Dowlis Corporate Solutions plc
Annual Report

31 December 2005
Registered number 05193579

The key highlights

- Merger of Corporate Solutions and Dowlis in September 2004
- Acquisition of Aviation Gifts for £237,000 in May 2005 and set up of Dowlis Communications in February 2005
- Flotation on AIM in November 2005 and raising of £4.0m net of expenses
- Turnover in the 12 months to December 2005 was £20.4m
- Normalised profit before tax, goodwill amortisation and one off exceptional items for the 12 months to December 2005 was £1.2m
- Normalised basic earnings per share, before tax, goodwill amortisation and one-off exceptional items for the 12 months to December 2005 were 3.24p per share
- Net funds of £1.5m at year end

Post balance sheet events

- Acquisition of Envoy catalogue for £200,000 in January 2006
- Acquisition of Ross Promotional Products Limited for £825,000 in February 2006 also providing the Group with a Scottish base

Contents

Chairman's Statement

It gives me great pleasure to present the inaugural set of results for the Dowlis group which follows its successful flotation on AIM in November 2005.

Turnover and profits

This report covers the period from incorporation on 30 July 2004 to 31 December 2005. However, I am concentrating in this report on the 12 months to 31 December 2005 which is the first full year of trading for the Group. Turnover in the 12 months to 31 December 2005 was £20.4m and normalised profit before tax, goodwill amortisation and one-off exceptional items was £1.2m.

The one-off exceptional items relate to the reorganisation of the Dowlis business and the centralising of our warehouse facility in new premises in Manchester, which had a total cost of £206,000 and £240,000, being those costs of listing on AIM that under the requirements of FRS25 are not eligible to be deducted from the share premium account. Basic earnings per share, before goodwill amortisation and one-off costs for the 12 months to 31 December 2005, were 3.24p per share and, after goodwill amortisation and one-off costs, 1.13p per share. No dividend will be paid this year as stated in the Admission document.

Cash resources and investment

The successful admission to AIM raised £4.0m net of expenses and, following receipt of these funds, short term debt and loans were repaid. At the year end, the Group had £1.5m cash in hand.

Post balance sheet events

At the time of the Group's admission to AIM it stated its intention of increasing revenues through the sales channels of Trade Only™ and information services by attracting additional suppliers and distributors through the website and establishing additional UK Promotional Products sales offices. Since the year end, we have acquired two businesses: In January we acquired the Envoy catalogue at a total cost of £200,000 - Envoy provides product information and selling resources to UK based promotional merchandise companies. Then in February we acquired Ross Promotional Products Limited for a total consideration of £825,000. This acquisition provides a Scottish facility from which to serve the Group's increasing client base in Scotland.

Board and employees

The dedication and effort that has been demonstrated by our talented team over the past 18 months has been exemplary. It is a result of this that significant progress has been made towards our goal of developing a profitable group that has a clear focus on delivering marketing solutions that utilise our systems, processes and link with a wide supply network.

Outlook

Current trading for the early part of the year has been encouraging, and we are already beginning to leverage the benefits of the two new businesses. We look forward to the coming year with confidence and will continue to build the Group organically and through acquisition.

Colin Cooke
Chairman
29 March 2006

Chief Executive Review

The last 18 months have seen a complete transformation of the businesses that make up the Dowlis Group. In September 2004 Corporate Solutions, which was formed just two years earlier, merged with Dowlis, a company that had been in the promotional merchandise business for 30 years. After a short period of consolidation, we acquired two businesses and then in November 2005 successfully floated on AIM.

Today, the Dowlis Group specialises in providing corporate solutions across three key areas:

- **Marketing Solutions**

Promotional Products - Dowlis is the UK's second largest distributor of promotional products, personalised to support clients' wider marketing campaigns
Dowlis Communications - Manchester based design and marketing including print and brochure production, media planning and buying

- **Information Solutions**

Portal - bespoke, industry specific website that contains detailed information on over 2,000 products - revenue is generated from suppliers wishing to be featured on the site, at exhibitions and from advertising contributions in catalogues
Technology - the Group's offering is underpinned by its propriety software which has been designed in-house to provide users with innovative solutions to day to day requirements associated with promotional products and provides the Group with a competitive advantage over others in the industry

- **Logistics Solutions**

The Group is a supplier to independent distributors and partners of a wide range of products that are sourced, stocked and personalised in-house using the latest technology

This structure enables the Group to provide services direct to large corporate entities and to the SME market via distributors, and also to generate revenue by providing product information to distributors from suppliers, enabling them to communicate and transact with each other more effectively.

The progress the team has made in such a short time is very encouraging. As with many smaller companies the process of listing on AIM distracts much of the senior resource needed to implement new ideas and grow the business, and I am delighted that we are now through that process. We are continually looking at ways to innovate additional solutions for customers, identify new markets and opportunities, and take time and cost out of our process through the adoption of best practice and the use of technology where practical.

Marketing Solutions
Promotional Products
As a distributor of promotional merchandise we source products from around the world which are personalised in accordance with the client's brand and design guidelines in support of their wider marketing campaigns.

Since the merger of Dowlis and Corporate Solutions and due to our wider service offering with increased creative resources, we have gained several new large corporate accounts. Customers include the AA, Airbus, GlaxoSmithKline, Legal & General and 3. In May 2005, we acquired the Aviation Gifts business which specialises in the supply of accurate and manufacturer approved models to major airlines throughout Europe and the Middle East which in turn has provided the opportunity to supply other products of the Group to these customers. The addition of Ross Promotional Products gives the Group a base from which to serve our increasing client base in Scotland.

In the summer of 2005, we consolidated our warehouse and distribution facility into a new purpose built premises in Manchester and closed the ageing warehouse premises at Byfleet, Birmingham and the original Manchester warehouse. We have invested heavily in the latest technology and systems to improve efficiencies and lower distribution costs. This gives us the extra capacity needed to drive the business forward offering even higher levels of service and responsiveness to our growing customer base.

Dowlis Communications
This was established in 2005 and provides a range of services which cover all aspects of design and marketing, including print and brochure production, media planning and buying. This will provide the platform for additional services that can be added to the marketing services aspect of the business.

We are always cautious about building into our plans 'cross selling' benefits, preferring to discount talk of easily achieved extra business from clients. We are, therefore, pleased that the business has recently won the first point of sale order from one of the Group's major clients.

Information Solutions
Trade Only™ - publishing
This division produces the main catalogue used by the Group and manages the relationships with suppliers that pay to be included in the publication. Due to space constraints, suppliers cannot include all of their products in the catalogue and, in order to gain exposure for the rest of their range through distributors, they enter these into our fast growing portal that is growing in use by around 20% per month.

The addition of the Envoy catalogue will provide further momentum to the Group strategy of being a useful link between suppliers and distributors. The Catalogue features promotional merchandise for corporate customers and is supported by over 60 suppliers with approximately 50,000 catalogues distributed through 45 regionally separated distributors. The Envoy

Chief Executive Review cont...

catalogue group will benefit from adopting our leading technology for the efficient management of product databases and order processing software as well as the Virtual Sample technology, over which the Group has exclusive rights in the UK market.

Visitor numbers at the Roadshow, which was held at five locations in January of this year, were up 15% compared to 2005. The events continue to attract much attention from suppliers not currently members of the Trade Only™ catalogue. In addition to the Roadshow, a new, one day 'National' show has been planned for September 2006.

Logistics Solutions
Trade Only™ - Product Supply
This business sources, personalises and supplies promotional products to independent distributors who then sell them on to their customers. Of the estimated 2,000 UK distributors we receive orders from over 600, a figure that is growing each week.

Sales of catalogues to distributors is some 30% ahead of the same period last year reflecting the more comprehensive nature of the catalogue and the wider acceptance by distributors of this publication. We have seen a general increase in the number of catalogues purchased by distributors and a substantial increase in the number of distributors that use our web technology to promote products to their own customers.

Conclusion
We have started the new financial year with confidence and our businesses are in a healthy position with many good opportunities to explore. Our recent modest size acquisitions are performing in line with expectations and we look forward to the coming year with a clear strategy and sufficient new ideas to enjoy a successful year.

Martin Varley
Chief Executive
29 March 2006

Group Finance Director's Review

This is the first Annual Report for the Group since the Company's incorporation in July 2004, and also the first set of results published as a quoted company. As a result, these accounts cover the period from 30 July 2004 to 31 December 2005 and the profit and loss statement covers that period although, as there was no trading until the merger in September 2004, the trading is for the 15 month period. Also shown are the results for the 12 months ended 31 December 2005 which we believe are more relevant to our shareholders and will form the basis of the comparisons in the future. Having established the Group with the merger, the most significant event of the period was the admission to AIM and raising £4.0m net of expenses.

Trading results

Turnover for the 15 months to 31 December 2005 was £26.2m and for the 12 months to the same date £20.4m. Operating profit before exceptional items and goodwill amortisation was £1.582m for the 15 months and £1.345m for 12 months. We have begun to see an improvement in the operating margins both at the gross level, due to an increasing contribution from Trade Only™, and after administration costs. We have built a cost base to support higher volumes and expect to see continued improvement in this regard.

The two principal businesses are Marketing Solutions and Information and Logistics Solutions, which can supply some products to Promotional Products, hence the internal sales, but which will continue to sell to the large number of smaller distributors in the sector. The split between the two main sales channels is shown below.

Non-operating exceptional items, fundamental restructuring

A total of £206,000 arises from the move to the new central warehouse facility in Manchester and reorganisation costs. We closed the Byfleet warehouse in September and the Birmingham facility in November, although we have retained an office there which specialises in corporate clothing, and moved out of the old Manchester premises. In addition, we incurred several one-off costs in reorganising the Promotional Products sales function and central administration. We incurred total costs of £489,000 in connection with the AIM listing process and related placing of new shares. In accordance with the requirements of FRS25, the costs incurred have been deducted from equity to the extent that they related to the issue of the new shares and the balance of £240,000 has been charged to profit. These costs have been shown separately as non-operating exceptional items.

Interest cost

Until 7 November 2005, the Group was a net borrower. The merger was completed with the creation of loan notes to the owners of the Dowlis business. This loan of £1.2m along with short term bank debt was repaid out of the proceeds of the flotation and left the Group with surplus funds. At the 31 December 2005 the Group had a surplus of £1.5m.

Taxation

The charge for the 15 months includes an adjustment to create the deferred tax reserve, effectively a prior year adjustment. The charge for the 12 months is close to the prevailing tax rate of 30% before goodwill amortisation. Tax charges in future years should follow this pattern.

Earnings per share

Normalised earnings per share before goodwill amortisation and non-operating exceptional items for the 12 months to 31 December 2005 are 3.24p - based on a weighted average number of shares of 26,884,005. The diluted earnings per share in the 12 months on a normalised basis are 3.24p based on the addition of 34,758 shares being the dilutive effect of shares under option. These figures should not be regarded as being representative for the future because of the impact on the weighting following the share issue and the benefit of the cash received in the profit and loss, all of which happened late in the period.

	12 months	15 months
Turnover	£m	£m
Marketing Solutions	19.1	24.8
Information and Logistics Solutions	1.9	2.2
Less internal sales	(0.6)	(0.8)
Total	**20.4**	**26.2**
Operating profit before one-off items and goodwill amortisation		
Marketing Solutions	1.1	1.4
Information and Logistics Solutions	0.2	0.2
Total	**1.3**	**1.6**

Group Finance Director's Review cont...

Cash flow and investment

The cash flow is shown for the full period from incorporation to 31 December 2005 and includes the impact of the merger and AIM listing.

The net cash inflow from operating activities and non-operating exceptional items was £930,000. . The total capital expenditure was £660,000 and relates primarily to the new warehouse facility and IT development of the Trade Only software. Acquisitions are primarily the costs associated with the merger plus the acquisition of Aviation Gifts.

The AIM listing raised £4.5m before expenses of £0.5m. We then repaid the loan notes totalling £1.2m and short term debt. At the year end, we had surplus cash of £1.5m. Since the year end we have put in place an overdraft facility for £1m and acquired the Envoy catalogue business and Ross Promotional Products Limited for a combined sum of £1.025m, part of which was satisfied by the issue of 357,894 new shares to the value of £170,000.

Financial instruments and foreign exchange risk

Until the flotation, the main financial instrument the Group held was its bank loan and loan debt, both now repaid. Other financial instruments such as trade debtors and trade creditors arise directly from operations. The Group has no overseas assets or liabilities apart from trade related purchases and any currency rate movements have had no material impact.

Carrying values

The Directors have carried out a review of the carrying values of the intangible and tangible assets. We have concluded that as each of those businesses acquired are performing at or above the level when acquired no change to the carrying values is necessary. The balance of fixed assets is relatively new and again no provisions are required.

Accounting policies and corporate governance

As an AIM listed company we are not required to adopt international accounting standards until 2007 or to comply with the combined code in respect of Corporate Governance. However, we have looked at the international accounting standards, and do not believe that the impact of conversion will be significant. Under IFRS we will no longer amortise goodwill and we will need to apply the new rules on share option recording and disclosures.

As regards corporate governance we do support the principles of corporate governance and have sought to comply where practicable, using the guidance for AIM companies established by the Quoted Companies Alliance.

David Gray
Finance Director
29 March 2006

Directors & Advisors

Directors

Colin Cooke (aged 65) Non-executive Chairman
Colin is the Chairman of Fenner plc and joined the Board as Non-executive Chairman on 23 September 2006. Colin has 21 years' experience as a public company director and has been Chairman of four public companies including Triplex Lloyd plc. Colin is a Fellow of the Institute of Metallurgy, and has also studied International Marketing at the London Business School.

David Gray (aged 53) Finance Director and Company Secretary
David is a Chartered Accountant and joined the Board on 15 September 2005 and is responsible for all finance and treasury aspects of the Company. Previously he was Finance Director at Gowrings plc. He joined Gowrings plc in 1995 from First Leisure Corporation plc where he held the role of Group Financial Controller. David sits on the Accounting Standards Technical Committee of the Quoted Companies Alliance.

Martin Varley (aged 43) Chief Executive Officer
Martin was the former European Managing Director of 4imprint Group plc and the founder of Incentives Two Limited. He has 19 years' experience in the promotional merchandise industry and has gained an extensive knowledge of the supply and distribution sectors of the market. Whilst at 4imprint Group plc, Martin built revenue of approximately £50m per annum through organic growth and bolt on acquisitions. He joined Corporate Solutions in 2003.

Keith Willis (aged 61) Non-executive Director
Keith established Dowlis in 1974 to sell promotional merchandise and was Managing Director until 1999 when he became Chairman. Following a number of acquisitions, turnover had increased to £14m for the 11 months to December 2004. At the time of the merger with Corporate Solutions, he was appointed Chairman of the Company and became a Non-executive Director on Admission.

Advisers

Registrars
Neville Registrars Limited,
Neville House , 18 Laurel Lane, Halesowen, West Midlands B63 3DA

Auditors
RSM Robson Rhodes LLP,
30 Finsbury Square , London, EC2P 2YU

Solicitors
Halliwells LLP

Nominated Adviser and Financial Adviser,
Zeus Capital Limited

Stockbrokers,
Corporate Synergy plc

Bankers
Royal Bank of Scotland PLC

Corporate & Financial Public Relations
Redleaf Communications Ltd

Registered office
Canada Road, Byfleet, Surrey, KT14 7HQ
www.dowlis.com
Company registration number:05193579

Financial Calendar

Annual General Meeting	27 April 2006
Half year end	30 June 2006
Half year announcement	September 2006
Year end	31 December 2006
Preliminary announcement	March 2007

Report of the Directors

The Directors have pleasure in presenting their First Annual Report together with the audited accounts of the Group for the period from incorporation on 30 July 2004 until 31 December 2005.

Principal activities

The Group operates in the UK promotional merchandise and marketing services sectors. The reviews on pages 2 to 6 refer to the Group's current operations and future developments.

Results

The Group's results for the period ended 31 December 2005, are set out in the consolidated profit and loss account on page 15. These results are discussed in the reviews on pages 2 to 6.

Dividend

No dividend is proposed in this the first set of results.

Directors and Directors' interests

The current Directors of the Company are listed on page 7. The Directors who served during the period are shown in the table below.

Keith Willis retires from the Board by rotation in accordance with the provisions of the Articles of Association and, being eligible, offers himself for re-election. The service agreements of the executive Directors will be available for inspection at the registered office of the Company on any weekday during normal business hours until the date of the Annual General Meeting and at the meeting itself. Details of the service agreements are set out in the Directors' Remuneration Report on pages 10 to 11.

Details of the remuneration of the Directors and their interests in the shares and share options of the Company are shown in the Directors' Remuneration Report. No Director had any interest in any contract with the Company or its subsidiary undertakings, at any point during the period.

Substantial shareholders

As at 20 March 2006 the Company had been notified of 3% or more of its issued share capital in the table below.

Employees

It is Group policy that there shall be no discrimination in respect of sex, colour, race, religion or nationality and that equal opportunity shall be given to all employees.

The policy of giving full and fair consideration to applications for employment from disabled persons and where practical to continue the employment of anyone who may become disabled during their employment has continued. Where existing employees become disabled, it is the Group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Directors and Directors' interests	
C I Cooke	appointed 23 September 2005
B W Fielder	appointed 8 September 2004 and resigned 23 September 2005
M R Varley	appointed 8 September 2004
K T Willis	appointed 8 September 2004
D H Gray	appointed 15 September 2005
D Herrington	appointed 30 July 2004 and resigned 8 September 2004
G Reid	appointed 30 July 2004 and resigned 8 September 2004

Substantial Shareholders	Ordinary shares of 0.4p each	%
K T Willis (note below)	10,322,775	27.3
M R Varley	8,939,225	23.6
Hansa Trust plc	2,500,000	6.6
Close Investment Limited	1,944,444	5.1
Cavendish Asset Management Limited	1,754,623	4.6
J Yoemans	1,483,000	3.9
A Crafton	1,483,000	3.9
Bluehone Investors LLP	1,388,889	3.7

Note: K. T. Willis shareholding includes that of his wife J. Colton Willis (2,629,500 ordinary shares) and the Keith Willis Discretionary Trust (3,093,000 ordinary shares)

Report of the Directors cont...

Every effort is made to ensure good communication. In particular the Group recognises the crucial roles that its managers play in ensuring that employees are made aware of developments within the Group.

Risk Management

The Group is conscious of the importance of providing a safe working environment for both its employees and its customers, of ensuring compliance with all statutory and mandatory requirements and of minimising the environmental impact of its operations whenever possible. Careful attention is given to the promotion of risk management procedures.

Donations

The charitable contributions in the period were £1,075 provided to local charities. There were no political donations.

Payments to suppliers

It is the Group's policy to pay creditors when they fall due for payment, which results in payment within 55 days of invoice date, unless other payment terms have been agreed.

The Company incurs administrative expenses only and at the year-end trade creditors represented approximately 63 days .

Auditors

The previous Company auditors, Menzies , stood down on 12 January 2006 and RSM Robson Rhodes LLP have since been appointed. RSM Robson Rhodes LLP have expressed their willingness to continue in office as auditors of the Company and a resolution proposing their reappointment will be proposed at the Annual General Meeting.

Annual General Meeting

The Notice convening the Annual General Meeting to be held on 27 April 2006 is sent to shareholders separately with this report.

By Order of the Board
D H Gray Secretary
29 March 2006
Canada Road,
Byfleet, Surrey KT14 7 HQ

Directors' Remuneration Report

As an AIM listed Company it is not necessary to comply with the provisions of schedule 7A to the Companies Act 1985 relating to Directors' Remuneration Reports.

Paragraphs 1 to 3 are not subject to audit.

1 The Remuneration Committee of Dowlis was established on Admission to Aim on 7 November 2006. It comprises the two non-executive Directors, Keith Willis (Chairman), and Colin Cooke. The Chief Executive will normally be invited to attend meetings to discuss the performance of other executive directors but shall not be involved in any of the decisions.

The terms of reference for the Committee are to determine on behalf of the Board the Company's policy on executive remuneration and to consider and approve the individual salaries and other terms of the remuneration package for the executive Directors. In addition it will oversee and review all aspects of the share option schemes including the selection of eligible directors and other employees and the terms of any options granted.

2 General Remuneration Policy

In framing the remuneration policy, the Committee has followed the Combined Code provisions relating to Directors' remuneration annexed to the Listing Rules. The Company's remuneration policy seeks to ensure that competitive remuneration packages are offered in order to attract, retain and motivate executive Directors. Part of the package is designed to link rewards to corporate and individual performance.

a) Executive Directors

(i) Basic Salary

The base salaries will be reviewed annually by the Committee. Contracts for each executive director were put in place on 21 October 2005 in anticipation of successfully being admitted onto AIM. When appropriate the Remuneration Committee will commission surveys for the purpose of monitoring overall remuneration levels against other peer group companies in the relevant business sector. No such survey has been commissioned to date.

(ii) The executive Directors are entitled to receive an allowance in respect of a motor vehicle and be reimbursed for all petrol costs incurred for business use. In addition the executive Director is entitled to receive the benefit of private health care, life assurance cover and contributions to the Directors personal pension plan up to 10% of remuneration.

(iii) Performance Related Annual Bonus

The executive Directors' bonus scheme is based upon pre-determined financial targets and strategic objectives established at the beginning of the year. The financial targets are based on profit before tax and non-operating exceptional items. The Committee set this target and the level of the award.

Under this bonus scheme an amount equal to a maximum of 50% of salary can be paid to the executive Directors. No bonuses were paid in respect of 2005 .

(iv) Executive Management Incentives Share Option Schemes

The Company believes that share ownership by the executive Directors aligns the interests of Directors and shareholders while giving Directors incentives to perform at the highest level. The Company has an Inland Revenue approved share option scheme. This scheme is not subject to the satisfaction of any performance criteria. Options have been granted to Directors and another executive based on seniority and the desire to reward those individuals with longer term incentives.

(v) Contracts of Service

The executive Directors each have service contracts. In the case of Martin Varley, he has a contract with the Company dated 21 October 2005 which is a 12 month rolling contract, with both the Company and the employee entitled to the same notice period. David Gray has a six month rolling contract also dated 21 October 2005, with both the Company and the employee entitled to the same notice period.

b) Non-executive Directors

Colin Cooke and Keith Willis each have letters of appointment effective on admission to AIM on 7 November 2005 with both the Company and the non-executive Director entitled to the same notice period of six months. Colin Cooke receives a fee of £20,000 per annum and Keith Willis receives £15,000 per annum. No other benefits are awarded to either of the non-executive Directors.

3 Directors' interest in shares

The interests as defined by the Companies Act 1985 of Directors, their spouses and minor children in the ordinary shares of 0.4p each of the Company were as follows:

	Ordinary Shares 31 December 2005
C I Cooke	**nil**
M R Varley	**8,939,225**
D H Gray	**279,278**
K T Willis	**10,322,775**

Directors' Remuneration Report cont.

The following information is subject to audit.

4 Directors emoluments for the period 30 July 2004 to 31 December 2005

	Salary and fees £000	Benefits £000	Annual performance related bonus £000	Period ended 31 December 2005 Total £000
Executive Directors				
M R Varley	206	3	-	**209**
D H Gray	26	1	-	**27**
B W Fielder	68	11	15	**94**
Non-executive Directors				
C I Cooke	2	-	-	**2**
K T Willis	60	13	20	**93**
	362	28	35	**425**

Keith Willis received £58,333 as Executive Chairman in the period from 8 September 2004 until his appointment as a non-executive Director on 7 November 2005. Barry Fielder was an executive Director from 8 September 2004 until 23 September 2005. Ms D Herrington and Mr G Reid were Directors from incorporation on 30 July 2004 until 8 September 2004 but did not receive any salary or fee. During the period £10,256 was paid into the stakeholder pension scheme for the benefit of Barry Fielder, whilst a director. No payments were made in repect of any other director but £16,000 and £2,000 was accured in respect of Messrs Varley and Gray's entitlement to pension contributions as described in 2a(ii) above.

5 Directors interests in share options

Details of share options held by the Directors were as follows:

	Number of options issued	Number of options 31 December 2005	Exercise price pence	Date at which exercisable	Expiry date
M R Varley	694,444	694,444	36	2008	17.10.2015
D H Gray	208,333	208,333	36	2008	17.10.2015

Notes:

(i) Options were granted under an approved share option scheme on 18 October 2005.

(ii) The mid-market price of the shares at 31 December 2005 was 47.5p and the range during the period from 7 November 2005 to 31 December 2005 38.5p to 47.5p.

(iii) As at 13 March 2006 there has been no change to the shareholdings or options shown above.

(iv) Under an agreement between Keith Willis, Martin Varley and the Company , Martin Varley had the right to acquire a maximum of 15% of the issued share capital of the Company from Keith Willis at an agreed maximum price of £150,000. This became exercisable in its entirety on admission to AIM. No other Directors share options were exercised or lapsed in the period or up to the date of this report.

This report was approved by the Board on 29 March 2006.

K T Willis
Chairman of the Remuneration Committee
29 March 2005

Corporate Governance

The Group is committed to high standards of corporate governance. The Board is accountable to the Group's shareholders for good governance.

The Board fully supports the underlying principles of corporate governance contained in the Combined Code, notwithstanding that, as its shares are not listed on the main market of the London Stock Exchange, it is not required to comply with such recommendations. It has sought to comply with the provisions of the Combined Code, insofar as is practicable and appropriate for a public company of its size and nature, and recognises its overall responsibility for the Company's systems of internal control and for monitoring their effectiveness. Set out below is a statement of how the Group has applied the principles of the Combined Code.

Board of Directors

The Board of Directors consists of the independent non-executive Chairman, the Chief Executive, the Finance Director plus one other non-executive Director, who is not independent. It is planned to appoint another non-executive Director, who will be independent, later this year. Directors' biographies appear on page 7. The Board has so far met three times since admission and plans to meet seven times a year. All Directors submit themselves for re-election once every three years. Board meetings follow a formal agenda covering matters specifically reserved for decision by the Board.

It is felt that the size of the Board adequately demonstrates there to be a reasonable balance between executive and non-executive Directors. No single Director has been identified as the independent senior non-executive, as required by the Combined Code, but it is felt that access to the Board by shareholders and other outside parties is adequate.

Remuneration Committee

This committee, chaired by Keith Willis consists of the two non-executive Directors, one of whom is independent. It is responsible for advising the Board on the terms of service, including remuneration, of the executive Directors and invites participation in the Company's share option schemes. Further details are given in the Directors' Remuneration Report on pages 10 to 11.

Audit Committee

This committee is chaired by Colin Cooke and comprises the two non-executive Directors. It reviews the accounts and monitors accounting and financial procedures and policies, including statutory and regulatory compliance and has met to review the annual report for 2005 and policies and procedures in place. Meetings are also attended by executive Directors. The Company's auditors attend meetings, and they have direct access to the Committee Chairman.

Nomination Committee

During the year the Company has not operated with a nomination committee as recommended by the Combined Code as the size and operations of the Company do not support the operation of such a committee. However, for the appointment of a new non-executive Director a committee would be established consisting of Colin Cooke as Chairman, and Martin Varley. Although the membership of this committee would not be in accordance with the requirements of the Combined Code, it would not be possible to comply.

Internal Control

The Turnbull guidance requires the Directors to review the effectiveness of the Group's system of internal controls and covers all controls including financial, operational compliance and risk management.

The Board is ultimately responsible for the Group's system of internal control and for reviewing its effectiveness. The Board is introducing a process for identifying, evaluating and managing the Group's significant risks. This process will be regularly reviewed by the Board and will accord with the internal control guidance for directors on the Combined Code. The system of Internal Control is designed to manage rather than eliminate the risk of failure to achieve the Group's strategic objectives, and can therefore only provide reasonable not absolute assurance against material misstatement or loss.

The process will include regular discussion of risk in each part of the Group's activities and preparation of plans to minimise risks identified. The Directors will consider the results of the risk assessment and monitor the effectiveness of controls over identified risks.

The businesses will establish a risk register. Management are responsible for the implementation and operation of suitable internal controls. These risks are assessed on a continual basis and may be associated with a variety of internal and external sources. We have not established an internal audit function, but keep this under review and have the financial resources set aside to investigate specific control issues if they arise. In addition the executive Directors have considered what they believe to be the risks to the Group's strategic objectives.

Management reports regularly on their review of risks and how they are managed. The executive Directors in turn report to the Board both on the key risks inherent in the businesses, the system of control necessary to manage such risks and finally on the adequacy of those systems together with any weaknesses or breakdowns in control. Risk assessment and evaluation takes place as an integral part of the strategic planning process and will be embedded into the annual budgeting exercise and be part of the regular review of operations.

The executive Directors report to the Board on significant changes to the businesses and

Corporate Governance cont...

the external influences which affect the significant risks. The Finance Director provides the Board with monthly financial information which includes key performance and risk indicators. Variances from approved plans and budgets are monitored and followed up vigorously. Due to the size of the Company it is not thought appropriate to set up a separate risk committee. Rather it is felt that a combination of the senior management reporting to the executive Directors who in turn report to the Board is sufficient.

Going concern

The Group's accounts have been prepared on the basis that the Group will continue to be a going concern for the foreseeable future. In forming this opinion the Directors have reviewed the Group's budget for 2006 and outline projections for the subsequent year, including capital expenditure and cash flow forecasts. The Directors have satisfied themselves that the Group is in a sound financial position and sufficient borrowing facilities will be available to meet the Group's foreseeable cash requirements.

Boards relationship with investors

The executive Directors are the Company's principal spokesmen with investors, fund managers, the press and other interested parties and the Company undertakes a formal programme of institutional presentations on the announcement of its full year and interim results. Investors will be encouraged to participate at the forthcoming Annual General Meeting, and all the Directors, including the Chairmen of the Audit and Remuneration Committees will be available to answer questions.

Statement of Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the Directors to prepare financial statements for each financial period 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 period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable applicable United Kingdom accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements using the going concern basis unless it is inappropriate to presume that the Company and Group 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 Group and 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 Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

Independent auditors' report to the shareholders of Dowlis Corporate Solutions plc

We have audited the financial statements of Dowlis Corporate Solutions plc for the period ended 31 December 2005, which comprise the profit and loss account, the balance sheets, the cash flow statement, and the related accounting policies and notes 1 to 24. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the part of the Directors' Remuneration Report that is described as having been audited. 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 auditors' 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 directors and auditors

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration 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 and the part of the Directors' Remuneration Report to be audited 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 whether the financial statements and the part of the Directors' Remuneration Report to be audited have been 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 other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Highlights, Chairman's Statement, Chief Executive Review, Group Finance Directors' Review, Report of the Directors, the unaudited part of the Directors' Remuneration Report and Corporate Governance Statement. 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 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 and the part of the Directors' Remuneration Report to be audited. 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 and Group'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 and the part of the Directors' Remuneration Report to be audited 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 and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- The financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 December 2005 and of the profit of the Group for the 17 month period then ended.

- The financial statements and part of the Directors' Remuneration Report described as having been audited have been properly prepared in accordance with the Companies Act 1985.

RSM Robson Rhodes LLP

RSM Robson Rhodes LLP
Chartered Accountants and Registered Auditors
30 Finsbury Square
London
EC2P 2YU

29 March 2006

Consolidated profit and loss account

for the period from 30 July 2004 to 31 December 2005

	Notes		Year ended 31 December 2005 proforma £000		Period ended 31 December 2005 £000
Turnover	2		20,398		26,225
Cost of sales			(13,573)		(17,709)
Gross profit			6,825		8,516
Administrative expenses			(5,664)		(7,162)
Operating profit			1,161		1,354
Non-operating exceptional items	3		(446)		(446)
Operating profit before exceptional items and goodwill amortisation			1,345		1,582
Non-operating exceptional items, fundamental restructuring of acquired operations					
- Warehouse and internal administrative restructuring	3	(206)		(206)	
- Costs of listing	3	(240)		(240)	
			(446)		(446)
Goodwill amortisation			(184)		(228)
Profit on ordinary activities before finance charges	2, 4		715		908
Interest receivable			17		22
Interest payable and similar charges	6		(130)		(170)
Profit on ordinary activities before taxation			602		760
Taxation	7		(298)		(380)
Profit for the financial period			304		380
All activities relate to acquisitions in the current period					
Earnings per share					
Basic	8		1.13		1.43
Diluted	8		1.13		1.43

The company has prepared the proforma results for the twelve months ended 31 December for information purposes only.

There are no recognised gains and losses in the period, other than those mentioned above

Consolidated balance sheet

as at 31 December 2005

	Notes		2005
		£000	£000
Fixed assets			
Intangible assets	9		**1,669**
Tangible assets	10		**815**
			2,484
Current assets			
Stocks	12	**1,245**	
Debtors	13	**4,918**	
Cash at bank and in hand		**1,537**	
		7,700	
Creditors: amounts falling due within one year	14	**(4,596)**	
Net current assets			**3,104**
Total assets less current liabilities			**5,588**
Creditors: amounts falling due after more than one year	15		**(15)**
Provisions for liabilities and charges	16		**(77)**
Net assets			**5,496**
Capital and reserves			
Called up share capital	18,19		**150**
Share premium account	19		**4,966**
Profit and loss account	19		**380**
Equity shareholders' funds	19		**5,496**

These accounts were approved by the Board on 29 March 2006 and signed on its behalf by:

C I Cooke - Chairman

D H Gray - Group Finance Director

Company balance sheet

as at 31 December 2005

	Notes		2005
		£000	£000
Fixed assets			
Investments	11		2,188
Current assets			
Debtors	13	1,008	
Cash at bank and in hand		1,804	
		2,812	
Creditors: amounts falling due within one year	14	(25)	
Net current assets			2,787
Total assets less current liabilities			4,975
Creditors: amounts falling due after more than one year			-
Provisions for liabilities and charges			-
Net assets			4,975
Capital and reserves			
Called up share capital	18,19		150
Share premium account	19		4,966
Profit and loss account	19		(141)
Equity shareholders' funds	19		4,975

These accounts were approved by the Board on 29 March 2006 and signed on its behalf by:

C I Cooke - Chairman

D H Gray - Group Finance Director

Consolidated cash flow statement

for the period 30 July 2004 to 31 December 2005

	Notes	£000	2005 £000
Net cash inflow from operating activities	20		**930**
Returns on investment and servicing of finance	20		**(148)**
Taxation			**(96)**
Capital expenditure			
Purchase of tangible fixed assets		**(660)**	
Sale of tangible fixed assets		**14**	
Net cash outflow for capital expenditure			**(646)**
Acquisitions and disposals	20		**(1,003)**
Cash outflow before financing			**(963)**
Financing			
Proceeds from issue of share capital			**4,500**
Expenses of share issue taken to share premium			**(165)**
Repayment of loan notes			**(1,200)**
Repayment of bank loans			**(110)**
Repayment of loans acquired			**(490)**
Repayment of capital elements of hire purchase contracts			**(35)**
Net cash inflow from financing			**2,500**
Increase in cash in period	20		**1,537**

Reconciliation of net cash flow to movement in net debt

for the period 30 July 2004 to 31 December 2005

	Notes	2005 £000
Increase in cash in period	20	**1,537**
Repayment of bank loans		**110**
Repayment of trading loans		**490**
Repayment of loan notes		**1,200**
Repayment of capital elements of hire purchase contracts		**35**
Change in net debt/funds resulting from cash flows	20	**3,372**
Bank loans acquired with subsidiary		**(110)**
Trading loans acquired with subsidiary		**(490)**
Loan notes issued during acquisition		**(1,200)**
Hire purchase creditors acquired with subsidiaries		**(68)**
Net debt at 30 July 2004		**-**
Net funds at 31 December 2005		**1,504**

Notes to the accounts

for the period ended 31 December 2005

1 Accounting policies

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

Basis of preparation

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

Basis of consolidation

The consolidated accounts incorporate the financial statements of the Company and its subsidiary undertakings for the period ended 31 December 2005. The results of the businesses acquired are consolidated from the effective date of acquisition. Aquisitions are accounted for under the acquisition method of accounting. The Group was established on 28 September 2004 with the merger of Dowlis Corporate Solutions (UK) Limited and Boxcam Limited and as a consequence the consolidated results include 15 months trading for these companies. The accounts of all subsidiaries have been made up to 31 December 2005.

As the Company's results are included in the consolidated profit and loss account and disclosed in note 19, a separate profit and loss account is not presented, as permitted by Section 230 of the Companies Act 1985.

Comparatives

As this is the first set of results from the Company there are no comparatives. However the profit and loss account also shows results for the twelve month period ending 31 December 2005 as well as the results for the period from incorporation, 30 July 2004 to 31 December 2005.

Turnover

Turnover represents the amounts derived from the provision of goods and services which fall within the Group's ordinary activities after excluding trade discounts and value added tax.

Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and 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 on a straight line basis over its useful economic life up to a presumed maximum of 10 years. It is reviewed for impairment at the end of the first full financial year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Tangible fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. Depreciation is provided at the following annual rates in order to write down to the estimated residual value the cost of tangible fixed assets over their estimated useful economic lives on a straight line basis:

Leasehold improvements	- over remaining length of lease
Plant and machinery	- 5 to 10 years
Fixtures and fittings	- 3 to 10 years
Motor vehicles	- 4 years

Short leasehold properties are depreciated over the unexpired term of the lease irrespective of anticipated rights of renewal.

Investments

Investments in subsidiary undertakings are recorded at cost. The carrying value of investments in subsidiary undertakings are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Stock and work in progress

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow moving stock. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Work in progress represents costs incurred at the period end date relating to sales completed after the balance sheet date.

Leasing and hire purchase commitments

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the assets have passed to the Group, and hire purchase agreements, are capitalised in the balance sheet and are depreciated over their useful lives. The capital element of future obligations under finance leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

1 Accounting policies cont...

Pension costs

The Group operates a defined benefit pension scheme. and the assets of the scheme are held separately to those of the Group. The annual contributions payable are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the exception that deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are differences between the Group's taxable profits and its results stated in the financial information.

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 tax rates and laws enacted or substantively enacted at 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.

2 Turnover and segmental information

The turnover, profit before tax and operating assets relate to one principal activity, the manufacture and sale of advertising and business gifts, which is wholly undertaken in the United Kingdom.

Turnover, analysed by destination is substantially all to United Kingdom customers.

3 Non-operating exceptional items relating to a fundamental restructuring

These costs arise from the move to the new central warehouse facility in Manchester from the now closed facilities at Byfleet, Birmingham and the previous Manchester premises. In addition several one-off costs were incurred reorganising the Promotional Products sales functions and central administration. The total cost for these matters was £206,000, all in the 12 months period to 31 December 2005. In addition the company incurred costs of £240,000 in respect of the listing and placing that under the requirements of FRS25 are not eligible to be deducted from share premium as they did not solely relate to the raising of equity finance. The total costs of the listing and placing amounted to £489,000. The tax impact of the exceptional items was £62,000. Combined, these exceptional items had a material effect on the nature and focus of the Group's operations.

4 Operating profit

Operating profit is stated after charging/(crediting):	Period ended 31 December 2005 £000
Amortisation of intangible fixed assets	**228**
Depreciation of owned tangible fixed assets	**135**
Depreciation of tangible fixed assets held under hire purchase agreements	**17**
Auditors' remuneration: Group audit fees (includes £7000 to previous auditors)	**37**
Company audit fees (included above)	**10**
Other fees paid to the auditors and their associates - current	**5**
- previous	**184**
Rentals payable under operating leases: Land and buildings	**394**
Other	**66**
Rentals receivable under operating leases: land and buildings	**10**
Loss on sale of tangible fixed assets	**39**
Net profit on currency translation	**29**

5 Employees

Average number of employees by activity:

	Period ended 31 December 2005
Dowlis Corporate Solutions (UK) Limited	**93**
Trade Only Limited	**17**
	110

Employee costs:

	Period ended 31 December 2005 £000
Wages and salaries	**4,108**
Social security costs	**405**
Other pension costs	**223**
	4,736

Details of Directors' emoluments including emoluments of the highest paid director and share options are set out in the Directors' Remuneration Report.

6 Interest payable and similar charges

	Period ended 31 December 2005 £000
On bank loans and overdrafts wholly repayable within five years	**95**
Finance charges payable in respect of hire purchase	**3**
Other similar charges payable	**72**
	170

7 Taxation

	Period ended 31 December 2005 £000
a) Analysis of charge for year	
Current taxation	
UK corporation tax on profits for the year	**303**
Deferred tax (see note 16)	
Origination and reversal of timing differences	**77**
Tax on profit on ordinary activities	**380**

7 Taxation cont...

b) Factors affecting current tax charge

The tax charge on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30%. The differences are reconciled below:

	Period ended 31 December 2005 £000
Profit on ordinary activities before taxation	**760**
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	**228**
Capital allowances in excess of depreciation	**(36)**
Utilisation of tax losses	**(35)**
Adjustment in respect of small companies rate	**(14)**
Effect of goodwill amortisation	**55**
Expenses not deductible for tax purposes	**92**
Other timing differences	**13**
Total current tax (note 7(a))	**303**

8 Earnings per share

	Year ended 31 December 2005 £000	Period ended 31 December 2005 £000
Basic and diluted earnings	304	380
Adjustment for amortisation of goodwill	184	228
Adjusted earnings before amortisation of goodwill	488	608
Adjustment for exceptional items	446	446
Tax on exceptional items	(62)	(62)
Adjusted earnings before amortisation of goodwill and exceptional items	872	992
Earnings per share		
Basic	**1.13p**	**1.43p**
Before goodwill amortisation	**1.82p**	**2.29p**
Before goodwill amortisation and exceptional items	**3.24p**	**3.74p**
Diluted	**1.13p**	**1.43p**

Earnings per share is calculated by dividing the profit after tax by 26,518,018 for the 15 months to 31 December 2005, being the weighted average number of shares in issue during the period. The earnings per share before amortisation of goodwill uses the profit after tax, adjusted to exclude the effect of the amortisation of goodwill divided by the weighted average number of shares. The profit before amortisation of goodwill and exceptional items uses the profit after tax, adjusted to exclude the effect of amortisation of goodwill and exceptional items net of tax divided by the weighted average number of shares. The calculation for the 12 months is the same except that the weighted average number of shares in the year was 26,884,005. The diluted earnings per share uses the profit after tax divided by the weighted average number of shares plus 28,006 shares representing the dilutive effect of the weighted average number of shares under option during the period (34,758 shares for the 12 months).

The calculation for the period ended 31 December 2005 has been based on the 15 month period since the merger of the businesses, prior to that the companies did not trade and had one ordinary £1 share.

9 Intangible fixed assets

	Goodwill arising on consolidation £000	Purchased goodwill £000	Total £000
Cost			
Additions	1,736	161	1,897
At 31 December 2005	1,736	161	1,897
Amortisation			
Charge for the period	217	11	228
At 31 December 2005	217	11	228
Net book value			
At 31 December 2005	**1,519**	**150**	**1669**

During the period the Group purchased the business and assets of Aviation Gifts for a total consideration of £121,000 plus acquisition expenses of £5,875 and contingent consideration amounting to £110,000. The fair value of assets acquired amounted to £6,000 for tooling and £70,000 for stock. The goodwill arising as a result of the acquisition has been capitalised on the balance sheet, and is being amortised over 10 years. The contingent consideration is payable over two years dependant on the business achieving pre-agreed performance criteria, payable to a maximum of £65,000 in May 2006 and £45,000 in May 2007.

The details of the goodwill arising on consolidation in respect of the acquisition of Dowlis Corporate Solutions (UK) Limited and Boxcam Limited are disclosed in note 11.

10 Tangible fixed assets

	Leasehold Improvements £000	Plant and machinery £000	Fixtures and Fittings £000	Motor Vehicles £000	Total £000
Cost					
Acquisitions of subsidiary undertakings	-	115	224	15	354
Addition	114	286	258	2	660
Disposals	-	(7)	(47)	(3)	(57)
At 31 December 2005	114	394	435	14	957
Depreciation					
Charge for year	4	60	81	7	152
Disposals	-	(1)	(9)	-	(10)
At 31 December 2005	4	59	72	7	142
Net book value					
At 31 December 2005	**110**	**335**	**363**	**7**	**815**

All assets are stated at cost. The assets disposed of were all part of the acquisition of subsidiary undertakings.

Hire purchase agreements

Included within the net book value of £815,358 is £56,600 relating to assets held under hire purchase agreements. The depreciation charged to the financial statements in the period in respect of such assets amounted to £17,760.

11 Fixed assets investments

	Company Subsidiary undertakings £000
Acquisitions of subsidiary undertakings	**2188**
Net book value	
At 31 December 2005	**2188**

Subsidiaries

The Company's principal subsidiary undertakings, all of which are wholly owned and incorporated in Great Britain, unless otherwise stated, are listed below:

Subsidiary undertakings	Country of incorporation	Holding	Proportion of voting rights & shares held	Nature of Business
Dowlis Corporate Solutions (UK) Limited	England	Ordinary Shares	100%	Sale of promotional goods
Brand Logistics Limited (1)*	England	Ordinary Shares	100%	Sale of promotional goods
The Bentley Collection Limited*	England	Ordinary Shares	100%	Sale of promotional goods
Mac Merchandising & Clothing Limited (2)*	England	Ordinary Shares	100%	Sale of promotional goods
Corporate Solutions (UK) Limited (2)*	England	Ordinary Shares	100%	Sale of promotional goods
Trade Only Limited*	England	Ordinary Shares	100%	Sale of promotional goods
Boxcam Limited	England	Ordinary Shares	100%	Holding Company
Touchpaper Communications Limited*	England	Ordinary Shares	100%	Dormant
Dowlis Plastics Limited*	England	Ordinary Shares	100%	Dormant
Brand Marketing Group Limited*	England	Ordinary Shares	100%	Dormant
Brand Marque Collections Limited*	England	Ordinary Shares	100%	Dormant
Promotional Store Limited*	England	Ordinary Shares	100%	Dormant
Trade Only (UK) Limited*	England	Ordinary Shares	100%	Dormant
Trade Only Roadshow Limited*	England	Ordinary Shares	100%	Dormant
Only Trade Limited	England	Ordinary Shares	100%	Dormant
Technologo UK Limited*	England	Ordinary Shares	100%	Dormant

(1) Holding company since 1 January 2005

(2) Dormant since 1 January 2005

* held by a subsidiary undertaking

A full list of the Group companies will be included in the Annual Return.

Acquisition of Dowlis Corporate Solutions (UK) Limited

On 28 September 2004 the Company acquired Dowlis Corporate Solutions (UK) Limited and its subsidiaries listed below:

- Brand Logistics Limited
- The Bentley Collection Limited
- Mac Merchandising & Clothing Limited
- Dowlis Plastics Limited
- Touchpaper Communications Limited
- Brand Marketing Group Limited
- Brand Marque Collections Limited

This group was acquired for a consideration of £1,600,000. The acquisition has been accounted for using the acquisition method of accounting. The goodwill of £1,217,087 arising as a result of the acquisition has been capitalised on the balance sheet, and is being amortised over 10 years. The loan notes issued, at the time of the merger, to the former shareholders of Dowlis Corporate Solutions (UK) Limited were repaid on 10 November 2005.

11 Fixed assets investments cont...

Analysis of the fair value of acquisition

	Book value	Adjustments	Fair value to group
	£000	£000	£000
Cash	(65)		(65)
Goodwill	866	(866)	-
Tangible fixed assets	140		140
Stock	718		718
Debtors	3,294		3,294
Deferred consideration	(214)		(214)
Creditors due within one year	(3,412)		(3,412)
	1,327	(866)	461
Goodwill			1,217
			1,678
Satisfied by:			
Related costs of acquisition			78
Loan notes			1,200
Fair value of ordinary shares issued			400
			1,678

Below are summarised the results of the companies acquired by way of the purchase of Dowlis Corporate Solutions (UK) Limited from the start of their respective financial years to the date of acquisition. The start date of each company's financial year is given in brackets

Dowlis Corporate Solutions (UK) Limited (1 February 2004)	£000
Turnover	8,754
Operating profit	167
Profit before taxation	178
Taxation	(84)
Profit after tax	94
Loss after tax in year to 31 January 2004	(93)

Brand Logistics Limited (1 October 2003)	£000
Turnover	1,766
Operating profit	6
Loss before and after taxation	(4)
Loss after tax in year to 30 September 2003	(9)

The Bentley Collection Limited (1 October 2003)	£000
Turnover	113
Operating profit	11
Profit before and after taxation	11
Loss after tax in year to 30 September 2003	(3)

Mac Merchandising & Clothing Limited (1 October 2003)	£000
Turnover	43
Operating profit	9
Profit before taxation	9
Taxation	(2)
Profit after tax	7
Loss after tax in year to 30 September 2003	(2)

The fair value adjustment arises from the elimination of goodwill arising on consolidation of the Dowlis Corporate Solutions (UK) Limited group of companies.

11 Fixed assets investments cont...

Acquisition of Boxcam Limited

On 28 September 2004 the Company acquired Boxcam Limited and its subsidiaries listed below:

- Trade Only Limited
- Corporate Solutions (UK) Limited
- Promotional Store Limited
- Trade Only (UK) Limited
- Trade Only Roadshow Limited

This group was acquired for a consideration of £465,000. The acquisition has been accounted for using the acquisition method of accounting. The goodwill of £519,570 arising as a result of the acquisition has been capitalised on the balance sheet, and is being amortised over 10 years.

Analysis of the fair value of acquisition

	Book value	Adjustments	Fair value to group
	£000	£000	£000
Cash	(476)		(476)
Goodwill	21	(21)	-
Tangible fixed assets	214		214
Stock and work in progress	269		269
Debtors	1,144		1,144
Creditors due within one year	(615)		(615)
Trading loans due within one year	(490)		(490)
Creditors due after more than one year	(57)		(57)
	10	(21)	(11)
Goodwill			520
			509
Satisfied by:			
Related costs of acquisition			44
Fair value of ordinary shares issued			465
			509

Below are summarised the results of the companies acquired by way of the purchase of Boxcam Limited from the start of their respective financial years to the date of acquisition. The start date of each company's financial year is given in brackets. Boxcam Limited did not trade in the period prior to acquisition:

Trade Only Limited (1 January 2004)	£000
Turnover	703
Operating profit	43
Profit before and after taxation	27
Loss after tax in period to 31 December 2003	(33)

Corporate Solutions (UK) Limited (1 August 2003)	£ 000
Turnover	3,779
Operating profit	187
Profit before and after taxation	154
Loss after tax in period to 31 July 2003	(159)

The fair value adjustment arises from the elimination of goodwill arising on consolidation of the Boxcam Limited group of companies.

12 Stocks

	Group 2005 £000
Finished goods and goods for resale	1100
Work in progress	145
	1245

13 Debtors

	Group 2005 £000	Company 2005 £000
Trade debtors	4,788	-
Amounts owed by subsidiary undertakings	-	961
Other debtors	43	-
Corporation tax	-	22
VAT recoverable	-	24
Prepayments and accrued income	87	1
	4,918	1,008

14 Creditors: amounts falling due within one year

	Group 2005 £000	Company 2005 £000
Trade creditors	3,305	-
Hire purchase agreements	18	-
Corporation tax	207	-
Other taxes and social security	252	-
Other creditors	113	-
Accruals and deferred income	701	25
	4,596	25

The amount due under the hire purchase agreement above is secured on the assets purchased under such arrangements (see note 15).

15 Creditors: amounts falling due after more than one year

	Group 2005 £000
Hire purchase agreements	15

The amount due the hire purchase agreement is secured on the assets purchased under such agreements (see note 14).
Future commitments under hire purchase agreements are as follows:

	Group 2005 £000
Amounts payable within 1 year	20
Amounts payable between 2 to 5 years	15
	35
Less interest and finance charges relating to future periods	(2)
	33

16 Provisions for liabilities and charges

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

	Group
	2005
	£000
Provision for the period to 31 December 2004	**42**
Provision for the year to 31 December 2005	**35**
Provision carried forward	**77**

The deferred tax provision consists of:

	Group
	2005
	£000
Accelerated capital allowances	77

The Company has no unprovided amounts of deferred tax.

17 Financial Instruments

The principal financial instruments of the Group comprise cash, bank overdrafts, invoice discounting and short term loans. Leases and hire purchase contracts are used to finance the purchase of some assets.

The main purpose of financial instruments is to raise finance for the operations of the Group's business. The Group also has various other financial instruments, such as trade debtors and trade creditors that arise directly from operations. It is not the Groups policy to invest in financial derivatives.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and foreign currency risk. The Group Board reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate, liquidity and foreign currency risks

Although financial risks are considered to be minimal at present, future interest rate, liquidity and foreign currency risks could arise and the Board will review existing policies in the coming period.

a) Interest rate risk - The Group has borrowed at floating rates of interest. The policy of the Group is that the Board will continue to monitor this position to ensure that the interest rate risk profile is appropriate to the Group's business.

b) Liquidity risk - Surplus funds are intended to finance the future development and growth of the Group and the effective management of these surpluses is based upon policies determined by the Board. Surplus funds are invested through the use of short term deposits. The objective of the Group is to maintain a balance between continuity of funding and flexibility by use of bank overdrafts as required.

c) Foreign currency risk - The Group has no overseas assets or liabilities apart from minor trade related debtors and creditors and any currency rate movements will have no material impact. The Group does not hedge against currency exposures arising from trading transactions.

As permitted by Financial Reporting Standard No 13, the disclosure set out below exclude short-term debtors and creditors.

Interest rate and currency profile

Financial assets	Group	Company
	£000	£000
Cash at bank and in hand	**1,537**	1,804

Financial liabilities	Group	Company
	£000	£000
Hire purchase agreements	**33**	-
Contingent consideration - interest free	**110**	-
	143	-

All financial assets and liabilities are denominated in sterling.

17 Financial Instruments cont...
Maturity profile of financial liabilities

	Group £'000	Company £000
In one year or on demand	**130**	-
In one to two years	**13**	-
	143	-

Undrawn committed borrowing facilities

At 31 December 2005 the Group did not have an overdraft borrowing facility available to it but such a facility was signed and made available on 20 February 2006 up to a maximum of £1,000,000 for a period of one year.

Fair values of financial assets and financial liabilities

The fair value, based upon the market value or discounted cashflows of the financial instruments detailed above was not materially different from their book values.

18 Called up share capital

	Number of shares 2005	2005 £000
Authorised:		
Ordinary shares of 0.4p each	100,000,000	400
Issued and fully paid up:		
Ordinary shares of 0.4p each	37,501,500	150

Details of Directors' holdings and options granted are disclosed in the Directors' Remuneration Report.

The Company was incorporated with an authorised share capital of £1,000 shares of £1 each of which one was issued unpaid. On 28 September 2004 the authorised share capital was increased to £1,000,000 by the creation of 999,000 shares of £1.

Also on 28 September 2004 500,000 shares were reclassified as 500,000 A ordinary shares of £1 each, 400,000 ordinary shares were reclassified as 400,000 B ordinary shares of £1 each and 100,000 ordinary shares were reclassified as 100,000 C ordinary shares of £1 each.

On 5 October 2004 the Company issued 60,000 A ordinary shares of £1 each in partial consideration for the acquisition of the entire share capital of Dowlis Corporate Solutions (UK) Limited. On the same date the Company also issued 40,000 B ordinary shares of £1 each in consideration for the acquisition of the entire share capital of Boxcam Limited.

On 15 September 2005 6 A ordinary shares were issued fully paid to D H Gray prior to his appointment as director. The shares were issued at a price of £100 per share.

On 15 September 2005 the issued and unissued A, B and C shares of £1 each were reclassified as ordinary shares of £1 each. Each of the issued and unissued shares of £1 each was subdivided into 250 shares of 0.4p each. The authorised share capital was then reduced by the cancellation of 150,000,000 unissued ordinary shares of 0.4p each.

On 7 November 2005 12,500,000 ordinary shares of 0.4p were issued as part of the Company's admission to AIM. The shares were issued at 36p per share.

	Number outstanding	Price Payable	Period Exercisable
Employee share option scheme	1,069,443	36p	2008-2015

Share options have been granted under the provisions of the Enterprise Management Incentives (EMI) legislation. The options above are exercisable between 18 October 2008 and 6 November 2015. They are not performance related. In addition 1,149,500 options over ordinary shares are exercisable at any time from 1 September 2006 until 31 October 2013. These options are held by employees and they have the right to acquire them from K T Willis at 3.1p per share. They are not performance related.

19 Reconciliation of movements in shareholders' funds

	Share capital account £000	Share premium reserve fund £000	Profit and loss £000	Shareholders' funds £000
Group				
At 30 July 2004	-	-	-	-
Shares issued	150	5,215	-	5,365
Expenses of share issue	-	(249)	-	(249)
Profit for the financial period	-	-	380	380
At 31 December 2005	**150**	**4,966**	**380**	**5,496**
Company				
At 30 July 2004	-	-	-	-
Shares issued	150	5,215	-	5,365
Expenses of share issue	-	(249)	-	(249)
Loss for the financial year	-	-	(141)	(141)
At 31 December 2005	**150**	**4,966**	**(141)**	**4,975**

20 Notes to accompany Group cash flow statement

(a) Reconciliation of operating profit to operating cash flows

	Period ended 31 December 2005 £000
Operating profit	1,354
Depreciation	152
Amortisation	228
Loss on sale of fixed assets	39
Increase in stocks	(188)
Increase in debtors	(480)
Increase in creditors and provisions	153
Exceptional items	(328)
Net cash inflow from operating activities	930

(b) Analysis of cash flows for items netted in cash flow statement

	Period ended 31 December 2005 £000
Returns on investment and servicing of finance	
Interest paid on loans and overdrafts	(167)
Interest received	22
Interest paid on hire purchase arrangements	(3)
Cash outflow for returns on investment and servicing of finance	(148)
Acquisitions and disposals	
Payment for intangible assets	(120)
Cash paid to acquire subsidiaries	(128)
Net overdrafts acquired with subsidiaries	(541)
Deferred consideration paid	(214)
Net cash outflow from acquisitions	(1,003)

20 Notes to accompany Group cash flow statement cont...

(c) Analysis of net debt

	30 July 2004 £000	Cash flow £000	Non cash movements £000	31 December 2005 £000
Cash at bank	-	1,537	-	**1,537**
	-	1,537	-	**1,537**
Bank loans acquired with subsidiaries	-	110	(110)	-
Trading loans acquired with subsidiaries	-	490	(490)	-
Loan notes issued	-	1,200	(1,200)	-
Hire purchase	-	35	(68)	**(33)**
	-	1,835	(1,868)	**(33)**
Total	-	3,372	(1,868)	**1,504**

(d) Cash flows relating to exceptional items

The net cash inflow from operating activities included cash outflows of £328,000 in respect of operating exceptional items detailed in note 3.

21 Commitments

Annual Group commitments under non-cancellable operating leases expiring:

	Land and buildings £000	Other £000
Within one year	**143**	**8**
In the second to fifth years inclusive	-	**43**
In over five years	**158**	-
	301	**51**

The Company had no commitments in respect of land and buildings or contracts under non-cancellable operating leases.

Capital commitments for which no provision has been made in these accounts are as follows:

	Group 2005 £000	Company 2005 £000
Contracted	-	-

22 Contingent assets and liabilities

Under a group registration the Company is jointly and severally liable for VAT at 31 December 2005 of £71,000.

23 Related party transactions

(a) During the period M R Varley, a director of the company, provided loans to the Group. At 31 December 2005 no loan was outstanding having been repaid on 10 November 2005.

(b) Unsecured variable rate loan notes were issued to certain directors as part of the consideration for the acquisition of Dowlis Corporate Solutions (UK) Limited. These were repaid on 10 November 2005. The sums were:

	£000
K T Willis (including family holdings)	1,126
B W Fielder (former director)	37