

FELLGRIND LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 APRIL 2006



Company No. 2941339 (England and Wales)

FELLGRIND LIMITED

Company Information

Directors	D Fellowes J E Fellowes
Secretary	J E Fellowes
Company Number	2941339 (England and Wales)
Registered Office	19 Izons Industrial Estate Oldbury Road West Bromwich West Midlands B70 9BT
Accountants	M C Billington & Co. Chartered Accountants 17 Barford Close Southport Merseyside PR8 2RS

FELLGRIND LIMITED

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FELLGRIND LIMITED

Directors' Report for the year ended 30 April 2006

The directors present their report and the financial statements for the year ended 30 April 2006.

Principal activity

The company's principal activity continues to be that of engineers and suppliers to the printing trade.

Subsidiary company

The company owns 100% of the share capital of D & P Watson Limited, whose principal activity continues to be that of engineers and suppliers to the printing trade.

Directors

The directors at 30 April 2006 and their interests in the share capital of the company were as follows:

	Ordinary Shares	
	At 30 April 2006	At 30 April 2005
D Fellowes	50000	50000
J E Fellowes	50000	50000

Small company rules

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies. It was approved by the board on 11 January 2007 and signed on its behalf.



D Fellowes
Director

FELLGRIND LIMITED

Chartered accountants' report to the board of directors on the unaudited financial statements of Fellgrind Limited

In accordance with the engagement letter dated 6 August 2005 and in order to assist you to fulfil your duties under the Companies Act 1985, we have compiled the financial statements of the company which comprise the Profit and Loss Account and Balance Sheet and the related notes from the accounting records and information and explanations you have given to us.

This report is made to the Company's Board of Directors, as a body, in accordance with the terms of our engagement. Our work has been undertaken so that we might compile the financial statements that we have been engaged to compile, report to the Company's Board of Directors that we have done so and state those matters that we have agreed to state to them in this 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 Board of Directors, as a body, for our work or for this report.

We have carried out this engagement in accordance with technical guidance issued by the Institute of Chartered Accountants in England and Wales and have complied with the ethical guidance laid down by the Institute relating to members undertaking the compilation of financial statements.

You have acknowledged on the balance sheet your duty to ensure that the company has kept proper accounting records and to prepare financial statements for the year ended 30 April 2006 that give a true and fair view under the Companies Act 1985. You consider that the company is exempt from the statutory requirement for an audit for the year.

We have not been instructed to carry out an audit of the financial statements. For this reason, we have not verified the accuracy or completeness of the accounting records or information and explanations you have given to us and we do not, therefore, express any opinion on the financial statements.

M C Billington & Co.

M C Billington & Co.
Chartered Accountants
17 Barford Close
Southport
Merseyside
PR8 2RS

11 January 2007

FELLGRIND LIMITED

**Profit and Loss Account
for the year ended 30 April 2006**

	Notes	2006 £	2005 £
Turnover	1	372934	377630
Cost of sales		(198493)	(206615)
Gross profit		<u>174441</u>	<u>171015</u>
Selling and distribution costs		(73141)	(69479)
Administrative expenses		(118215)	(120298)
Other operating income		15250	27000
Operating profit / (loss)	2	(<u>1665</u>)	<u>8238</u>
Loss on disposal of tangible fixed assets		(----)	(657)
Profit / (loss) on ordinary activities before interest		(<u>1665</u>)	<u>7581</u>
Interest receivable		1261	1932
Interest payable		(201)	(233)
Profit / (loss) on ordinary activities before taxation		(<u>605</u>)	<u>9280</u>
Taxation on profit / (loss) on ordinary activities	3	121	(1719)
Profit / (loss) on ordinary activities after taxation being profit / (loss) for the financial year		(<u>484</u>) <u><u> </u></u>	<u>7561</u> <u><u> </u></u>

The notes on pages 5 to 8 form part of these financial statements.

FELLGRIND LIMITED

Balance Sheet as at 30 April 2006

	Notes	2006 £	2005 £
Fixed assets			
Tangible assets	4	56512	60194
Investments	5	647576	647576
		<u>704088</u>	<u>707770</u>
Current assets			
Stocks		105500	98870
Debtors	6	172640	140818
Cash at bank and in hand		<u>22631</u>	<u>31467</u>
		300771	271155
Creditors: amounts falling due within one year	7	(117471)	(80235)
Net current assets		<u>183300</u>	<u>190920</u>
Total assets less current liabilities		<u>887388</u>	<u>898690</u>
Creditors: amounts falling due after more than one year	8	(502015)	(505209)
Provisions for liabilities			
Deferred taxation	9	(374)	(998)
Net assets		<u>384999</u>	<u>392483</u>
Capital and reserves			
Called up share capital	10	100000	100000
Profit and loss account		284999	292483
Shareholders' funds		<u>384999</u>	<u>392483</u>

The directors consider that the company is entitled to exemption from the requirement to have an audit under the provisions of s.249A(1) of the Companies Act 1985. Members have not required the company, under s.249B(2) of the Companies Act 1985, to obtain an audit for the year ended 30 April 2006. The directors acknowledge their responsibilities for ensuring that the company keeps accounting records which comply with s.221 of the Companies Act 1985 and for preparing accounts which give a true and fair view of the state of affairs of the company as at 30 April 2006 and of its loss for the year then ended in accordance with the requirements of s.226A and which otherwise comply with the requirements of the Act relating to the accounts so far as applicable to the company.

The financial statements which have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 applicable to small companies were approved by the board on 11 January 2007 and signed on its behalf.

D M Fellowes

D Fellowes
Director

The notes on pages 5 to 8 form part of these financial statements.

FELLGRIND LIMITED

Notes to the financial statements for the year ended 30 April 2006

1 Accounting Policies

1.1 Basis of preparation of financial statements

The financial statements are prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005).

1.2 Group accounts

The directors have taken advantage of S.248(1) of the Companies Act 1985 and these accounts do not include the results of D & P Watson Limited, it's only subsidiary. The relevant disclosures regarding D & P Watson Limited are shown in note 5 to the accounts.

1.3 Turnover

Turnover comprises the invoiced value of goods and services supplied by the company, net of Value Added Tax and trade discounts.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their useful lives on the following bases:

Motor Vehicles	25% per annum reducing balance basis
Plant and Machinery	25% per annum reducing balance basis
Furniture and Equipment	25% per annum reducing balance basis
Information Technology Equipment	33⅓% per annum straight line basis

1.5 Leasing and hire purchase contracts

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired under finance leases are depreciated over the shorter of the lease term and their useful lives. Assets acquired under hire purchase contracts are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. 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 profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to profit and loss account as incurred.

1.6 Stocks and work in progress

Stocks and work in progress values have been estimated by the directors following the theft of the company's records.

1.7 Pensions

The company operates a defined contribution pension scheme, Fellgrind Limited Pension Scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

FELLGRIND LIMITED

Notes to the financial statements for the year ended 30 April 2006

1.7 Deferred taxation

The charge for taxation takes into account taxation deferred as a result of timing differences between the treatment of certain items for taxation and accounting purposes. In general, deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date. However, deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred taxation is measured on a non-discounted basis at the average rates that would apply when the timing differences are expected to reverse, based on tax rates and laws that have been enacted by the balance sheet date.

2 Operating profit

The operating profit / (loss) is stated after charging (crediting):

	2006 £	2005 £
Depreciation of tangible fixed assets		
- owned by the company	16895	16673
- held under finance leases	295	---
Directors' emoluments	58504	58749
Pension costs	840	840
Operating income - management charges to group undertakings	(15000)	(27000)

3 Taxation

	2006 £	2005 £
UK Corporation tax	503	888
Transfer to (from) deferred taxation	(624)	831
	<u>(121)</u>	<u>1719</u>

4 Tangible fixed assets

	Motor vehicles £	Plant and machinery etc. £	Total £
Cost			
At 1 May 2005	73552	154379	227931
Additions	22155	1613	23768
Disposals	(31565)	(3832)	(35397)
At 30 April 2006	<u>64142</u>	<u>152160</u>	<u>216302</u>
Depreciation			
At 1 May 2005	27680	140057	167737
On disposals	(21305)	(3832)	(25137)
Charge for the year	12920	4270	17190
At 30 April 2006	<u>19295</u>	<u>140495</u>	<u>159790</u>
Net book values			
At 30 April 2006	<u>44847</u>	<u>11665</u>	<u>56512</u>
At 30 April 2005	<u>45872</u>	<u>14322</u>	<u>60194</u>

Included above are assets held under finance leases or hire purchase contracts with a net book value amounting to £13200 (2005 - £nil).

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Notes to the financial statements for the year ended 30 April 2006

5 Investments

	2006 £	2005 £
Shares in subsidiary undertakings at cost	625000	625000
Costs of acquisition	22576	22576
	<u>647576</u>	<u>647576</u>

The shares held in group undertakings relates to a 100% holding of ordinary shares in D & P Watson Limited, a company incorporated in England and Wales. At 30 April 2006, the aggregate of capital and reserves of D & P Watson Limited was £774821 (2005 - £780131) and it's loss for the year then ending was £(5973) (2005 - £(4293)).

6 Debtors

	2006 £	2005 £
Due within one year:		
Trade debtors	101114	112407
Amounts owed by group undertakings	63905	21042
Other debtors	7621	7369
	<u>172640</u>	<u>140818</u>

7 Creditors: amounts falling due within one year

	2006 £	2005 £
Net obligations under finance leases and hire purchase contracts	3332	---
Trade creditors	21691	27308
Amounts owed to group undertakings	67360	29762
Corporation tax	503	888
Other creditors	24585	22277
	<u>117471</u>	<u>80235</u>

Included within other creditors is an amount of £17227 (2005 - £16066) relating to social security and other taxes. Of the creditors falling due within and after more than one year, the net obligations under finance leases and hire purchase contracts totalling £9995 (2005 - £nil) are secured.

8 Creditors: amounts falling due after more than one year

	2006 £	2005 £
Net obligations under finance leases and hire purchase contracts	6663	---
Amounts owed to group undertakings	495352	505209
	<u>502015</u>	<u>505209</u>

9 Deferred taxation

	2006 £	2005 £
Balance at 1 May	998	167
Charge (credit) for the year	(624)	831
Balance at 30 April	<u>374</u>	<u>998</u>

The provision for deferred taxation is made up of accelerated capital allowances.

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Notes to the financial statements for the year ended 30 April 2006

10 Share capital

	2006 £	2005 £
Authorised		
Ordinary shares of £1 each	<u>100000</u>	<u>100000</u>
Allotted, called up and fully paid		
Ordinary shares of £1 each	<u>100000</u>	<u>100000</u>

11 Reconciliation of reserves

	Called up share capital £	Profit and loss account £
Balance at 1 May 2005	100000	292483
Loss for the year	(----)	(484)
Dividends paid	(----)	(7000)
Balance at 30 April 2006	<u>100000</u>	<u>284999</u>

12 Contingent liabilities

The company has entered into an unlimited guarantee in respect of the bank borrowings of D & P Watson Limited, it's only subsidiary.

13 Other commitments

At 30 April 2006 the company had annual commitments under non - cancellable operating leases as follows:

	2006 £	2005 £
Expiry date:		
Between one and five years	<u>10375</u>	<u>10375</u>

14 Pension commitments

The company operates a defined contribution pension scheme, Fellgrind Limited Pension Scheme for the senior employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

15 Transactions with directors

D Fellowes and J E Fellowes are directors of D & P Watson Limited, from whom the company bought goods to the value of £31998 (2005 - £32701) and to whom the company sold goods to the value of £36480 (2005 - £22269), on normal commercial terms. At the balance sheet date the amount owing to D & P Watson Limited was £67360 (2005 - £29762) and the amount owing by D & P Watson Limited was £63905 (2005 - £21042).

During the year there were inter-company loan repayments amounting to £9857 (2005 - £43481) and at the balance sheet date the amount owing to D & P Watson Limited in this respect was £495352 (2005 - £505209).

16 Related parties

The controlling parties are D Fellowes and J E Fellowes by virtue of each having ownership of 50% of the issued share capital in the company.