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Company Registration No. 4140252 (England and Wales)

GRAPHIC MANAGEMENT SERVICES LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005



GRAPHIC MANAGEMENT SERVICES LIMITED

COMPANY INFORMATION

Directors

A C Barrett
C J Barrett
R Hogg
C Knight

Secretary

R Hogg

Company number

4140252

Registered office

Grafic House
Tom Dando Close
Normanton Ind Estate
Normanton
Wakefield
West Yorkshire
WF6 1TP

Auditors

DJH Accountants Limited
Porthill Lodge
High Street
Wolstanton
Newcastle under Lyme
Staffordshire
ST5 0EZ

GRAPHIC MANAGEMENT SERVICES LIMITED

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GRAPHIC MANAGEMENT SERVICES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2005

The directors present their report and financial statements for the year ended 31 December 2005.

Principal activities and review of the business

The principal activity of the company continued to be that of resellers of printing machinery.

The directors were disappointed with the results for the year and the financial position at the year end. The directors are focusing efforts in order to turn the company's financial position around and are hopeful that the results of the company will improve in the near future.

Results and dividends

The results for the year are set out on page 4.

Directors

The following directors have held office since 1 January 2005:

A C Barrett
C J Barrett
R Hogg
C Knight

Directors' interests

The directors' interests in the shares of the company were as stated below:

	Ordinary shares of £ 1 each	
	31 December 2005	1 January 2005
A C Barrett	-	-
C J Barrett	-	-
R Hogg	-	-
C Knight	-	-

The directors' interests in the holding company are shown in the holding company's accounts.

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that DJH Accountants Limited be reappointed as auditors of the company will be put to the Annual General Meeting.

Directors' responsibilities

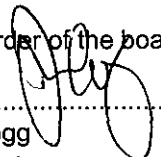
The Directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that 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;
- 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 enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the board

X 

R Hogg
Secretary

Date: X  1/10/2006

GRAPHIC MANAGEMENT SERVICES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF GRAPHIC MANAGEMENT SERVICES LIMITED

We have audited the financial statements of Graphic Management Services Limited for the year ended 31 December 2005 set out on pages 4 to 12. These financial statements have been prepared in accordance with the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditors

As described in the Statement of Directors' Responsibilities on page 1 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records or 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 the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and 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.

GRAPHIC MANAGEMENT SERVICES LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE SHAREHOLDERS OF GRAPHIC MANAGEMENT SERVICES LIMITED

Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Emphasis of matter

Going concern

In forming our opinion, we have considered the adequacy of the disclosures made in note 1 of the financial statements concerning the support given by the company's parent. We consider that it should be drawn to your attention but our opinion is not qualified in this respect.

Porthill Lodge
High Street
Wolstanton
Newcastle under Lyme
Staffordshire
ST5 0EZ

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DJH Accountants

DJH ACCOUNTANTS LIMITED

Chartered Certified Accountants
Registered Auditor

GRAPHIC MANAGEMENT SERVICES LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2005

	Notes	2005 £	2004 £
Turnover	2	486,325	1,070,715
Cost of sales		(542,749)	(1,059,662)
Gross (loss)/profit		(56,424)	11,053
Administrative expenses		(17,923)	(9,976)
Operating (loss)/profit	3	(74,347)	1,077
Other interest receivable and similar income	4	274	-
Interest payable and similar charges	5	(10,218)	(84,883)
Loss on ordinary activities before taxation		(84,291)	(83,806)
Tax on loss on ordinary activities	6	4	7,300
Loss on ordinary activities after taxation	11	(84,287)	(76,506)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

GRAPHIC MANAGEMENT SERVICES LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2005

	Notes	£	2005 £	£	2004 £
Current assets					
Stocks	7	-		7,000	
Debtors	8	4,438		165,323	
		<u>4,438</u>		<u>172,323</u>	
Creditors: amounts falling due within one year	9	(147,006)		(230,604)	
Total assets less current liabilities			<u>(142,568)</u>		<u>(58,281)</u>
Capital and reserves					
Called up share capital	10		100		100
Profit and loss account	11		(142,668)		(58,381)
Shareholders' funds - equity interests	12		<u>(142,568)</u>		<u>(58,281)</u>

The financial statements were approved by the Board on 13/06/2006

X 
A C Barrett
Director

GRAPHIC MANAGEMENT SERVICES LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2005

	2005		2004	
	£	£	£	£
Net cash (outflow)/inflow from operating activities		(57,084)		177,600
Returns on investments and servicing of finance				
Interest received	274		-	
Interest paid	(10,218)		(84,883)	
Net cash outflow for returns on investments and servicing of finance		(9,944)		(84,883)
Taxation		7,306		(7,302)
Net cash (outflow)/inflow before management of liquid resources and financing		(59,722)		85,415
Financing				
Capital element of hire purchase contracts	-		(270,000)	
Net cash outflow from financing		-		(270,000)
Decrease in cash in the year		(59,722)		(184,585)

GRAPHIC MANAGEMENT SERVICES LIMITED

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2005

1	Reconciliation of operating (loss)/profit to net cash (outflow)/inflow from operating activities	2005	2004
		£	£
	Operating (loss)/profit	(74,347)	1,077
	Decrease in stocks	7,000	533,000
	Decrease/(increase) in debtors	153,583	(471)
	Decrease in creditors within one year	(143,320)	(356,006)
	Net cash (outflow)/inflow from operating activities	(57,084)	177,600

2	Analysis of net debt	1 January 2005	Cash flow	Other non-cash changes	31 December 2005
		£	£	£	£
	Net cash:				
	Bank overdrafts	(73,327)	(59,722)	-	(133,049)
	Bank deposits	-	-	-	-
	Net debt	(73,327)	(59,722)	-	(133,049)

3	Reconciliation of net cash flow to movement in net debt	2005	2004
		£	£
	Decrease in cash in the year	(59,722)	(184,585)
	Cash (inflow)/outflow from (increase)/decrease in debt	-	270,000
	Movement in net debt in the year	(59,722)	85,415
	Opening net debt	(73,327)	(158,742)
	Closing net debt	(133,049)	(73,327)

GRAPHIC MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

The company meets its day to day working capital requirements through an overdraft facility which is repayable on demand. The overdraft is secured by its parent company, Grafitec Holdings Limited by means of a cross guarantee and debenture.

The directors are hopeful that the company can trade profitably in the future and as result become less dependant on support from its parent.

1.2 Turnover

Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

1.3 Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

1.4 Stock

Stock is valued at the lower of cost and net realisable value.

1.5 Deferred taxation

Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes.

1.6 Group accounts

The financial statements present information about the company as an individual undertaking and not about its group. The company has not prepared group accounts as it is exempt from the requirement to do so by section 228 of the Companies Act 1985 as it is a subsidiary undertaking of Grafitec Holdings Limited, a company incorporated in England & Wales, and is included in the consolidated accounts of that company.

2 Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

3 Operating (loss)/profit	2005 £	2004 £
Operating (loss)/profit is stated after charging:		
Auditors' remuneration	1,215	2,050

GRAPHIC MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

4	Investment income	2005	2004
		£	£
	Other interest	274	-
		<u>274</u>	<u>-</u>
5	Interest payable	2005	2004
		£	£
	On bank loans and overdrafts	5,914	1,481
	Hire purchase interest	3,984	79,726
	On overdue tax	-	3,676
	Other interest	320	-
		<u>10,218</u>	<u>84,883</u>
6	Taxation	2005	2004
		£	£
	Domestic current year tax		
	U.K. corporation tax	-	(7,302)
	Adjustment for prior years	(4)	2
		<u>(4)</u>	<u>(7,300)</u>
	Current tax charge	(4)	(7,300)
		<u>(4)</u>	<u>(7,300)</u>
	Factors affecting the tax charge for the year		
	Loss on ordinary activities before taxation	(84,291)	(83,806)
		<u>(84,291)</u>	<u>(83,806)</u>
	Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19.00% (2004: 19.00%)	(16,015)	(15,923)
		<u>(16,015)</u>	<u>(15,923)</u>
	Effects of:		
	Tax losses utilised	16,067	15,225
	Adjustments to previous periods	(4)	(7,300)
	Other tax adjustments	(52)	698
		<u>16,011</u>	<u>8,623</u>
	Current tax charge	(4)	(7,300)
		<u>(4)</u>	<u>(7,300)</u>
7	Stocks	2005	2004
		£	£
	Finished goods and goods for resale	-	7,000
		<u>-</u>	<u>7,000</u>

GRAPHIC MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

8 Debtors	2005 £	2004 £
Trade debtors	4,438	107,287
Corporation tax	-	7,302
Other debtors	-	50,734
	<u>4,438</u>	<u>165,323</u>

9 Creditors: amounts falling due within one year	2005 £	2004 £
Bank overdraft	133,049	73,327
Trade creditors	10,985	150,802
Taxes and social security costs	1,472	-
Accruals and deferred income	1,500	6,475
	<u>147,006</u>	<u>230,604</u>

The bank overdraft is secured by means of a cross guarantee and debenture dated 21 October 2004.

10 Share capital	2005 £	2004 £
Authorised		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted, called up and fully paid		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

11 Statement of movements on profit and loss account	Profit and loss account £
Balance at 1 January 2005	(58,381)
Retained loss for the year	<u>(84,287)</u>
Balance at 31 December 2005	<u>(142,668)</u>

GRAPHIC MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

12 Reconciliation of movements in shareholders' funds	2005 £	2004 £
Loss for the financial year	(84,287)	(76,506)
Opening shareholders' funds	(58,281)	18,225
	<hr/>	<hr/>
Closing shareholders' funds	(142,568)	(58,281)
	<hr/>	<hr/>

13 Employees

Number of employees

There were no employees during the year apart from the directors.

14 Control

The ultimate parent company is Grafitec Holdings Limited, a company registered in England and Wales. Grafitec Holdings Limited prepares group financial statements and copies can be obtained from Grafic House, Tom Dando Close, Normanton Industrial Estate, Normanton, Wakefield, West Yorkshire, WF6 1TP

GRAPHIC MANAGEMENT SERVICES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2005

15 Related party transactions

The following companies are considered to be related parties as defined by FRS 8:

Graphworld Limited
Grafitec Plc
Grafitec Holdings Limited
Grafitec Web Limited
David Hulme Machinery Limited
Cava (UK) Limited
European Graphic Machinery Limited
Cava consumables Limited
Care Graphic Machinery Limited
Colorweb Presses Limited
D H Machinery Limited
Balun Limited
ANS Limited

Transactions between Grafitec Management Services Limited and its related parties during the year were as follows:-

	Sales of goods and services	Purchases of goods and services	Balance due to, at 31 December 2005	Balance due from, at 31 December 2005
Grafitec Plc	72,000	88,624	3,872	-
Cava (UK) Limited	18,000	3,045	-	-
Balun Limited	-	3,347	141	-

GRAPHIC MANAGEMENT SERVICES LIMITED
MANAGEMENT INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2005

GRAPHIC MANAGEMENT SERVICES LIMITED

DETAILED TRADING AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2005

	2005		2004	
	£	£	£	£
Turnover				
Sales		486,325		1,070,715
Cost of sales				
Opening stock of finished goods	7,000		540,000	
Purchases	418,806		428,669	
Subcontract labour	17,021		2,741	
Carriage inwards and import duty	18,382		13,712	
Management expenses	81,540		81,540	
	<u>542,749</u>		<u>1,066,662</u>	
Closing stock of finished goods	-		(7,000)	
		<u>(542,749)</u>		<u>(1,059,662)</u>
Gross (loss)/profit		<u>(56,424)</u>		<u>11,053</u>
Administrative expenses		<u>(17,923)</u>		<u>(9,976)</u>
Operating (loss)/profit		<u>(74,347)</u>		<u>1,077</u>
Other interest receivable and similar income				
Other interest received		274		-
Interest payable				
Bank interest paid	5,914		1,481	
Finance lease interest paid	3,984		79,726	
Interest on overdue tax paid	-		3,676	
Other interest paid	320		-	
	<u></u>	<u>(10,218)</u>	<u></u>	<u>(84,883)</u>
Loss before taxation		<u><u>(84,291)</u></u>		<u><u>(83,806)</u></u>

GRAPHIC MANAGEMENT SERVICES LIMITED

SCHEDULE OF ADMINISTRATIVE EXPENSES FOR THE YEAR ENDED 31 DECEMBER 2005

	2005	2004
	£	£
Administrative expenses		
Commissions payable	2,500	-
Storage rent	3,152	-
Postage, stationery and advertising	-	1,779
Computer running costs	6,230	6,000
Audit fees	1,215	2,050
Bank charges	3,326	137
Bad and doubtful debts	1,500	-
Sundry expenses	-	10
	<hr/>	<hr/>
	17,923	9,976
	<hr/>	<hr/>
