000</u>

4 STAFF NUMBERS AND COSTS

The average number of persons employed by the Company during the year was as follows:

	Year to 31 March 2006	Year to 31 March 2005
Executive directors	1	1
Fulfilment	25	28
Mailing	<u>120</u>	<u>100</u>
	<u>146</u>	<u>129</u>

INKFISH SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

The aggregate payroll costs of these persons were as follows:

	2006 £	2005 £
Wages and salaries	2,410,276	1,848,455
Social security costs	209,701	169,521
Other pension costs - defined contribution schemes	86,347	72,365
	<u>2,706,324</u>	<u>2,090,341</u>

5 DIRECTORS' EMOLUMENTS

The number of directors of the Company with emoluments included in note 4 was 1 (2005:1)

	Year to 31 March 2006 £	Year to 31 March 2005 £
Directors' emoluments	90,197	150,252
Pension charge - defined contribution scheme	7,687	9,963
	<u>97,884</u>	<u>160,215</u>

The number of directors accruing retirement benefits during the year was 1.

6 TAXATION

(a) Analysis of charge for the year

	Year to 31 March 2006 £	Year to 31 March 2005 £
Amount receivable from a fellow subsidiary in respect of group relief	(24,978)	(57,921)
Adjustments in respect of prior periods	(65,039)	(319)
Total current tax	<u>(90,017)</u>	<u>(58,240)</u>
Deferred tax (note 12)	102,172	65,705
Tax on profit on ordinary activities	<u>12,155</u>	<u>7,465</u>

INKFISH SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

	Year to 31 March 2006 £	Year to 31 March 2005 £
(b) Factors affecting the tax charge for the current year		
The differences are explained below:		
Current tax reconciliation:		
Profit on ordinary activities before tax	27,762	15,792
Corporation tax at 30% (2005: 30%)	8,329	4,738
Expenses not deductible for tax purposes	7,926	2,064
Origination and reversal of timing differences	(40,767)	(65,705)
Other adjustments	(466)	982
Adjustment in respect of prior periods	(65,039)	(319)
Current tax charge for year	(90,017)	(58,240)

7 DIVIDENDS

Year to 31 March 2006 £'000	Year to 31 March 2005 £'000
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The aggregate amount of dividends comprises:

2004 final dividend paid	-	25,000
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FRS21, Events after the Balance Sheet Date, has been adopted during the year, resulting in a change in the recognition of the dividend charge. Dividends now take effect in the period in which they are approved.

INKFISH SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

8 TANGIBLE ASSETS

	Freehold land & buildings £	Computer equipment £	Fixtures fittings & equipment £	Motor vehicles £	Total £
Cost:					
At 1 April 2005	4,157,121	138,459	2,741,978	50,724	7,088,282
Additions	44,212	38,049	652,881	13,356	748,498
Disposals	-	-	(43,000)	-	(43,000)
At 31 March 2006	<u>4,201,333</u>	<u>176,508</u>	<u>3,351,859</u>	<u>64,080</u>	<u>7,793,780</u>
Depreciation:					
At 1 April 2005	31,000	48,357	405,415	7,024	491,796
Charge for the year	58,072	37,900	557,107	13,515	666,594
Disposals	-	-	(22,396)	-	(22,396)
At 31 March 2006	<u>89,072</u>	<u>86,257</u>	<u>940,126</u>	<u>20,539</u>	<u>1,135,994</u>
Net book value:					
At 31 March 2006	<u>4,112,261</u>	<u>90,251</u>	<u>2,411,733</u>	<u>43,541</u>	<u>6,657,786</u>
At 31 March 2005	<u>4,126,121</u>	<u>90,102</u>	<u>2,336,563</u>	<u>43,700</u>	<u>6,596,486</u>

9 STOCKS

	31 March 2006 £	31 March 2005 £
Goods for resale	23,020	27,597
Brochures and packaging	<u>3,226</u>	<u>4,443</u>
	<u>26,246</u>	<u>32,040</u>

10 DEBTORS

	31 March 2006 £	31 March 2005 £
Trade debtors	359,055	434,066
Prepayments and accrued income	101,888	75,245
Corporation tax	<u>24,978</u>	<u>57,921</u>
	<u>485,921</u>	<u>567,232</u>

INKFISH SERVICES LIMITED
NOTES TO THE FINANCIAL STATEMENTS

11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 March 2006 £	31 March 2005 £
Trade creditors	243,079	149,682
Accruals and deferred income	233,229	359,415
Due to group companies	<u>6,352,521</u>	<u>6,433,430</u>
	<u>6,828,829</u>	<u>6,942,527</u>

12 DEFERRED TAXATION

	31 March 2006 £	31 March 2005 £
Deferred tax has been provided as follows:		
Timing differences on capital allowances	<u>198,265</u>	<u>96,093</u>

Under FRS19, deferred tax is provided for in full on timing differences

	Deferred taxation £
At 1 April 2005	96,093
Provision in the year	<u>102,172</u>
At 31 March 2006	<u>198,265</u>

13 PENSION SCHEME

The Company participates in the defined contributory pension scheme operated by Domestic & General Group PLC. The pension cost charge for the period represents contributions payable by the Company to the scheme and amounted to £86,347 (2005: £72,365).

There were no outstanding or prepaid contributions at either the beginning or end of the financial year.

14 SHARE CAPITAL

	31 March 2006 £	31 March 2005 £
Authorised		
- Ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>
Allotted, called up and fully paid		
- Ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>

15 PROFIT AND LOSS ACCOUNT

	£
Balance at 1 April 2005	113,220
Profit for the year	<u>15,607</u>
Balance at 31 March 2006	<u>128,827</u>

16 Ultimate Holding company

The ultimate holding company is Domestic & General Group PLC, which is incorporated and registered in England. Domestic & General Group PLC prepares group accounts which include the Company. The Group accounts are available on the website www.domgen.com or can be obtained from Swan Court, Mansel Road, London SW19 4AA.