

'CRO'

Company Registration No 4140252 (England and Wales)

**GRAPHIC MANAGEMENT SERVICES LIMITED**  
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**



# GRAPHIC MANAGEMENT SERVICES LIMITED

## COMPANY INFORMATION

---

<b>Directors</b>	A C Barrett C J Barrett R Hogg C Knight
<b>Secretary</b>	R Hogg
<b>Company number</b>	4140252
<b>Registered office</b>	Grafic House Tom Dando Close Normanton Industrial Estate Normanton Wakefield West Yorkshire WF6 1TP
<b>Auditors</b>	DJH Accountants Limited Porthill Lodge High Street Wolstanton Newcastle under Lyme Staffordshire ST5 0EZ

---

# GRAPHIC MANAGEMENT SERVICES LIMITED

## CONTENTS

---

	<b>Page</b>
Directors' report	1 - 2
Independent auditors' report	3 - 4
Profit and loss account	5
Balance sheet	6
Cash flow statement	7
Notes to the cash flow statement	8
Notes to the financial statements	9 - 13

---

# GRAPHIC MANAGEMENT SERVICES LIMITED

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2006

---

The directors present their report and financial statements for the year ended 31 December 2006

### 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 5

### Directors

The following directors have held office since 1 January 2006

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 2006	1 January 2006
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

# GRAPHIC MANAGEMENT SERVICES LIMITED

## DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2006

---

### 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

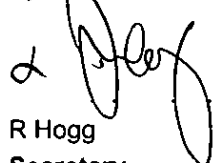
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets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

### Statement of disclosure to auditor

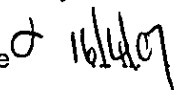
(a) so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and

(b) they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

By order of the board



R Hogg  
Secretary

Date 

# **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 2006 set out on pages 5 to 13. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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 2, 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, and whether in our opinion the information given in the directors' report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

#### **Basis of audit opinion**

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

- 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 2006 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

#### 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

1640

*DJH Accountants*

**DJH ACCOUNTANTS LIMITED**

Chartered Certified Accountants  
Registered Auditor

# GRAPHIC MANAGEMENT SERVICES LIMITED

## PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	2006 £	2005 £
Turnover	2	767	486,324
Cost of sales		2,934	(542,749)
<b>Gross profit/(loss)</b>		3,701	(56,425)
Administrative expenses		(3,234)	(17,923)
<b>Operating profit/(loss)</b>	3	467	(74,348)
Other interest receivable and similar income	4	-	274
Interest payable and similar charges	5	(10,955)	(10,217)
<b>Loss on ordinary activities before taxation</b>		(10,488)	(84,291)
Tax on loss on ordinary activities	6	-	4
<b>Loss for the year</b>	10	(10,488)	(84,287)

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 2006

	Notes	£	2006 £	£	2005 £
<b>Current assets</b>					
Debtors	7	25		4,438	
		<u>25</u>		<u>4,438</u>	
<b>Creditors: amounts falling due within one year</b>	8	(153,081)		(147,006)	
<b>Total assets less current liabilities</b>			<u>(153,056)</u>		<u>(142,568)</u>
<b>Capital and reserves</b>					
Called up share capital	9		100		100
Profit and loss account	10		<u>(153,156)</u>		<u>(142,668)</u>
<b>Shareholders' funds - equity interests</b>	11		<u>(153,056)</u>		<u>(142,568)</u>

The financial statements were approved by the Board on

2 16/4/07

  
 A C Barrett  
 Director

# GRAPHIC MANAGEMENT SERVICES LIMITED

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2006

	2006	2005
	£	£
Net cash inflow/(outflow) from operating activities	144,004	(57,085)
Returns on investments and servicing of finance		
Interest received	-	274
Interest paid	(10,955)	(10,217)
Net cash outflow for returns on investments and servicing of finance	(10,955)	(9,943)
Taxation	-	7,306
Net cash inflow/(outflow) before management of liquid resources and financing	133,049	(59,722)
Increase/(decrease) in cash in the year	133,049	(59,722)

# GRAPHIC MANAGEMENT SERVICES LIMITED

## NOTES TO THE CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2006

1	Reconciliation of operating profit/(loss) to net cash inflow/(outflow) from operating activities	2006	2005
		£	£
	Operating profit/(loss)	467	(74,348)
	Decrease in stocks	-	7,000
	Decrease in debtors	4,413	153,583
	Increase/(decrease) in creditors within one year	139,124	(143,320)
	<b>Net cash inflow/(outflow) from operating activities</b>	<b>144,004</b>	<b>(57,085)</b>

2	Analysis of net debt	1 January 2006	Cash flow	Other non-cash changes	31 December 2006
		£	£	£	£
	Net cash				
	Bank overdrafts	(133,049)	133,049	-	-
	Bank deposits	-	-	-	-
	<b>Net debt</b>	<b>(133,049)</b>	<b>133,049</b>	<b>-</b>	<b>-</b>

3	Reconciliation of net cash flow to movement in net debt	2006	2005
		£	£
	Increase/(decrease) in cash in the year	133,049	(59,722)
	<b>Movement in net debt in the year</b>	<b>133,049</b>	<b>(59,722)</b>
	Opening net debt	(133,049)	(73,327)
	<b>Closing net debt</b>	<b>-</b>	<b>(133,049)</b>

# GRAPHIC MANAGEMENT SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

---

### 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 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.

#### 1.5 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 profit/(loss)	2006	2005
	£	£
Operating profit/(loss) is stated after charging		
Auditors' remuneration	(125)	1,215

# GRAPHIC MANAGEMENT SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2006

<b>4</b>	<b>Investment income</b>	<b>2006</b>	<b>2005</b>
		<b>£</b>	<b>£</b>
	Other interest	-	274
		<u>          </u>	<u>          </u>
<b>5</b>	<b>Interest payable</b>	<b>2006</b>	<b>2005</b>
		<b>£</b>	<b>£</b>
	On bank loans and overdrafts	10,955	5,913
	Hire purchase interest	-	3,984
	Other interest	-	320
		<u>          </u>	<u>          </u>
		10,955	10,217
		<u>          </u>	<u>          </u>
<b>6</b>	<b>Taxation</b>	<b>2006</b>	<b>2005</b>
		<b>£</b>	<b>£</b>
	<b>Domestic current year tax</b>		
	Adjustment for prior years	-	(4)
		<u>          </u>	<u>          </u>
	<b>Current tax charge</b>	-	(4)
		<u>          </u>	<u>          </u>
	<b>Factors affecting the tax charge for the year</b>		
	Loss on ordinary activities before taxation	(10,488)	(84,291)
		<u>          </u>	<u>          </u>
	Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19.00% (2005 - 19.00%)	(1,993)	(16,015)
		<u>          </u>	<u>          </u>
	<b>Effects of</b>		
	Tax losses utilised	1,993	16,067
	Adjustments to previous periods	-	(4)
	Other tax adjustments	-	(52)
		<u>          </u>	<u>          </u>
		1,993	16,011
		<u>          </u>	<u>          </u>
	<b>Current tax charge</b>	-	(4)
		<u>          </u>	<u>          </u>

# GRAPHIC MANAGEMENT SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2006

7 Debtors	2006 £	2005 £
Trade debtors	-	4,438
Other debtors	25	-
	<u>25</u>	<u>4,438</u>

8 Creditors amounts falling due within one year	2006 £	2005 £
Bank loans and overdrafts	-	133,049
Trade creditors	-	10,985
Amounts owed to parent and fellow subsidiary undertakings	153,081	-
Taxes and social security costs	-	1,472
Accruals and deferred income	-	1,500
	<u>153,081</u>	<u>147,006</u>

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

9 Share capital	2006 £	2005 £
<b>Authorised</b>		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>
<b>Allotted, called up and fully paid</b>		
100 Ordinary shares of £1 each	<u>100</u>	<u>100</u>

10 Statement of movements on profit and loss account	Profit and loss account £
Balance at 1 January 2006	(142,668)
Loss for the year	(10,488)
Balance at 31 December 2006	<u>(153,156)</u>

# GRAPHIC MANAGEMENT SERVICES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2006

---

11 Reconciliation of movements in shareholders' funds	2006 £	2005 £
Loss for the financial year	(10,488)	(84,287)
Opening shareholders' funds	(142,568)	(58,281)
	<hr/>	<hr/>
Closing shareholders' funds	(153,056)	(142,568)
	<hr/>	<hr/>

## 12 Employees

### Number of employees

There were no employees during the year apart from the directors

## 13 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 2006

---

### 14 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 -

	<b>Sales of goods and services</b>	<b>Purchases of goods and services</b>	<b>Balance due to, at 31 December 2006</b>	<b>Balance due from, at 31 December 2006</b>
Grafitec Holdings Limited	-	-	153,081	-
Balun Limited	-	510	-	-
Grafitec Plc	-	2,500	-	-



**GRAPHIC MANAGEMENT SERVICES LIMITED**  
**MANAGEMENT INFORMATION**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

# GRAPHIC MANAGEMENT SERVICES LIMITED

## DETAILED TRADING AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2006

	2006		2005	
	£	£	£	£
<b>Turnover</b>				
Sales		767		486,324
<b>Cost of sales</b>				
Opening stock of finished goods	-		7,000	
Purchases	-		418,806	
Subcontract labour	(2,934)		17,021	
Carriage inwards and import duty	-		18,382	
Management expenses	-		81,540	
		2,934		(542,749)
<b>Gross profit/(loss)</b>		3,701		(56,425)
<b>Administrative expenses</b>		(3,234)		(17,923)
<b>Operating profit/(loss)</b>		467		(74,348)
<b>Other interest receivable and similar income</b>				
Other interest received		-		274
<b>Interest payable</b>				
Bank interest paid	10,955		5,913	
Finance lease interest paid	-		3,984	
Other interest paid	-		320	
		(10,955)		(10,217)
<b>Loss before taxation</b>		(10,488)		(84,291)

# GRAPHIC MANAGEMENT SERVICES LIMITED

## SCHEDULE OF ADMINISTRATIVE EXPENSES

*FOR THE YEAR ENDED 31 DECEMBER 2006*

---

	2006	2005
	£	£
<b>Administrative expenses</b>		
Commissions payable	2,500	2,500
Storage rent	840	3,152
Computer running costs	-	6,230
Audit fees	(125)	1,215
Bank charges	19	3,326
Bad and doubtful debts	-	1,500
	<hr/>	<hr/>
	3,234	17,923
	<hr/>	<hr/>

---