

Adare Halcyon Limited
(formerly Halcyon Business Solutions Limited)

**Directors' report and financial
statements**

Registered number 2814431

30 April 2004



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 April 2004.

Principal activities

The company's principal activities continued to be colour printing, business form manufacture and design consultancy.

Dividend

The directors do not recommend the payment of a dividend.

Business review

A tough trading year for Adare Halcyon against a background of over capacity in the market and resultant downward price pressure. Increased sales volume of 2% was achieved by further expansion of the Direct Mail facility which compensated for a fall in Print Sales. Tight cost control and manufacturing efficiencies remain the cornerstone of our continued success and enabled modest growth in profits this year.

We enter 2004/05 with a number of initiatives in place which should ensure growth of the top line and safeguard profitability. The company changed its name on 19 September 2003 to Adare Halcyon Limited.

Directors and directors' interests

The directors who held office during the year were as follows:

JJ Coll
B Crich
BN Loane
R Whiteside

The directors who held office at the end of the financial year had the following interests in the ordinary shares of the company and other group companies, according to the register of directors' interests:

	Company	Class of share	Interest at end of year	Interest at start of year
B Crich	NAPG Ltd	Ordinary	10,000	10,000

The interests of BN Loane, R Whiteside and JJ Coll are disclosed in the directors' report of the parent company.

According to the register of directors' interests, no rights to subscribe in shares or debentures of the company or any other group company were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

Directors' report *(continued)*

Employees

The directors give special attention to the health and safety of their employees and endeavour to ensure that as far as possible the training, career development and promotion of disabled persons is the same as other employees. Should employees become disabled, every effort is made to ensure that their employment continues and appropriate retraining is provided.

Consultation with employees and good industrial relations are actively promoted through comprehensive and agreed procedures.

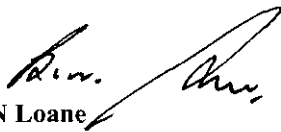
Political and charitable contributions

The company made no political contributions during the year. Donations to UK charities amounted to £nil (2003: £nil).

Auditors

Pursuant to a shareholders' resolution, the company is not obliged to reappoint its auditors annually and KPMG LLP will therefore continue in office.

By order of the board


BN Loane
Director

Marrons Solicitors
Meridian South
Meridian Business Park
Leicester
LE3 2WY

16 July 2004

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss 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 accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX
United Kingdom

Report of the independent auditors to the members of Adare Halcyon Limited (formerly Halcyon Business Solutions Limited)

We have audited the financial statements on pages 5 to 18.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 April 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KMG ul
KPMG LLP
Chartered Accountants
Registered Auditor

16 July 2004

Profit and loss account
for the year ended 30 April 2004

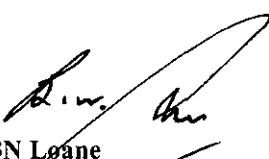
	<i>Note</i>	2004 £000	2003 £000
Turnover	2	31,956	31,200
Cost of sales		(20,753)	(20,630)
Gross profit		11,203	10,570
Selling and distribution costs		(3,170)	(3,347)
Administrative expenses		(3,742)	(3,103)
Operating profit	3	4,291	4,120
Profit/(loss) on disposal of fixed assets		6	(3)
Interest receivable and similar income	6	62	31
Interest payable and similar charges	7	-	(19)
Profit on ordinary activities before taxation		4,359	4,129
Tax on profit on ordinary activities	8	(1,382)	(1,241)
Retained profit for the year	15	2,977	2,888

The operating profit for both the current and preceding financial year derives from continuing operations. There are no recognised gains or losses during the current and previous year other than the profit for the year.

Balance sheet
at 30 April 2004

	<i>Note</i>	2004	2003
		£000	£000
Fixed assets			
Tangible assets	9	5,720	6,017
Current assets			
Stocks	10	1,609	1,504
Debtors	11	7,765	7,497
Cash		1,310	998
		<hr/>	<hr/>
Creditors: amounts falling due within one year	12	10,684 (10,901)	9,999 (10,468)
		<hr/>	<hr/>
Net current liabilities		(217)	(469)
Debtors due after more than one year	11	9,294	6,324
		<hr/>	<hr/>
		9,077	5,855
		<hr/>	<hr/>
Total assets less current liabilities		14,797	11,872
Provisions for liabilities and charges	13	(345)	(397)
		<hr/>	<hr/>
Net assets		14,452	11,475
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	14	-	-
Capital reserve	15	896	896
Profit and loss account	15	13,556	10,579
		<hr/>	<hr/>
Shareholders' funds		14,452	11,475
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 16 July 2004 and were signed on its behalf by:


BN Leane
Director

Reconciliation of movements in shareholders' funds
for the year ended 30 April 2004

	2004 £000	2003 £000
Profit for the financial year	2,977	2,888
Opening shareholders' funds	11,475	8,587
	<hr/>	<hr/>
Closing shareholders' funds	14,452	11,475
	<hr/>	<hr/>

Notes

(forming part of the financial statements)

1 Accounting policies

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

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

As the company is a wholly owned subsidiary of NAPG Limited, the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group. The consolidated financial statements of NAPG Limited, within which this company is included, can be obtained from National Management Centre, Sandymount Road, Dublin 16, Ireland.

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their useful economic lives as follows:

Freehold premises	-	50 years
Freehold improvements	-	9 years
Plant and machinery	-	5 - 10 years
Equipment	-	3 - 10 years

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Leases

Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives.

The interest element of the rental obligations is charged to the profit and loss account on a straight line basis over the term of the lease.

Post-retirement benefits

The company operates a defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

The company also operates a funded pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company.

Notes (continued)

1 Accounting policies (continued)

Research and development expenditure

Expenditure on research and development is written off against profits in the year in which it is incurred.

Stocks

Stocks and work in progress are valued at the lower of cost, including a proportion of the appropriate manufacturing overheads, and net realisable value after making due allowance for any obsolete or slow moving items. Net realisable value comprises the actual or estimated selling price (net of trade discounts) less all further cost to be incurred in marketing, selling and distribution.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

2 Analysis of turnover

Turnover is wholly derived from the company's continuing principal activity and arises within the United Kingdom.

3 Profit on ordinary activities before taxation

	2004	2003
	£000	£000
<i>Profit on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Auditors' remuneration:		
Audit	15	14
Other services	-	-
Depreciation and other amounts written off tangible fixed assets:		
Owned	1,043	1,066
Hire of plant and machinery – rentals payable under operating leases	226	223
Management charges	215	183

Notes (continued)

4 Remuneration of directors

	2004 £000	2003 £000
Directors' emoluments	314	255
Company contributions to defined benefit pension schemes	11	24
	<u>325</u>	<u>279</u>

The emoluments of the highest paid director were £182,643 (2003: £155,000). He is a member of a defined benefit pension scheme, under which his accrued pension at the year end was £7,425 (2003: £10,462), and his accrued lump sum was £nil (2003: £nil).

Retirement benefits are accruing to 2 directors (2003: 2) under the company's defined benefit scheme.

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees 2004	2003
Production	170	176
Administration	135	105
	<u>305</u>	<u>281</u>

The aggregate payroll costs of these persons were as follows:

	2004 £000	2003 £000
Wages and salaries	8,366	7,579
Social security costs	842	633
Other pension costs	477	348
	<u>9,685</u>	<u>8,560</u>

6 Interest receivable and similar income

	2004 £000	2003 £000
Bank interest receivable	62	31

Notes (continued)

7 Interest payable and similar charges

	2004 £000	2003 £000
On overdraft	-	19

8 Taxation

	2004 £000	2003 £000
<i>UK corporation tax</i>		
Current tax on income for the period	1,500	1,260
Adjustments in respect of prior periods	(66)	2
Total current tax	1,434	1,262
<i>Deferred tax (see note 13)</i>		
Origination/reversal of timing differences	(88)	(21)
Adjustments in respect of prior periods	36	-
	(52)	(21)
Tax on profit on ordinary activities	1,382	1,241

Factors affecting the tax charge for the current period

The current tax charge for the period is higher (2003: higher) than the standard rate of corporation tax in the UK (30%, 2003: 30%). The differences are explained below.

	2004 £000	2003 £000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	4,359	4,129
Current tax at 30% (2003: 30%)	1,308	1,239
<i>Effects of:</i>		
Expenses not deductible for tax purposes	104	42
Capital allowances for period in excess of depreciation	88	(25)
Short term timing differences	-	4
Adjustments to tax charge in respect of prior periods	(66)	2
Total current tax charge (see above)	1,434	1,262

Notes (continued)

9 Tangible fixed assets

	Freehold land and buildings £000	Freehold improvements £000	Plant and machinery £000	Equipment £000	Total £000
<i>Cost</i>					
At beginning of year	2,030	502	11,586	1,299	15,417
Additions	274	-	420	56	750
Disposals	-	-	(274)	(54)	(328)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	2,304	502	11,732	1,301	15,839
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>					
At beginning of year	19	330	8,108	943	9,400
Charge for year	49	31	816	147	1,043
On disposals	-	-	(270)	(54)	(324)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	68	361	8,654	1,036	10,119
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>					
At 30 April 2004	2,236	141	3,078	265	5,720
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 April 2003	2,011	172	3,478	356	6,017
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

10 Stocks

	2004 £000	2003 £000
Raw materials	367	439
Work in progress	88	90
Finished goods	1,154	975
	<hr/>	<hr/>
	1,609	1,504
	<hr/>	<hr/>

Notes (continued)

11 Debtors

	2004 £000	2003 £000
Trade debtors	6,893	6,638
Amounts owed by parent undertaking	9,294	6,324
Amounts owed by group undertakings	44	205
Other debtors	595	571
Prepayments and accrued income	233	83
	<hr/> 17,059	<hr/> 13,821
	<hr/>	<hr/>

Debtors include amounts owed by parent undertakings of £9,294,000 (2003: £6,324,000) due after more than one year.

12 Creditors: amounts falling due within one year

	2004 £000	2003 £000
Trade creditors	5,460	4,587
Amounts owed to parent undertaking	1,666	2,079
Amounts owed to group undertakings	117	461
Corporation tax payable	1,503	1,325
Other taxation and social security	1,268	1,343
Other creditors	396	387
Accruals and deferred income	491	286
	<hr/> 10,901	<hr/> 10,468
	<hr/>	<hr/>

Notes (continued)

13 Provisions for liabilities and charges

	Deferred taxation £000
At beginning of year	397
Adjustments in respect of prior periods	36
Charged during year	(88)
	<hr/>
At end of year	345
	<hr/>

Deferred tax has been provided for in full in accordance with FRS19.

The elements of deferred taxation are as follows:

	2004 £000	2003 £000
Difference between accumulated depreciation and capital allowances	489	577
Other timing differences	(144)	(180)
	<hr/>	<hr/>
Deferred tax liability	345	397
	<hr/>	<hr/>

14 Called up share capital

	2004 £000	2003 £000
<i>Authorised</i>		
Equity: Ordinary shares of £1 each	1	1
	<hr/>	<hr/>
<i>Allotted, called up and fully paid</i>		
Equity: Two ordinary shares of £1 each	-	-
	<hr/>	<hr/>

15 Reserves

	Profit and loss account £000	Capital reserve £000
At beginning of year	10,579	896
Retained profit for the year	2,977	-
	<hr/>	<hr/>
At end of year	13,556	896
	<hr/>	<hr/>

16 Contingent liabilities

The company is a party to cross guarantees with certain fellow subsidiary undertakings and its parent undertakings. Its assets are subject to fixed and floating charges through a mortgage debenture held by the group's bankers.

Notes (continued)

17 Commitments

- a) Capital commitments at the end of the financial year for which no provision has been made, are as follows:

	2004 £000	2003 £000
Capital expenditure authorised by the directors and contracted for	1,515	206

- b) Annual commitments under non-cancellable operating leases are as follows:

	2004 Other £000	2003 Other £000
Operating leases which expire:		
Within one year	44	141
In the second to fifth years inclusive	132	174
	176	315

18 Pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the fund and amounted to £240,720 (2003: £63,210).

Contributions amounting to £21,599 (2003: £17,380) were payable to the fund and are included in creditors.

The company also operates a pension scheme providing benefits based on final pensionable pay, contributions being charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation was at 5 April 2003. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that the investment return would be 1.7% higher than annual salary increases and 3.35% higher than the level of pension increases.

The most recent actuarial valuation showed that the market value of the scheme's assets was £13.5m at 5 April 2003 and that the actuarial value of those assets represented 73% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

Members ceased to accrue further benefits in the scheme after 1 April 2003. From that date, the company agreed to contribute to the scheme at the rate of 2.5% per annum of pensionable salaries. From 1 May 2004 the company will pay level monthly instalments totalling £235k per annum, rising by 5% each year.

The pension charge for the period was £231,000 (2003: £277,707).

There was a SSAP 24 provision of £319,394 (2003: £342,208) in the balance sheet, and a provision of £179,564 (2003: £6,750) representing the difference between the amount charged in the profit and loss account and the amount paid into the pension scheme.

Whilst the company continues to account for pension costs in accordance with Statement of Standard Accounting Practice 24 'Accounting for pension costs', under FRS 17 'Retirement benefits' the following transitional disclosures are required:

The valuation at 5 April 2003 has been updated by the actuary on an FRS 17 basis as at 30 April 2004.

Notes (continued)

18 Pension scheme (continued)

The major assumptions used in this valuation were:

	2004	2003
	%	%
Rate of increase in salaries	N/a	N/a
Rate of increase in pensions payment	2.7	2.5
Discount rate	5.6	5.3
Inflation assumption	2.7	2.5

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

Scheme assets

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain, were:

	Long term rate of return 2004 %	Value at 2004 £000	Long term rate of return 2003 %	Value at 2003 £000
Equities	7.60	10,842	7.30	8,701
Bonds	5.00	4,122	4.70	4,886
Property	7.60	231	7.30	209
		15,195		13,796
Present value of scheme liabilities		(21,316)		(21,811)
Deficit in the scheme – Pension liability		(6,121)		(8,015)
Related deferred tax asset		1,836		2,405
Net pension liability		(4,285)		(5,610)

Notes (continued)

18 Pension scheme (continued)

The amount of this net pension liability would have a consequential effect on reserves.

Movement in deficit during the year

	2004 £000	2003 £000
Deficit in scheme at beginning of year	(8,015)	(4,691)
Current service cost	-	(357)
Contributions paid	81	291
Gain on closing the scheme	-	1,842
Other finance income	(278)	4
Actuarial gain/(loss)	2,091	(5,104)
	<hr/>	<hr/>
Deficit in the scheme at end of year	(6,121)	(8,015)
	<hr/>	<hr/>

If FRS 17 had been fully adopted in these financial statements the pension costs for defined benefit schemes would have been:

Analysis of other pension costs charged in arriving at operating profit

	2004 £000	2003 £000
Current service cost	-	357
Gains on closing the scheme	-	(1,842)
	<hr/>	<hr/>
	-	(1,485)
	<hr/>	<hr/>

Analysis of amounts included in other finance income

	2004 £000	2003 £000
Expected return on pension scheme assets	867	1,293
Interest on pension scheme liabilities	(1,145)	(1,289)
	<hr/>	<hr/>
	(278)	4
	<hr/>	<hr/>

Analysis of amount recognised in statement of total recognised gains and losses

	2004 £000	2003 £000
Actual return less expected return on scheme assets	861	(4,670)
Experience gains and losses arising on scheme liabilities	454	66
Changes in assumptions underlying the present value of scheme liabilities	776	(500)
	<hr/>	<hr/>
Actuarial loss recognised in statement of total recognised gains and losses	2,091	(5,104)
	<hr/>	<hr/>

Notes (continued)

18 Pension scheme (continued)

History of experience gains and losses

	2004 £000	2003 £000
Difference between expected and actual return on scheme assets	861	(4,670)
Percentage of scheme assets	6%	(34%)
Experience gains and losses on scheme liabilities	454	66
Percentage of scheme liabilities	2%	0%
Total amount recognised in statement of total recognised gains and losses	2,091	(5,104)
Percentage of scheme liabilities	10%	(23%)

19 Ultimate parent company and parent undertaking of larger group of which the company is a member

The company is a subsidiary undertaking of Adare Printing Group (UK) Limited a company registered in England and Wales.

The largest group in which the results of the company are consolidated is that headed by NAPG Limited incorporated in England and Wales. The consolidated accounts of this company are available to the public and may be obtained from National Management Centre, Sandymount Road, Dublin 16, Ireland. No other group accounts include the results of the company.