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**Imagelinx UK Limited**

Report and Financial Statements

Year Ended

31 December 2003

**APPROVAL COPY**



**BDO**

BDO Stoy Hayward  
Chartered Accountants

# **Imagelinx UK Limited**

## **Annual report and financial statements for the year ended 31 December 2003**

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#### **Directors**

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### **Directors**

A K Klein (Chairman)  
A J P McHugh  
P Williams  
J M Kendall  
S C Tokelove  
L Bale

### **Secretary**

J M Kendall, 42 Portman Road, Reading, Berkshire, RG30 1EA

### **Auditors**

BDO Stoy Hayward LLP, 8 Baker Street, W1U 3LL

### **Bankers**

HSBC Bank plc, 110 Grey Street, Newcastle-Upon-Tyne, Tyne & Wear, NE1 6JG

### **Solicitors**

MacLay Murray & Spens, 10 Foster Lane, London, EC2V 6HR

## **Imagelinx UK Limited**

### **Report of the directors for the year ended 31 December 2003**

The directors present their report together with the audited financial statements for the year ended 31 December 2003.

#### **Results and dividends**

The profit and loss account is set out on page 5 and shows the loss for the year. The loss for the year amounted to £6,756,000 (2002 - £4,621,000).

The directors do not recommend the payment of any dividends.

#### **Principal activities and review of the business**

The principal activity of the company during the year continued to be that of digital artwork and reprographic services.

Imagelinx UK Limited has invested in expanding its marketing and operating activities. The company now has an increased client and prospect list and is optimistic of its future prospects.

#### **Directors**

The directors who served the company during the year were as follows:

A K Klein  
A J P McHugh  
U K Bange  
P Williams  
J M Kendall  
R Krotz (resigned 30 January 2003)  
N J Hunter (resigned 23 April 2003)  
S C Tokelove  
L Bale

On 28 January 2004, Mr U K Bange resigned as a director.

There are no directors' interests requiring disclosure under the Companies Act 1985.

None of the directors has any interest in the share capital of the company. Directors' interests in the share capital on the company's ultimate parent company, LTG Technologies plc are as follows:

	2003 Ordinary shares £'000	2003 Options £'000	2002 Ordinary shares £'000	2002 Options £'000
P Williams	-	38,850	1,719,048	38,850
A McHugh	-	38,850	1,569,048	38,850
J M Kendall	-	22,200	-	22,200
S C Tokelove	-	-	-	-
L Bale	-	-	-	-

## **Imagelinx UK Limited**

### **Report of the directors for the year ended 31 December 2003 (*Continued*)**

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#### **Directors (*Continued*)**

None of the above directors exercised any share options during the year.

UK Bange and AK Klein were also directors of the ultimate parent company, LTG Technologies plc and, and their interests in its share capital are disclosed in the accounts of that company.

#### **Directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They 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.

#### **Auditors**

During the year, Ernst & Young LLP resigned as the Company's auditors and the directors appointed BDO Stoy Hayward LLP to fill the vacancy.

BDO Stoy Hayward LLP have expressed their willingness to continue in office and a resolution to reappoint them as the Company's auditors will be proposed at the Annual General Meeting.

#### **By order of the Board**

J M Kendall



**Secretary**

**Date**

20/4/04

## **Imagelinx UK Limited**

### **Report of the independent auditors**

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#### **To the shareholders of Imagelinx UK Limited**

We have audited the financial statements of Imagelinx UK Limited for the year ended 31 December 2003 on pages 5 to 17 which have been prepared under the accounting policies set out on pages 7 and 8.

#### *Respective responsibilities of directors and auditors*

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards 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 United Kingdom Auditing Standards.

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

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

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

#### *Basis of audit opinion*

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

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

**Imagelinx UK Limited**

**Report of the independent auditors (*Continued*)**

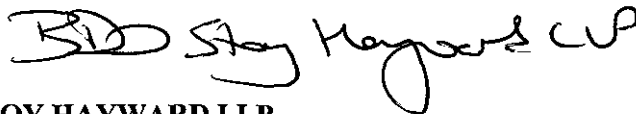
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*Going concern*

In forming our opinion we have considered the adequacy of the disclosures made in note 1 to the financial statements, relating to the financial requirements of the company and the Group. Due to the significance of this matter, we draw it to your attention, but our opinion is not qualified in this respect.

*Opinion*

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2003 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink, appearing to read "BDO Stoy Hayward LLP", is written above the printed name of the firm.

**BDO STOY HAYWARD LLP**

*Chartered Accountants  
and Registered Auditors*  
London

20 April 2004

**Imagelinx UK Limited****Profit and loss account for the year ended 31 December 2003**

	Note	2003 £'000	2002 £'000
Turnover	2	3,303	3,484
Cost of sales		1,430	1,725
<b>Gross profit</b>		<b>1,873</b>	<b>1,759</b>
Administrative expenses		8,538	6,214
<b>Operating loss</b>	5	<b>(6,665)</b>	<b>(4,455)</b>
Interest receivable and similar income	6	95	34
Interest payable	7	(186)	(200)
<b>Loss on ordinary activities before and after taxation and transferred from reserves</b>	18	<b>(6,756)</b>	<b>(4,621)</b>

All amounts relate to continuing activities.

There are no recognised gains or losses other than the loss for the year.

The notes on pages 7 to 17 form part of these financial statements.

**Imagelinx UK Limited**

**Balance sheet at 31 December 2003**

	Note	2003 £'000	2003 £'000	2002 £'000	2002 £'000
<b>Fixed assets</b>					
Tangible assets	9		1,988		5,374
Investments	10		3,256		2,081
			<u>5,244</u>		<u>7,455</u>
<b>Current assets</b>					
Stocks	11	17		298	
Debtors	12	4,319		6,455	
Cash at bank and in hand		98		42	
		<u>4,434</u>		<u>6,795</u>	
<b>Creditors: amounts falling due within one year</b>	13	3,227		20,999	
		<u>3,227</u>		<u>20,999</u>	
<b>Net current assets/(liabilities)</b>			1,207		(14,204)
<b>Total assets less current liabilities</b>			6,451		(6,749)
<b>Creditors: amounts falling due after more than one year</b>	14		-		44
			<u>6,451</u>		<u>(6,793)</u>
<b>Capital and reserves</b>					
Called up share capital	17		93		13
Share premium account	18		20,532		612
Profit and loss account	18		(14,174)		(7,418)
			<u>6,451</u>		<u>(6,793)</u>
<b>Shareholders' funds - equity</b>	18		6,451		(6,793)

The financial statements were approved by the Board on 20/4/04

J M Kendall  
Director



The notes on pages 7 to 17 form part of these financial statements.



## **Imagelinx UK Limited**

### **Notes forming part of the financial statements for the year ended 31 December 2003**

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#### **1 Accounting policies**

##### *Basis of preparation*

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards. The following principal accounting policies have been applied:

The company is exempt from the obligation to prepare and deliver group accounts under S228 of Companies Act 1985. Accordingly these financial statements present information about the company as an individual undertaking and not about its group.

The company and its directors have been assured by the ultimate parent company, LTG Technologies plc, that it will continue to make sufficient funds available to enable the company to meet its obligations as they fall due. It is for this reason that the directors consider it appropriate to draw up the financial statements on the going concern basis. In arriving at their decision the directors have also considered the financing position of the ultimate parent company.

##### *Cash flow statement*

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement.

##### *Fixed assets*

All fixed assets are initially recorded at cost. The cost of fixed assets includes amounts capitalised in the course of construction of IT and production software.

##### *Depreciation*

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows:

Leasehold property	- over 20 years
Plant and machinery	- over 5 to 15 years

Assets under construction are not depreciated until they are available for use.

##### *Stocks*

Stocks are stated at the lower of cost and net realisable value. Cost is based on the cost of the purchase on a first in first out basis. Work-in-progress and finished goods include labour and attributable overheads.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

**1 Accounting policies (Continued)**

*Deferred taxation*

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the company anticipates to make sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances arising from underlying timing differences in respect of tax allowances on industrial buildings are reversed if and when all conditions for retaining those allowances have been met.

Deferred tax balances are not discounted.

*Foreign currencies*

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

*Leasing and hire purchase commitments*

Assets held under finance leases, which are leases where substantially all the risks and rewards of ownership of the asset have passed to the company, and hire purchase contracts, are capitalised in the balance sheet and are depreciated over their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet.

The interest elements of the rental obligations are charged in the profit and loss account over the periods of the leases and hire purchase contracts and represent a constant proportion of the balance of capital repayments outstanding.

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

*Pension costs*

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

## Imagelinx UK Limited

### Notes forming part of the financial statements for the year ended 31 December 2003 (Continued)

#### 2 Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties and is attributable to one continuing activity, the provision of digital artwork and reprographic services.

An analysis of turnover by geographical market is given below:

	2003 £000	2002 £000
UK	1,906	2,207
Rest of Europe	265	95
Asia	159	82
USA	951	1,078
Rest of world	22	22
	<hr/>	<hr/>
	3,303	3,484
	<hr/>	<hr/>

#### 3 Employees

	2003 £'000	2002 £'000
Staff costs (including directors) consist of:		
Wages and salaries	2,346	3,199
Social security costs	233	272
Other pension costs	96	144
Pensions paid to former employees	-	30
	<hr/>	<hr/>
	2,675	3,645
	<hr/>	<hr/>

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

	Number	Number
Production staff	25	31
Administrative staff	45	53
	<hr/>	<hr/>
	70	84
	<hr/>	<hr/>

**Imagelinx UK Limited****Notes forming part of the financial statements for the year ended 31 December 2003 (Continued)****4 Directors**

	<b>2003</b> <b>£'000</b>	<b>2002</b> <b>£'000</b>
Directors' remuneration consist of:		
Emoluments	<b>424</b>	<b>353</b>
Value of company pension contributions to money purchase schemes	<b>38</b>	<b>30</b>
The amounts in respect of the highest paid director is as follows:		
Emoluments	<b>107</b>	<b>97</b>
Value of company pension contributions to money purchase schemes	<b>10</b>	<b>10</b>
	<b>Number</b>	<b>Number</b>
Members of money purchase pension schemes	<b>5</b>	<b>6</b>

**5 Operating loss**

	<b>2003</b> <b>£'000</b>	<b>2002</b> <b>£'000</b>
This is stated after charging:		
Auditors' remuneration - audit	<b>28</b>	<b>30</b>
- non-audit	<b>15</b>	<b>-</b>
Depreciation - owned fixed assets	<b>467</b>	<b>444</b>
- assets held under finance leases	<b>116</b>	<b>150</b>
Operating lease rentals - land and buildings	<b>108</b>	<b>87</b>
- plant and machinery	<b>85</b>	<b>35</b>
Loss on disposal of fixed assets	<b>26</b>	<b>-</b>
Exceptional items:		
Write down of property held for resale	<b>-</b>	<b>259</b>
Write-down of IT projects	<b>3,552</b>	<b>230</b>
Restructuring costs	<b>298</b>	<b>194</b>

**6 Interest receivable**

	<b>2003</b> <b>£'000</b>	<b>2002</b> <b>£'000</b>
Interest from group companies	<b>95</b>	<b>34</b>

**Imagelinx UK Limited****Notes forming part of the financial statements for the year ended 31 December 2003 (Continued)****7 Interest payable**

	2003 £'000	2002 £'000
Finance charges payable under finance leases	26	40
Interest payable to group companies	160	160
	<u>186</u>	<u>200</u>

**8 Tax on loss from ordinary activities**

There is no tax charge arising in the year due to the availability of tax losses.

	2003 £'000	2002 £'000
Loss on ordinary activities before tax	(6,756)	(4,621)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 30% (2002 – 30%)	(2,027)	(1,386)
Effects of:		
Expenses not deductible for tax purposes	528	359
Capital allowances for year in excess of depreciation	112	107
Other timing differences	4	3
Tax losses	1,383	917
Current tax charge for year	-	-

# Imagelinx UK Limited

## Notes forming part of the financial statements for the year ended 31 December 2003 (Continued)

### 8 Taxation on profit from ordinary activities (Continued)

#### Deferred tax

The deferred taxation asset not recognised in the accounts is as follows:

	2003 £'000	2002 £'000
Capital allowances in advance of depreciation	(277)	(180)
Tax losses available	(3,009)	(1,359)
Other timing differences	(37)	(33)
	<u>(3,323)</u>	<u>(1,572)</u>

Deferred tax is not provided as the company has an overall deferred tax asset, the timing of the recovery of which is not sufficiently certain to recognise the asset.

### 9 Tangible fixed assets

	Leasehold property £'000	Plant and machinery £'000	Assets under construction £'000	Total £'000
<i>Cost</i>				
At 1 January 2003	907	1,924	3,512	6,343
Additions	14	84	751	849
Transfer	-	203	(203)	-
Disposals	-	(415)	(3,552)	(3,967)
	<u>921</u>	<u>1,796</u>	<u>508</u>	<u>3,225</u>
At 31 December 2003				
<i>Depreciation</i>				
At 1 January 2003	15	954	-	969
Provided for the year	47	536	-	583
Disposals	-	(315)	-	(315)
	<u>62</u>	<u>1,175</u>	<u>-</u>	<u>1,237</u>
At 31 December 2003				
<i>Net book value</i>				
At 31 December 2003	<u>859</u>	<u>621</u>	<u>508</u>	<u>1,988</u>
At 31 December 2002	892	970	3,512	5,374

The net book value of assets above includes an amount of £88,000 (2002 - £265,000) in respect of assets held under finance leases.

# Imagelinx UK Limited

Notes forming part of the financial statements for the year ended 31 December 2003 (Continued)

## 10 Investments

	Subsidiaries £'000	Associates £'000	Total £'000
<i>Cost</i>			
At 1 January 2003	2,080	-	2,080
Additions	2,199	91	2,290
At 31 December 2003	4,279	91	4,370
<i>Amortisation</i>			
At 1 January 2003	-	-	-
Provided for the year	1,114	-	1,114
At 31 December 2003	1,114	-	1,114
<i>Net book value</i>			
At 31 December 2003	3,165	91	3,256
At 31 December 2002	2,080	-	2,080

Details of the investments in which the company holds 20% or more of the nominal value of any class of share capital are as follows:

Name of company	Holding	Proportion of voting rights and shares held	Nature of business
DRP Studios Limited	Ordinary shares	100%	Dormant
Imagelinx USA Inc (incorporated in USA)	Ordinary shares	100%	Digital artwork and reprographic services
Imagelinx Deutschland GmbH (incorporated in Germany)	Ordinary shares	100%	Digital artwork and reprographic services
Imagelinx Italia SRL (incorporated in Italy)	Ordinary shares	100%	Digital artwork and reprographic services
Imagelinx Japan Co Limited (incorporated in Italy)	Ordinary shares	100%	Digital artwork and reprographic services
Imagelinx Korea Co Limited (incorporated in South Korea)	Ordinary shares	45%	Digital artwork and reprographic services

**Imagelinx UK Limited****Notes forming part of the financial statements for the year ended 31 December 2003 (Continued)****11 Stocks**

	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
Raw materials	4	7
Work in progress	13	41
Property held for resale	-	250
	<u>17</u>	<u>298</u>

There is no material difference between the replacement cost of stocks and the amounts stated above.

**12 Debtors**

	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
Trade debtors	976	646
Amounts owed to group undertakings	3,188	5,537
Other debtors	155	272
	<u>4,319</u>	<u>6,455</u>

All amounts shown under debtors fall due for payment within one year.

**13 Creditors: amounts falling due within one year**

	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
Trade creditors	791	697
Amounts owed to group undertakings	1,807	19,387
Taxation and social security	63	147
Obligations under finance leases (note 15)	21	88
Other creditors	280	368
Accruals and deferred income	265	312
	<u>3,227</u>	<u>20,999</u>



**Imagelinx UK Limited**

**Notes forming part of the financial statements for the year ended 31 December 2003 (Continued)**

**14 Creditors: amounts falling due after more than one year**

	<b>2003 £'000</b>	<b>2002 £'000</b>
Obligations under finance leases (note 15)	-	44

**15 Obligations under finance leases**

	<b>2003 £'000</b>	<b>2002 £'000</b>
The maturity of these amounts is as follows:		
Amounts payable:		
Within one year	24	102
In two to five years	-	50
	<u>24</u>	<u>152</u>
Less: Finance charges allocated to future periods	(3)	(20)
	<u>21</u>	<u>132</u>
Finance leases are analysed as follows:		
Current obligations (note 13)	21	88
Non-current obligations (note 14)	-	44
	<u>21</u>	<u>132</u>

**16 Commitments under operating leases**

As at 31 December 2003, the company had annual commitments under non-cancellable operating leases as set out below:

	<b>2003 Land and buildings £'000</b>	<b>2003 Other £'000</b>	<b>2002 Land and buildings £'000</b>	<b>2002 Other £'000</b>
Operating leases which expire:				
Within one year	-	2	-	15
In two to five years	-	65	-	98
Over five years	117	-	117	-
	<u>117</u>	<u>67</u>	<u>117</u>	<u>113</u>

# Imagelinx UK Limited

Notes forming part of the financial statements for the year ended 31 December 2003 (Continued)

## 17 Share capital

	Authorised			
	2003	2002		
	£'000	£'000		
Ordinary shares of £1 each	100	100		
	<u>          </u>	<u>          </u>		
	Allotted, called up and fully paid			
	2003	2003	2002	2002
	Number	£'000	Number	£'000
Ordinary shares of £1 each	92,987	93	12,987	13
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

The issued share capital of the company has increased by the allotment to LTG Technologies plc of 80,000 ordinary shares of £1 each on 29 December 2003, credited as fully paid. Payment has been made at a premium of £249 per share, by the capitalisation of debt of £20,000,000.

## 18 Reconciliation of shareholders' funds and movements on reserves

	Share capital £'000	Share premium account £'000	Profit and loss account £'000	Total shareholders' funds £'000
At 1 January 2002	13	612	(2,797)	(2,172)
Loss for the year	-	-	(4,621)	(4,621)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At 31 December 2002	13	612	(7,418)	(6,793)
Loss for the year	-	-	(6,756)	(6,756)
Share capital issue	80	19,920	-	20,000
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
At 31 December 2003	93	20,532	(14,174)	6,451
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

## 19 Related party transactions

The company is a wholly owned subsidiary of LTG Technologies plc, the consolidated financial statements of which are publicly available. Accordingly, the company has taken advantage of the exemption in FRS 8 from disclosing transactions with members or investees of the LTG Technologies plc group.

## **Imagelinx UK Limited**

### **Notes forming part of the financial statements for the year ended 31 December 2003 (*Continued*)**

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#### **20 Pension commitments**

At the year end outstanding contributions to the company's money purchase pension scheme were £14,000 (2002 - £12,000).

#### **21 Ultimate parent company**

The company's immediate and ultimate parent company and, in the opinion of the directors, ultimate controlling party is LTG Technologies plc. Copies of its group financial statements, which include the company, are available from The Company Secretary, LTG Technologies plc, 42 Portman Road, Reading, RG30 1EA.