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IMAGO HOLDINGS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007



RAWLINSON & HUNTER

Chartered Accountants
Eighth Floor 6 New Street Square London EC4A 3AQ

IMAGO HOLDINGS LIMITED

COMPANY INFORMATION

DIRECTORS

E M Pordes
J Braff
C Risk
C Jaquet
J Allpass
H D K Cheung
K C Ng
R G Hayes
I Lynam (resigned 28 February 2007)

SECRETARY

J Allpass

COMPANY NUMBER

02747934

REGISTERED OFFICE

Albury Court
Albury
Thame
Oxfordshire
OX9 2LP

AUDITORS

Rawlinson & Hunter
Chartered Accountants & Registered Auditor
Eighth Floor
6 New Street Square
New Fetter Lane
London
EC4A 3AQ

BANKERS

Barclays Bank Plc
102 High Street
Thame
Oxon
OX9 3DU

IMAGO HOLDINGS LIMITED

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IMAGO HOLDINGS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2007

The directors present their report and the financial statements for the year ended 31 December 2007

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK 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 group will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and the group 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 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 included on the group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements and other information included in Annual Reports may differ from legislation in other jurisdictions.

In determining how amounts are presented within items in the profit and loss account and balance sheets, the directors have had regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting principles or practice.

PROVISION OF INFORMATION TO AUDITORS

So far as each of the directors is aware at the time the report is approved

- there is no relevant audit information of which the group's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of the group continues to be that of printing and publishing consultants.

The directors consider the level of business and the year end financial position to be satisfactory and in line with expectations. The directors do not anticipate any material changes in the present level of activity.

IMAGO HOLDINGS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2007

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £445,064 (2006 - £519,414)

The directors do not recommend the payment of a dividend for the year (2006 - £481,950) In accordance with Financial Reporting Standard 21 'Events after the balance sheet date', the final dividend for the year ended 31 December 2006 was reflected in the financial statements for the year ended 31 December 2007

DIRECTORS

The directors who served during the year were

E M Pordes
J Braff
C Risk
C Jaquet
J Allpass
H D K Cheung
K C Ng
R G Hayes
I Lynam (resigned 28 February 2007)

FUTURE DEVELOPMENTS

The directors will continue the management policies which have resulted in the group achieving reasonable growth over the past several years. They expect that future years will continue to show further growth.

FINANCIAL RISK MANAGEMENT

The group's operations expose it to a variety of financial risks that include the effects of credit risk, liquidity risk and interest rate risk.

Credit risk

The group has implemented policies and controls (both internal and third party professionals) that require specific checks on customers and the security provided. As a result arrangements are in place to minimise the group's credit risk.

Liquidity risk

The group manages its liquidity position with the objective of maintaining the ability to fund commitments and repay liabilities in accordance with their required terms.

Interest rate risk

The group has interest bearing liabilities in the form of bank overdrafts. Interest is charged on these borrowings at floating rates of interest linked to bank base rates. The group makes loans to a small number of customers at fixed rates but these are for short term periods.

IMAGO HOLDINGS LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2007**

AUDITORS

The auditors, Rawlinson & Hunter, will be proposed for reappointment at the Annual General Meeting in accordance with section 385 of the Companies Act 1985

This report was approved by the board on 29th July 2008 and signed on its behalf


Director

IMAGO HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF IMAGO HOLDINGS LIMITED

We have audited the group and parent company financial statements (the "financial statements") of Imago Holdings Limited for the year ended 31 December 2007 which comprise the Group Profit and Loss Account, the Group and Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared in accordance with the accounting policies set out therein.

This report is made solely to the group'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 group'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 group and the group'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' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the group 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and 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.

IMAGO HOLDINGS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF IMAGO HOLDINGS 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 group's and the parent company's affairs as at 31 December 2007 and of the group's profit for the year then ended,
- the financial statements 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



12th August 2008

Chartered Accountants
Registered Auditor

Eighth Floor
6 New Street Square
New Fetter Lane
London
EC4A 3AQ

Date

IMAGO HOLDINGS LIMITED

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2007**

	Note	2007 £	2006 £
TURNOVER	1,2	38,665,227	40,266,877
Cost of sales		<u>(32,018,552)</u>	<u>(33,958,431)</u>
GROSS PROFIT		6,646,675	6,308,446
Administrative expenses		<u>(5,927,493)</u>	<u>(5,947,984)</u>
OPERATING PROFIT	3	719,182	360,462
EXCEPTIONAL ITEMS			
Other exceptional items	9	<u>-</u>	<u>187,776</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		719,182	548,238
Interest receivable	7	68,002	64,665
Interest payable	8	<u>(53,159)</u>	<u>(70,537)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		734,025	542,366
Tax on profit on ordinary activities	10	<u>(288,961)</u>	<u>(22,952)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	19	<u>£ 445,064</u>	<u>£ 519,414</u>

All amounts relate to continuing operations

The notes on pages 11 to 27 form part of these financial statements

IMAGO HOLDINGS LIMITED

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2007**

	Note	2007 £	2006 £
PROFIT FOR THE FINANCIAL YEAR		445,064	519,414
Prior year adjustment - FRS 20		-	(443,519)
Exchange differences		<u>9,727</u>	<u>(22,427)</u>
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR		<u>£ 454,791</u>	<u>£ 53,468</u>

**NOTE OF HISTORICAL COST PROFITS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2007**

	2007 £	2006 £
REPORTED PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	734,025	542,366
Difference between a historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	<u>7,303</u>	<u>7,336</u>
HISTORICAL COST PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	<u>£ 741,328</u>	<u>£ 549,702</u>
HISTORICAL PROFIT FOR THE YEAR AFTER TAXATION	<u>£ 452,367</u>	<u>£ 526,750</u>

The notes on pages 11 to 27 form part of these financial statements


IMAGO HOLDINGS LIMITED

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2007

	Note	£	2007 £	£	2006 £
FIXED ASSETS					
Tangible fixed assets	11		567,936		500,293
Investments	12		87,834		87,834
			<u>655,770</u>		<u>588,127</u>
CURRENT ASSETS					
Debtors amounts falling due after more than one year	13	190,080		190,080	
Debtors amounts falling due within one year	13	13,479,746		13,803,361	
Investments	14	258,680		233,687	
Cash at bank		770,238		533,465	
		<u>14,698,744</u>		<u>14,760,593</u>	
CREDITORS amounts falling due within one year	15	13,172,326		13,128,637	
NET CURRENT ASSETS			<u>1,526,418</u>		<u>1,631,956</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>2,182,188</u>		<u>2,220,083</u>
CREDITORS amounts falling due after more than one year	16		(702,516)		(713,252)
NET ASSETS			<u>£ 1,479,672</u>		<u>£ 1,506,831</u>
CAPITAL AND RESERVES					
Called up share capital	18		4,708		4,708
Share premium account	19		104,292		104,292
Revaluation reserve	19		68,813		73,534
Profit and loss account	19		1,301,859		1,324,297
SHAREHOLDERS' FUNDS - All equity			<u>£ 1,479,672</u>		<u>£ 1,506,831</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

29th July 2008


Director

The notes on pages 11 to 27 form part of these financial statements

IMAGO HOLDINGS LIMITED

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2007

	Note	£	2007 £	£	2006 £
FIXED ASSETS					
Tangible fixed assets	11		85,772		-
Investments	12		1,498,075		1,498,075
			<u>1,583,847</u>		<u>1,498,075</u>
CURRENT ASSETS					
Debtors amounts falling due after more than one year	13	190,080		190,080	
Debtors amounts falling due within one year	13	812,708		1,196,474	
		<u>1,002,788</u>		<u>1,386,554</u>	
CREDITORS amounts falling due within one year	15	289,562		203,343	
NET CURRENT ASSETS			<u>713,226</u>		<u>1,183,211</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>2,297,073</u>		<u>2,681,286</u>
CREDITORS amounts falling due after more than one year	16		(633,599)		(633,599)
NET ASSETS			<u>£ 1,663,474</u>		<u>£ 2,047,687</u>
CAPITAL AND RESERVES					
Called up share capital	18		4,708		4,708
Share premium account	19		104,292		104,292
Profit and loss account	19		1,554,474		1,938,687
SHAREHOLDERS' FUNDS			<u>£ 1,663,474</u>		<u>£ 2,047,687</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

29th July 2008


Director

The notes on pages 11 to 27 form part of these financial statements

IMAGO HOLDINGS LIMITED

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2007**

	Note	2007 £	2006 £
Net cash flow from operating activities	22	1,796,256	(261,344)
Returns on investments and servicing of finance	23	14,843	(5,872)
Taxation		(103,154)	(280,657)
Capital expenditure and financial investment	23	(165,995)	1,574,726
Equity dividends paid		(481,950)	(204,177)
CASH INFLOW BEFORE FINANCING		1,060,000	822,676
Financing	23	(9,554)	(537,925)
INCREASE IN CASH IN THE YEAR		£ 1,050,446	£ 284,751

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT
FOR THE YEAR ENDED 31 DECEMBER 2007**

	2007 £	2006 £
Increase in cash in the year	1,050,446	284,751
Cash outflow from decrease in debt and lease financing	9,554	537,925
MOVEMENT IN NET DEBT IN THE YEAR	1,060,000	822,676
Net debt at 1 January 2007	(372,562)	(1,195,238)
NET FUNDS/(DEBT) AT 31 DECEMBER 2007	£ 687,438	£ (372,562)

The notes on pages 11 to 27 form part of these financial statements

IMAGO HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

1 ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom. The principal accounting policies of the group, which have been applied consistently throughout the year, are stated below.

1.2 BASIS OF CONSOLIDATION

The financial statements consolidate the accounts of Imago Holdings Limited and all of its subsidiary undertakings ('subsidiaries') made up to 31 December 2007. Subsidiaries are dealt with by the acquisition method of accounting from the date of acquisition.

1.3 INVESTMENTS

- (i) **Subsidiary undertakings**
Share in subsidiaries are valued at cost less provision for permanent impairment, if any.
- (ii) **Other investments**
Investments held as fixed assets are shown at cost less provisions for their impairment.

1.4 TURNOVER

Turnover represents the amounts derived from the provision of goods and services to third party customers, net of VAT and trade discounts. Revenue is recognised when the product has been completed and made available for collection or delivery, with a deferral made for the fair value of any remaining future obligation under the terms of the sale. Revenue not recognised in the profit and loss account under this policy is classified as deferred income in the balance sheet. Revenue from services is recognised as the work is performed. Revenue is only recognised where there is appropriate evidence of an arrangement, where the consideration is fixed and determinable and where collectability is reasonably assured.

1.5 TANGIBLE FIXED ASSETS AND DEPRECIATION

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

Freehold land and buildings	-	2% and 3% straight line
Leasehold improvements	-	10% straight line
Plant & machinery	-	20% and 30% straight line
Motor vehicles	-	25% straight line

1.6 LEASING AND HIRE PURCHASE

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase 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 the Profit and Loss Account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

IMAGO HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

1 ACCOUNTING POLICIES (continued)

1.7 OPERATING LEASES

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the profit and loss account on a straight line basis over the lease term

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate

1.8 DEFERRED TAXATION

Deferred tax is recognised on all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax is measured at the average tax rates that are expected to apply in the years in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is not provided on unremitted earnings of subsidiaries where remittance of these earnings as dividends has not been accrued or where no binding agreement to distribute exists. Deferred tax is measured on an undiscounted basis.

1.9 FOREIGN CURRENCIES

Transactions in foreign currencies are recorded at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

Transactions undertaken in foreign branches are translated at the rates of exchange ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

For consolidation purposes assets and liabilities of foreign subsidiaries are translated at the rates of exchange ruling at the balance sheet date. Profit and loss accounts of such undertakings are translated at the average rates of exchange during the year. Exchange differences arising on these translations are taken to reserves.

1.10 PENSIONS

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

IMAGO HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

1 ACCOUNTING POLICIES (continued)

1 11 FINANCIAL INSTRUMENTS

Income and expenditure arising on financial instruments is recognised on the accruals basis, and credited or charged to the profit and loss account in the financial year to which it relates

Financial assets and liabilities are recognised in the balance sheet at the lower of cost and net realisable value. Provision is made for impairment in value, where appropriate

1 12 CASH-SETTLED SHARE BASED PAYMENTS

With effect from 1 January 2006, the group adopted FRS 20 'Share Based Payments'

The group issued cash-settled share based payments as an incentive to certain directors

The fair value of the cash-settled share based payments are valued at the date of grant using the Black Scholes Pricing Method and will be re-assessed at each balance sheet date thereafter until the awards are settled. Market based performance conditions are taken into account when determining fair value

2. TURNOVER

The whole of the turnover is attributable to the group's principal activity

A geographical analysis of turnover is as follows

	2007 £	2006 £
United Kingdom	19,640,420	21,564,463
Europe	4,250,692	3,759,134
United States	13,334,263	13,081,150
Australia and Far East	1,439,852	1,862,130
	<u>£ 38,665,227</u>	<u>£ 40,266,877</u>

IMAGO HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007**

3 OPERATING PROFIT

The operating profit is stated after charging/(crediting)

	2007 £	2006 £
Depreciation of tangible fixed assets		
- owned by the group	102,521	122,706
- held under finance leases	4,798	4,532
Auditors' remuneration		
- audit and consolidation fee	9,500	7,250
- other services supplied pursuant to such legislation	18,500	20,211
- other services relating to taxation	14,355	15,500
- services relating to corporate finance	-	2,500
- all other services	24,557	25,452
Operating lease rentals		
- land and buildings	240,702	221,615
Profit on disposal of fixed assets	-	(313,906)
Loss on foreign exchange	48,973	188,090
	<u>48,973</u>	<u>188,090</u>

4 STAFF COSTS

Staff costs, including directors' remuneration, were as follows

	GROUP	
	2007 £	2006 £
Wages and salaries	3,513,154	3,337,447
Social security costs	235,246	284,083
Other pension costs	164,311	382,394
	<u>£ 3,912,711</u>	<u>£ 4,003,924</u>

The average monthly number of employees, including the directors, during the year was as follows

	GROUP	
	2007 No	2006 No
Sales and Administration	123	96

IMAGO HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

5 DIRECTORS' REMUNERATION

	2007 £	2006 £
Emoluments	£ 661,238	£ 265,862
Company pension contributions to money purchase pension schemes	£ 85,289	£ 57,494

During the year retirement benefits were accruing to 8 directors (2006 - 8) in respect of defined contribution pension schemes

The highest paid director received remuneration, excluding pension contributions, of £117,303 (2006 - £118,012)

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £Nil (2006 - £125,000)

6 SHARE BASED PAYMENTS

The company originally issued cash-settled share based payments as an incentive to certain directors in 1998 and the agreements were amended on 8 May 2006 following the restructuring of the group. The terms of these share based payments were not changed on this date and only the names of the companies were changed.

There is no vesting period for the cash-settled share based payments.

The cash-settled share based payments will be paid in cash to directors based on 5% of the value of the company upon sale of the group.

The Black Scholes Model was used to determine the fair value of the group. The expected volatility was determined with reference to comparable quoted companies over time and discounted to arrive at a long term average volatility rate of 10% for the group. Dividends were not used in the calculation of the value of the company.

The value of the cash-settled share based payments of £633,599, which has not changed from last year, was provided in the prior year financial statements and is shown within creditors due after more than one year.

7 INTEREST RECEIVABLE

	2007 £	2006 £
Other interest receivable	£ 68,002	£ 64,665

IMAGO HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007**

8 INTEREST PAYABLE

	2007	2006
	£	£
On bank loans and overdrafts	52,711	70,075
On finance leases and hire purchase contracts	448	462
	<u>£ 53,159</u>	<u>£ 70,537</u>

9 EXCEPTIONAL ITEMS

	2007	2006
	£	£
Profit on disposal of Land and Buildings	-	310,667
Loss to the group on winding up of Imago Investments Limited	-	(122,891)
	<u>£ -</u>	<u>£ 187,776</u>

The exceptional items in the prior year principally comprise transactions relating to the restructuring of the group

10 TAXATION

	2007	2006
	£	£
ANALYSIS OF TAX CHARGE IN THE YEAR		
CURRENT TAX (see note below)		
UK corporation tax charge on profit for the year	280,102	26,700
Adjustments in respect of prior periods	(7,992)	3,522
	<u>272,110</u>	<u>30,222</u>
Double taxation relief	(3,556)	-
Foreign tax on income for the year	2,458	37,347
	<u>271,012</u>	<u>67,569</u>
TOTAL CURRENT TAX		
	<u>271,012</u>	<u>67,569</u>
DEFERRED TAX		
Origination and reversal of timing differences	17,584	(44,617)
Effect of increased tax rate on opening liability	365	-
	<u>17,949</u>	<u>(44,617)</u>
TOTAL DEFERRED TAX (see note 17)		
	<u>17,949</u>	<u>(44,617)</u>
TAX ON PROFIT ON ORDINARY ACTIVITIES	<u>£ 288,961</u>	<u>£ 22,952</u>

IMAGO HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

10 TAXATION (continued)

FACTORS AFFECTING TAX CHARGE FOR THE YEAR

The tax assessed for the year is higher than (2006 - lower than) the standard rate of corporation tax in the UK (30%) The differences are explained below

	2007 £	2006 £
Profit on ordinary activities before tax	£ 734,025	£ 542,366
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2006 - 30%)	220,208	162,710
EFFECTS OF		
Expenses not deductible for tax purposes	40,639	6,335
Capital allowances for year in excess of depreciation	(9,796)	(5,257)
Utilisation of tax losses	-	(38,837)
Higher rate taxes on overseas earnings	23,827	-
Adjustments to tax charge in respect of prior periods	(7,992)	3,522
Foreign tax and consolidation adjustments	5,646	(60,904)
Marginal rate relief	(1,165)	-
Other short term timing differences	(355)	-
CURRENT TAX CHARGE FOR THE YEAR (see note above)	£ 271,012	£ 67,569

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

There were no factors that may affect future tax charges

IMAGO HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007**

11 TANGIBLE FIXED ASSETS

GROUP	Freehold land and buildings £	Leasehold improve- ments £	Plant and machinery £	Motor vehicles £	Total £
COST OR VALUATION					
At 1 January 2007	216,666	159,921	909,924	45,751	1,332,262
Additions	-	5,136	148,322	12,537	165,995
Foreign exchange movement	8,558	(788)	2,479	925	11,174
At 31 December 2007	<u>225,224</u>	<u>164,269</u>	<u>1,060,725</u>	<u>59,213</u>	<u>1,509,431</u>
DEPRECIATION					
At 1 January 2007	40,625	121,305	660,155	9,884	831,969
Charge for the year	10,785	10,593	72,610	13,331	107,319
Foreign exchange movement	2,081	(753)	182	697	2,207
At 31 December 2007	<u>53,491</u>	<u>131,145</u>	<u>732,947</u>	<u>23,912</u>	<u>941,495</u>
NET BOOK VALUE					
At 31 December 2007	<u>£ 171,733</u>	<u>£ 33,124</u>	<u>£ 327,778</u>	<u>£ 35,301</u>	<u>£ 567,936</u>
At 31 December 2006	<u>£ 176,041</u>	<u>£ 38,616</u>	<u>£ 249,769</u>	<u>£ 35,867</u>	<u>£ 500,293</u>

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows

GROUP	2007 £	2006 £
Motor vehicles	<u>£ 5,970</u>	<u>£ 10,768</u>

The freehold land and buildings, held in Imago Productions (Far East) Pte Ltd, were revalued on 31 March 2003 by Colliers International & Valuation (Singapore) Ptd Ltd on an open market existing use basis

The directors are not aware of any material variation in the value of the freehold land and buildings

If the freehold land and buildings had not been included at valuation they would have been included under the historical cost convention as follows

GROUP	2007 £	2006 £
Cost	220,502	220,502
Accumulated depreciation	(120,841)	(118,476)
Net book value	<u>£ 99,661</u>	<u>£ 102,026</u>

IMAGO HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

11 TANGIBLE FIXED ASSETS (continued)

	Plant and machinery	
COMPANY	£	
COST OR VALUATION		
Additions		92,005
At 31 December 2007		92,005
DEPRECIATION		
Charge for the year		6,233
At 31 December 2007		6,233
NET BOOK VALUE		
At 31 December 2007	£	85,772
At 31 December 2006	£	-

12. FIXED ASSET INVESTMENTS

GROUP				Unlisted investments
COST				£
At 1 January 2007 and 31 December 2007				£ 87,834
	Shares in group undertakings	Unlisted investments		Total
COMPANY	£	£		£
COST				
At 1 January 2007 and 31 December 2007	£ 1,410,241	£ 87,834		£ 1,498,075

Details of the principal subsidiaries can be found under Note 31

IMAGO HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
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13 DEBTORS

	GROUP		COMPANY	
	2007 £	2006 £	2007 £	2006 £
DUE AFTER MORE THAN ONE YEAR				
Deferred tax asset (see note 17)	£ 190,080	£ 190,080	£ 190,080	£ 190,080
	GROUP		COMPANY	
	2007 £	2006 £	2007 £	2006 £
DUE WITHIN ONE YEAR				
Trade debtors	10,064,192	11,371,112	-	-
Amounts owed by group undertakings	-	-	791,018	1,164,506
Other debtors	463,238	337,596	-	-
Prepayments and accrued income	2,927,435	1,961,347	28,886	26,500
Tax recoverable	7,338	97,814	-	-
Deferred tax asset (see note 17)	17,543	35,492	(7,196)	5,468
	£ 13,479,746	£ 13,803,361	£ 812,708	£ 1,196,474

Included within other debtors are loans to K C Ng and Y C Heng, directors of Imago Productions (Far East) Pte Ltd, amounting to a total of £619 (2006 - £2,975). The maximum aggregate amount outstanding during the year was £2,975. These loans, relating to the sale of company vehicles to the directors, are interest free and repayable by equal monthly instalments over 5 years commencing April 2003.

14 CURRENT ASSET INVESTMENTS

	GROUP		COMPANY	
	2007 £	2006 £	2007 £	2006 £
Unlisted investments	£ 258,680	£ 233,687	£ -	£ -

The unlisted investments relate to a life assurance policy held by Imago Sales (USA) Inc.

IMAGO HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007**

**15 CREDITORS
AMOUNTS FALLING DUE WITHIN ONE YEAR**

	GROUP		COMPANY	
	2007	2006	2007	2006
	£	£	£	£
Bank loans and overdrafts	10,854	823,459	-	-
Net obligations under finance leases and hire purchase contracts	3,029	2,915	-	-
Trade creditors	9,173,305	8,240,885	-	-
Corporation tax	224,605	56,747	36,180	-
Social security and other taxes	45,846	36,282	-	1,320
Other creditors	1,580,267	1,594,535	126,407	30,016
Accruals and deferred income	2,134,420	2,373,814	126,975	172,007
	£ 13,172,326	£ 13,128,637	£ 289,562	£ 203,343

Included within the group's and company's other creditors are directors' current accounts amounting to £127,180 (2006 - £39,998) and £126,406 (2006 - £30,016) respectively

The company and Imago Publishing Limited, a subsidiary undertaking, have entered into a cross guarantee over their credit and banking facilities. These are secured by a fixed charge over Imago Publishing Limited's debtors and a floating charge over all other assets. At 31 December 2007, the combined borrowing secured was £Nil (2006 - £813,673)

**16 CREDITORS
AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	GROUP		COMPANY	
	2007	2006	2007	2006
	£	£	£	£
Bank loans	61,090	69,211	-	-
Net obligations under finance leases and hire purchase contracts	7,827	10,442	-	-
Other creditors	633,599	633,599	633,599	633,599
	£ 702,516	£ 713,252	£ 633,599	£ 633,599

Other creditors of £633,599 (2006 - £633,599) represents the provision made under FRS 20 (Note 6)

IMAGO HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

16 CREDITORS
AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (continued)

Creditors include amounts not wholly repayable within 5 years as follows

	GROUP		COMPANY	
	2007	2006	2007	2006
	£	£	£	£
Repayable by instalments	£ -	£ 19,749	£ -	£ -

The Imago Productions (Far East) Pte Limited bank loan is secured by a legal charge over the subsidiary's freehold property and repayable by 120 monthly instalments from September 2003

Obligations under finance leases and hire purchase contracts, included above, are payable as follows

	GROUP		COMPANY	
	2007	2006	2007	2006
	£	£	£	£
Between one and five years	£ 7,827	£ 10,442	£ -	£ -

17 DEFERRED TAX ASSET

	GROUP		COMPANY	
	2007	2006	2007	2006
	£	£	£	£
At 1 January 2007	207,623	225,572	182,884	195,548
Other movement	-	-	-	-
At 31 December 2007	£ 207,623	£ 225,572	£ 182,884	£ 195,548

The deferred tax asset is made up as follows

	GROUP		COMPANY	
	2007	2006	2007	2006
	£	£	£	£
Accelerated capital allowances	17,543	35,492	(7,196)	5,468
Longer term timing differences	190,080	190,080	190,080	190,080
	£ 207,623	£ 225,572	£ 182,884	£ 195,548

IMAGO HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007**

18 SHARE CAPITAL

	2007 £	2006 £
AUTHORISED		
5,000 Ordinary shares of £1 each	£ 5,000	£ 5,000
ALLOTTED, CALLED UP AND FULLY PAID		
4,708 Ordinary shares of £1 each	£ 4,708	£ 4,708

19 RESERVES

	Share premium account £	Revaluation reserve £	Profit and loss account £
GROUP			
At 1 January 2007	104,292	73,534	1,324,297
Profit for the year	-	-	445,064
Dividends paid (Note 21)	-	-	(481,950)
Exchange differences	-	2,582	7,145
Transfer between revaluation reserve and profit and loss account	-	(7,303)	7,303
At 31 December 2007	£ 104,292	£ 68,813	£ 1,301,859
COMPANY			
At 1 January 2007		104,292	1,938,687
Profit for the year		-	97,737
Dividends paid (Note 21)		-	(481,950)
At 31 December 2007		£ 104,292	£ 1,554,474

IMAGO HOLDINGS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007**

20. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2007 £	2006 £
GROUP		
Opening shareholders' funds	1,506,831	1,379,318
Prior year adjustment	-	(443,519)
	<u>1,506,831</u>	<u>935,799</u>
Opening shareholders' funds (as restated)	1,506,831	935,799
Profit for the year	445,064	519,414
Dividends paid (Note 21)	(481,950)	(204,177)
Shares issued during the year	-	105,000
Foreign exchange differences	9,727	(22,427)
Transfer of minority interest	-	173,222
	<u>£ 1,479,672</u>	<u>£ 1,506,831</u>

	2007 £	2006 £
COMPANY		
Opening shareholders' funds	2,047,687	382,379
Profit for the year	97,737	2,188,409
Revaluation reserve transferred on restructuring	-	(423,924)
Shares issued during the year	-	105,000
Dividends paid (Note 21)	(481,950)	(204,177)
	<u>£ 1,663,474</u>	<u>£ 2,047,687</u>

The company has taken advantage of the exemption contained within Section 230 of the Companies Act 1985 not to present its own profit and loss account

The profit of the company for the year was £97,737 (2006 - £2,188,409)

21 DIVIDENDS

	2007 £	2006 £
Dividends paid on equity capital	<u>£ 481,950</u>	<u>£ 204,177</u>

IMAGO HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

22 NET CASH FLOW FROM OPERATING ACTIVITIES

	2007 £	2006 £
Operating profit	719,182	360,462
Exceptional items	-	187,776
Depreciation of tangible fixed assets	107,319	127,238
Profit on disposal of tangible fixed assets	-	(313,906)
Increase/(decrease) in creditors	688,322	(2,516,060)
Decrease in debtors	305,666	1,784,559
(Increase)/decrease in current asset investment	(24,993)	2,314
Exchange differences	760	(16,618)
Loss on Imago Investments Limited winding up	-	122,891
NET CASH INFLOW/(OUTFLOW) FROM OPERATIONS	£ 1,796,256	£ (261,344)

23 ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT

	2007 £	2006 £
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received	68,002	64,665
Interest paid	(52,711)	(70,075)
Hire purchase interest	(448)	(462)
NET CASH INFLOW/(OUTFLOW) FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	£ 14,843	£ (5,872)

	2007 £	2006 £
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
Purchase of tangible fixed assets	(165,995)	(79,426)
Sale of tangible fixed assets	-	1,654,152
NET CASH (OUTFLOW)/INFLOW FROM CAPITAL EXPENDITURE	£ (165,995)	£ 1,574,726

	2007 £	2006 £
FINANCING		
Repayment of loans due within 1 year	(7,053)	(89,485)
Repayment of loans due after 1 year	-	(549,669)
Issue of share capital	-	105,000
Capital element of hire purchase and finance lease rentals	(2,501)	(3,771)
NET CASH OUTFLOW FROM FINANCING	£ (9,554)	£ (537,925)

IMAGO HOLDINGS LIMITED

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24 ANALYSIS OF CHANGES IN NET DEBT

	1 January 2007 £	Cash flow £	Other non-cash changes £	31 December 2007 £
Cash at bank and in hand	533,465	236,773	-	770,238
Bank overdraft	(813,673)	813,673	-	-
	<u>(280,208)</u>	<u>1,050,446</u>	<u>-</u>	<u>770,238</u>
DEBT				
Finance leases	(13,357)	2,501	-	(10,856)
Debts due within one year	(9,786)	7,053	(8,121)	(10,854)
Debts falling due after more than one year	(69,211)	-	8,121	(61,090)
	<u>(89,354)</u>	<u>9,554</u>	<u>8,121</u>	<u>(71,679)</u>
NET (DEBT)/FUNDS	<u>£ (372,562)</u>	<u>£ 1,060,000</u>	<u>£ -</u>	<u>£ 687,438</u>

25 PENSION COMMITMENTS

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension cost charge represents contributions payable by the group to the fund and amounted to £164,311 (2006 - £382,394).

26 CAPITAL COMMITMENTS

The group had no capital commitments at either 31 December 2007 or 31 December 2006.

27 CONTINGENT LIABILITIES

The group had no contingent liabilities at either 31 December 2007 or 31 December 2006.

28 OPERATING LEASE COMMITMENTS

At 31 December 2007 the Group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings 2007 £	2006 £
GROUP		
EXPIRY DATE		
Within 1 year	6,562	14,063
Between 2 and 5 years	60,212	88,194
After more than 5 years	106,000	106,000
	<u>172,774</u>	<u>208,257</u>
Total	<u>172,774</u>	<u>208,257</u>

IMAGO HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

29 RELATED PARTY TRANSACTIONS

Mathew Price Limited is a company incorporated in England and Wales. It is a customer of the group, and a director of the Company is also a director of Mathew Price Limited. During the year, Mathew Price Limited was invoiced £130,777 (2006 - £278,584) under normal trading terms. The sum owed to the group at the year end was £145,034 (2006 - £144,588).

Duncan Baird Publishers Limited is a company incorporated in England. The company is a minority shareholder in Duncan Baird Publishers Limited. During the year, Duncan Baird Publishers Limited was invoiced £2,457,607 (2006 - £3,084,861) under normal trading terms. The sum owed to the group at the year end was £2,172,477 (2006 - £2,004,937).

During the prior year, the company disposed of Land and Buildings at an arms length market value of £1,640,000 to the Imago Executive Pension Scheme. Two of the directors are both members and trustees of the scheme.

30 CONTROLLING PARTY

The directors consider that the company does not have a controlling party.

31 PRINCIPAL SUBSIDIARIES

Company name	Country	Percentage Shareholding	Class of Share	Principal Activity
Imago Publishing Limited	England and Wales	100	Ordinary	Publishing
Imago Australia Limited	Australia	100	Ordinary	Publishing
Imago Productions (Far East) Pte Limited	Singapore	100	Ordinary	Publishing
Imago Services (HK) Limited	Hong Kong	100	Ordinary	Publishing
Imago Sales (USA) Inc	USA	100	Ordinary	Publishing