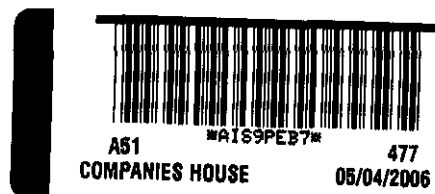


COMPANY REGISTRATION NUMBER 4021839

**NOVAGRAAF IP UK LIMITED AND SUBSIDIARIES**  
**FINANCIAL STATEMENTS**  
**FOR**  
**31 DECEMBER 2005**



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**HIGGINS FAIRBAIRN & CO.**  
Chartered Accountants & Registered Auditors  
71 Duke Street  
Mayfair  
London W1K 5NY

# **NOVAGRAAF IP UK LIMITED AND SUBSIDIARIES**

## **FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2005**

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# **NOVAGRAAF IP UK LIMITED AND SUBSIDIARIES**

## **OFFICERS AND PROFESSIONAL ADVISERS**

<b>The director</b>	Novagraaf Finance B.V.
<b>Company secretary</b>	T Doyle
<b>Registered office</b>	Parchment House 13 Northburgh Street London EC1V 0JP
<b>Auditor</b>	Higgins Fairbairn & Co. Chartered Accountants & Registered Auditors 71 Duke Street Mayfair London W1K 5NY
<b>Bankers</b>	ING Bank DK Amsterdam Amstelplein 1 HA Amsterdam 1096

# NOVAGRAAF IP UK LIMITED AND SUBSIDIARIES

## THE DIRECTOR'S REPORT

### YEAR ENDED 31 DECEMBER 2005

The director has pleasure in presenting his report and the financial statements of the group for the year ended 31 December 2005.

#### PRINCIPAL ACTIVITIES

The principal activity of the company during the year was that of a holding company for its trade mark and patent businesses in the UK.

#### RESULTS AND DIVIDENDS

The trading results and dividends for the year and the group's financial position at the end of the year are shown in the attached financial statements.

#### THE DIRECTOR AND HIS INTERESTS IN THE SHARES OF THE PARENT COMPANY

The director who served the company during the year together with its beneficial interests in the shares of the parent company was as follows:

	Ordinary shares of £1 in the parent company	
	At 31 December 2005	At 1 January 2005
Novagraaf Finance B.V.	<u>1,357,529</u>	<u>1,357,529</u>

#### DIRECTOR'S RESPONSIBILITIES

The director is responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the director 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 group and of the profit or loss of the group for that year. In preparing those financial statements, the director is required to:

select suitable accounting policies, as described on pages 9 to 10, 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 group will continue in business.

The director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and to enable him to ensure that the financial statements comply with the Companies Act 1985. The director is also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# NOVAGRAAF IP UK LIMITED AND SUBSIDIARIES

## THE DIRECTOR'S REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2005

### AUDITORS


A resolution to re-appoint Higgins Fairbairn & Co. as auditor for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

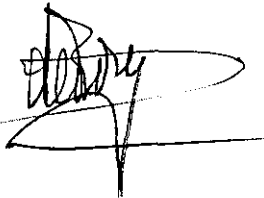
Registered office:  
Parchment House  
13 Northburgh Street  
London  
EC1V 0JP

Signed by order of the director

T. Doyle  
Company Secretary



Approved by the director on  March 2006



# **NOVAGRAAF IP UK LIMITED AND SUBSIDIARIES**

## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NOVAGRAAF IP UK LIMITED AND SUBSIDIARIES**

### **YEAR ENDED 31 DECEMBER 2005**

We have audited the financial statements on pages 6 to 17 which have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005) and on the basis of the accounting policies set out on pages 9 to 10.

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

#### **RESPECTIVE RESPONSIBILITIES OF DIRECTOR AND AUDITOR**

As described in the Statement of Director's Responsibilities the company's director is 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 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 if, in our opinion, the Director's 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 director's remuneration and other transactions is not disclosed.

We read the Director's 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 judgements made by the director 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.

# NOVAGRAAF IP UK LIMITED AND SUBSIDIARIES

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF NOVAGRAAF IP UK LIMITED AND SUBSIDIARIES *(continued)*

YEAR ENDED 31 DECEMBER 2005

### OPINION

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

*Higgins Fairbairn & Co.*

HIGGINS FAIRBAIRN & CO.  
Chartered Accountants  
& Registered Auditors

71 Duke Street  
Mayfair  
London  
W1K 5NY

24  
..... March 2006

# NOVAGRAAF IP UK LIMITED AND SUBSIDIARIES

## GROUP PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2005

	Note	2005 £	2004 (Restated) £
<b>GROUP TURNOVER</b>	<b>2</b>	<b>5,229,576</b>	4,891,085
Cost of sales		<u>2,015,574</u>	<u>1,865,432</u>
<b>GROSS PROFIT</b>		<b>3,214,002</b>	3,025,653
Distribution costs		31,031	31,955
Administrative expenses		2,598,648	2,518,740
Other operating income		<u>(600)</u>	<u>(1,250)</u>
<b>OPERATING PROFIT</b>	<b>3</b>	<b>584,923</b>	476,208
Interest receivable and similar income		10,989	5,053
Interest payable and similar charges	<b>6</b>	—	(17,932)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<u><b>595,912</b></u>	<u>463,329</u>
Tax on profit on ordinary activities	<b>7</b>	<b>267,212</b>	220,611
<b>RETAINED PROFIT FOR THE FINANCIAL YEAR</b>	<b>8</b>	<u><b>328,700</b></u>	<u>242,718</u>

All of the activities of the group are classed as continuing.

The company has taken advantage of section 230 of the Companies Act 1985  
not to publish its own Profit and Loss Account.

The notes on pages 9 to 17 form part of these financial statements.



# NOVAGRAAF IP UK LIMITED AND SUBSIDIARIES

## GROUP BALANCE SHEET

31 DECEMBER 2005

	Note	2005 £	2004 £
<b>FIXED ASSETS</b>			
Intangible assets	10	408,727	658,822
Tangible assets	11	114,562	133,355
		<u>523,289</u>	<u>792,177</u>
<b>CURRENT ASSETS</b>			
Work in progress	13	194,213	174,084
Debtors	14	1,599,478	1,221,151
Cash at bank		496,287	300,984
		<u>2,289,978</u>	<u>1,696,219</u>
<b>CREDITORS: Amounts falling due within one year</b>	15	935,109	791,717
<b>NET CURRENT ASSETS</b>		<u>1,354,869</u>	<u>904,502</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>1,878,158</u>	<u>1,696,679</u>
<b>PROVISIONS FOR LIABILITIES</b>			
Deferred taxation	17	3,595	816
		<u>1,874,563</u>	<u>1,695,863</u>
<b>CAPITAL AND RESERVES</b>			
Called-up equity share capital	21	1,357,529	1,357,529
Profit and loss account	22	517,034	338,334
<b>SHAREHOLDERS' FUNDS</b>	23	<u>1,874,563</u>	<u>1,695,863</u>

These financial statements were approved and signed by the director on 24 March 2006

.....  
Novagraaf Finance B.V.

The notes on pages 9 to 17 form part of these financial statements.

# NOVAGRAAF IP UK LIMITED AND SUBSIDIARIES

## COMPANY BALANCE SHEET

31 DECEMBER 2005

	Note	2005 £	2004 £
<b>FIXED ASSETS</b>			
Intangible assets	10	408,727	658,822
Investments	12	1,385,380	1,259,816
		<u>1,794,107</u>	<u>1,918,638</u>
<b>CURRENT ASSETS</b>			
Debtors	14	419,079	58,201
Cash at bank		58,480	20,913
		<u>477,559</u>	<u>79,114</u>
<b>CREDITORS: Amounts falling due within one year</b>	15	397,108	301,892
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<u>80,451</u>	<u>(222,778)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>1,874,558</u>	<u>1,695,860</u>
<b>CAPITAL AND RESERVES</b>			
Called-up equity share capital	21	1,357,529	1,357,529
Profit and loss account	22	517,029	338,331
<b>SHAREHOLDERS' FUNDS</b>		<u>1,874,558</u>	<u>1,695,860</u>

These financial statements were approved and signed by the director on 24 March 2006

Novagraaf Finance B.V.

The notes on pages 9 to 17 form part of these financial statements.



# **NOVAGRAAF IP UK LIMITED AND SUBSIDIARIES**

## **NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2005**

### **1. ACCOUNTING POLICIES** *(continued)*

#### **Work in progress**

Work in progress is valued on the basis of direct costs. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of unbilled direct costs.

#### **Operating lease agreements**

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

#### **Deferred taxation**

Deferred tax is recognised in respect of all timing difference that have originated but not reversed at the balance sheet date where the transactions or events have occurred at that date that will result in the obligation to pay more, or the right to pay less or to receive more tax.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on the tax rates and laws enacted or substantively enacted on the balance sheet date.

#### **Foreign currencies**

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

#### **Investments**

Investments are held as fixed assets and stated at cost less provision for any impairment in value.

# NOVAGRAAF IP UK LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 31 DECEMBER 2005

#### 2. TURNOVER

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

	2005 £	2004 £
United Kingdom	<u>5,229,576</u>	<u>4,891,085</u>

#### 3. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	2005 £	2004 £
Directors emoluments	721,024	652,115
Amortisation	250,095	250,113
Depreciation of owned fixed assets	28,283	27,374
Auditor's remuneration - as auditor	38,300	38,700
Net (profit)/loss on foreign currency translation	(12,961)	8,155
Exceptional item	<u>21,437</u>	<u>-</u>

Exceptional items are leasehold improvements written off £46,092 (Debit) and pre acquisition tax recovered of £24,655 (Credit).

#### 4. PARTICULARS OF EMPLOYEES

The average number of staff employed by the group during the financial year amounted to:

	2005 No	2004 No
Number of administrative staff	25	26
Number of management staff	6	10
	<u>31</u>	<u>36</u>

The aggregate payroll costs of the above were:

	2005 £	2004 £
Wages and salaries	1,282,967	1,231,579
Social security costs	148,626	145,365
Other pension costs	90,920	90,685
	<u>1,522,513</u>	<u>1,467,629</u>

# NOVAGRAAF IP UK LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2005

### 5. DIRECTOR'S EMOLUMENTS

The director's aggregate emoluments in respect of qualifying services were:

	2005 £	2004 £
Emoluments receivable	721,024	652,115
Value of company pension contributions to money purchase schemes	53,623	48,554
	<u>774,647</u>	<u>700,669</u>

#### Emoluments of highest paid director:

	2005 £	2004 £
Total emoluments (excluding pension contributions)	178,471	148,188
Value of company pension contributions to money purchase schemes	19,137	15,837
	<u>197,608</u>	<u>164,025</u>

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

	2005 No	2004 No
Money purchase schemes	<u>7</u>	<u>7</u>

### 6. INTEREST PAYABLE AND SIMILAR CHARGES

	2005 £	2004 £
Interest on holding company loan	<u>-</u>	<u>17,932</u>

### 7. TAXATION ON ORDINARY ACTIVITIES

	2005 £	2004 £
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year at 30% (2004 - 30%)	264,433	225,229
Total current tax	<u>264,433</u>	<u>225,229</u>
Deferred tax:		
Origination and reversal of timing differences (note 17)		
Capital allowances	2,779	(4,618)
Tax on profit on ordinary activities	<u>267,212</u>	<u>220,611</u>

# NOVAGRAAF IP UK LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

### YEAR ENDED 31 DECEMBER 2005

#### 8. PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The profit dealt with in the accounts of the parent company was £328,698 (2004 - £242,713). This includes dividends received and gain on revaluation of subsidiary investment.

#### 9. DIVIDENDS

##### Dividends on equity shares

	2005 £	2004 £
Paid during the year	<u>150,000</u>	<u>—</u>

#### 10. INTANGIBLE FIXED ASSETS

Group and company	Goodwill £
<b>COST</b>	
At 1 January 2005 and 31 December 2005	<u>1,750,790</u>
<b>AMORTISATION</b>	
At 1 January 2005	1,091,968
Charge for the year	<u>250,095</u>
At 31 December 2005	<u>1,342,063</u>
<b>NET BOOK VALUE</b>	
At 31 December 2005	<u>408,727</u>
At 31 December 2004	<u>658,822</u>

#### 11. TANGIBLE FIXED ASSETS

Group	Leasehold Improvements £	Fixtures & Fittings £	Computer Equipment £	Office Equipment £	Total £
<b>COST</b>					
At 1 January 2005	130,841	55,831	331,643	27,914	546,229
Additions	—	795	54,787	—	55,582
Disposals	(65,085)	(7,610)	(42,742)	(21,003)	(136,440)
At 31 December 2005	<u>65,756</u>	<u>49,016</u>	<u>343,688</u>	<u>6,911</u>	<u>465,371</u>
<b>DEPRECIATION</b>					
At 1 January 2005	38,987	45,459	304,729	23,699	412,874
Charge for the year	5,219	3,342	17,994	1,728	28,283
On disposals	(18,993)	(7,610)	(42,742)	(21,003)	(90,348)
At 31 December 2005	<u>25,213</u>	<u>41,191</u>	<u>279,981</u>	<u>4,424</u>	<u>350,809</u>
<b>NET BOOK VALUE</b>					
At 31 December 2005	<u>40,543</u>	<u>7,825</u>	<u>63,707</u>	<u>2,487</u>	<u>114,562</u>
At 31 December 2004	<u>91,854</u>	<u>10,372</u>	<u>26,914</u>	<u>4,215</u>	<u>133,355</u>

# NOVAGRAAF IP UK LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2005

### 12. INVESTMENTS

Company	Group companies £
<b>COST OR VALUATION</b>	
At 1 January 2005	1,259,816
Revaluations	125,564
At 31 December 2005	<u>1,385,380</u>
<b>NET BOOK VALUE</b>	
At 31 December 2005	<u>1,385,380</u>
At 31 December 2004	<u>1,259,816</u>

### 13. WORK IN PROGRESS

	Group		Company	
	2005	2004	2005	2004
	£	£	£	£
Unbilled direct costs	<u>194,213</u>	<u>174,084</u>	<u>-</u>	<u>-</u>

### 14. DEBTORS

	Group		Company	
	2005	2004	2005	2004
	£	£	£	£
Trade debtors	1,038,919	986,697	-	-
Amounts owed by group undertakings	436,233	119,238	419,033	58,201
Other debtors	5,725	8,900	-	-
Prepayments and accrued income	118,601	106,316	46	-
	<u>1,599,478</u>	<u>1,221,151</u>	<u>419,079</u>	<u>58,201</u>

### 15. CREDITORS: Amounts falling due within one year

	Group		Company	
	2005	2004	2005	2004
	£	£	£	£
Bank loans and overdrafts	22,049	-	-	-
Trade creditors	329,228	291,291	-	-
Amounts owed to group undertakings	16,926	17,314	386,926	291,892
Other creditors	369,214	383,613	-	-
Accruals and deferred income	197,692	99,499	10,182	10,000
	<u>935,109</u>	<u>791,717</u>	<u>397,108</u>	<u>301,892</u>



# NOVAGRAAF IP UK LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2005

### 16. PENSIONS

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company and amounted to £90,290(2004 £90,686). There were no outstanding or pre-paid contributions at the balance sheet date.

### 17. DEFERRED TAXATION

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

	Group		Company	
	2005	2004	2005	2004
	£	£	£	£
Provision brought forward	816	5,434	-	-
Increase/(Decrease) in provision	2,779	(4,618)	-	-
Provision carried forward	<u>3,595</u>	<u>816</u>	<u>-</u>	<u>-</u>

### 18. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2005 the group had annual commitments under non-cancellable operating leases as set out below.

	2005		2004	
	Land & Buildings	Other Items	Land & Buildings	Other Items
	£	£	£	£
Operating leases which expire:				
Within 1 year	-	7,115	36,780	3,513
Within 2 to 5 years	146,500	6,138	147,020	13,616
	<u>146,500</u>	<u>13,253</u>	<u>183,800</u>	<u>17,129</u>

### 19. CONTINGENCIES

	2005	2004
	£	£
Guarantees of group undertakings' bank indebtedness (Maximum bank facility)	24,087,762	3,035,270

The European group bank indebtedness is secured by a first fixed charge and debenture on certain UK group companies' shares.

# NOVAGRAAF IP UK LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2005

### 20. RELATED PARTY TRANSACTIONS

During the year, the company earned fees of £171,209 (2004: £199,836) from Novagraaf BV and other non-UK group companies. The amount owed on the sales ledger was £13,356 (2004: £17,448).

During the year, the company also paid fees of £100,011 (2004: £56,974) to Novagraaf BV and other non-UK group companies. The amount owed on the purchase ledger was £26,906 (2004: £2,064).

Management charges of £130,923 (2004: £112,787) were paid to the ultimate holding company, Novagraaf Holding B.V.

All transactions were on an arms length basis.

### 21. SHARE CAPITAL

#### Authorised share capital:

	2005	2004
	£	£
1,357,529 Ordinary shares of £1 each	<u>1,357,529</u>	<u>1,357,529</u>

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

	2005		2004	
	No	£	No	£
Ordinary shares of £1 each	<u>1,357,529</u>	<u>1,357,529</u>	<u>1,357,529</u>	<u>1,357,529</u>

### 22. RESERVES

Group	Profit and loss account
	£
Balance brought forward	338,334
Retained profit for the year	328,700
Equity dividends	(150,000)
Balance carried forward	<u>517,034</u>

Company	Profit and loss account
	£
Balance brought forward	338,331
Retained profit for the year	328,698
Equity dividends	(150,000)
Balance carried forward	<u>517,029</u>

# NOVAGRAAF IP UK LIMITED AND SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2005

### 23. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2005		2004 (Restated)	
	£	£	£	£
Profit for the financial year		328,700		242,718
Foreign currency gains/losses on translation of long term loan		-		58,472
Equity dividends paid		(150,000)		
Net addition to shareholders' equity funds		178,700		301,190
Opening shareholders' equity funds	1,695,863		1,394,451	
Prior year adjustments	-		222	
		1,695,863		1,394,673
		1,874,563		1,695,863

### 24. SUBSIDIARIES

The following companies, which are all trade mark and patent agents, are the principal subsidiary undertakings of the Group at 31st December 2003:

- (1) Novagraaf Limited
- (2) J.E. Evans-Jackson & Co Limited
- (3) William A. Shepherd & Son Limited
- (4) Novagraaf Norwich Limited
- (5) Novagraaf Patents Limited

All the above companies are 100% owned, located and registered in the United Kingdom, and have been included in the consolidated accounts.

### 25. ULTIMATE PARENT COMPANY

The immediate holding company is Novagraaf Finance B.V. (formerly known as Vredezicht's Gravenhage 80 B.V.) which is incorporated in the Netherlands. The director regards Novagraaf Holding B.V, which is also incorporated in the Netherlands, as the ultimate holding company