REGISTRAR OF COMPANIES

Imagelinx UK Limited

Report and Financial Statements

Year Ended

31 December 2004

BDO

BDO Stoy Hayward
Chartered Accountants

Imagelinx UK Limited

Annual report and financial statements for the year ended 31 December 2004

Contents

Directors

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Directors

A K Klein (Chairman)
P Williams
S C Tokelove
M Williamson

Secretary

Throgmorton Secretaries Limited, 42 Portman Road, Reading, Berkshire, RG30 1EA.

Company number

03182772

Auditors

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

Bankers

Royal Bank of Scotland, PO Box 7895, Nottingham, NG1 7ZS.

Solicitors

MacLay Murray & Spens, 5 Old Bailey, London, EC4M 7JX.

Imagelinx UK Limited

Report of the directors for the year ended 31 December 2004

The directors present their report together with the audited financial statements for the year ended 31 December 2004.

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 £5,685,000 (2003 - £6,756,000).

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 been restructured and refocused, such that operating costs have been further reduced and the sales line has grown due to an increased client list. It aims to grow and be profitable in 2005.

Directors

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

A K Klein	
A J P McHugh	(resigned 13 September 2004)
P Williams	
J M Kendall	(resigned 10 May 2004)
S C Tokelove	
L Bale	(resigned 27 September 2004)
U K Bange	(resigned 28 January 2004)
M Williamson	(appointed 15 December 2004)

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:

	2004 Ordinary shares £'000	**2004 Options £'000**	**2003 Ordinary shares £'000**	**2003 Options £'000**
P Williams	-	238,500	-	38,850
A McHugh	-	38,830	-	38,850
J M Kendall	-	22,200	-	22,200
S C Tokelove	-	100,000	-	-
L Bale	-	-	-	-

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

M Williamson, UK Bange and AK Klein were also directors of the ultimate parent company, LTG Technologies plc, 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

BDO Stoy Hayward LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

By order of the Board

M Williamson

Director

Date 8th March 2005

Imagelinx UK Limited

Report of the independent auditors

To the shareholders of Imagelinx UK Limited

We have audited the financial statements of Imagelinx UK Limited for the year ended 31 December 2004 on pages 5 to 18 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.

Fundamental uncertainty - 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 2004 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

BDO Stoy Hayward LLP

BDO STOY HAYWARD LLP
Chartered Accountants
and Registered Auditors
London

Date 8 March 2005

Imagelinx UK Limited

Profit and loss account for the year ended 31 December 2004

	Note	2004 £'000	2003 £'000
Turnover	2	**3,709**	3,303
Cost of sales		**1,331**	1,430
Gross profit		**2,378**	1,873
Administrative expenses		**(3,306)**	(8,538)
Operating loss	5	**(928)**	(6,665)
Investment write off	10	**(4,816)**	-
Interest receivable and similar income	6	**85**	95
Interest payable	7	**(26)**	(186)
Loss on ordinary activities before and after taxation and transferred from reserves	17	**(5,685)**	(6,756)

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 18 form part of these financial statements.

Imagelinx UK Limited

Balance sheet at 31 December 2004

	Note	2004 £'000	2004 £'000	2003 £'000	2003 £'000
Fixed assets					
Tangible assets	9		**1,803**		1,988
Investments	10		**1,243**		3,256
			3,046		5,244
Current assets					
Stocks	11	**7**		17	
Debtors	12	**1,949**		4,319	
Cash at bank and in hand		**50**		98	
		2,006		4,434	
Creditors: amounts falling due within one year	13	**2,536**		3,227	
Net current (liabilities)/assets			**(530)**		1,207
Total assets less current liabilities			**2,516**		6,451
Capital and reserves					
Called up share capital	16		**100**		93
Share premium account	17		**22,275**		20,532
Profit and loss account	17		**(19,859)**		(14,174)
Shareholders' funds - equity	17		**2,516**		6,451

The financial statements were approved by the Board on 8th March 2005

M Williamson
Director

The notes on pages 7 to 18 form part of these financial statements.

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 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.

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:

	2004 £000	2003 £000
UK	**1,955**	1,906
Rest of Europe	**816**	265
Asia	**30**	159
USA	**800**	951
Rest of world	**108**	22
	3,709	3,303

3 Employees

	2004 £'000	2003 £'000
Staff costs (including directors) consist of:		
Wages and salaries	**1,742**	2,346
Social security costs	**174**	233
Other pension costs	**106**	96
Pensions paid to former employees	**-**	-
	2,022	2,675

The average monthly number of employees, including directors, during the year was:	Number	Number
Production staff	**22**	25
Administrative staff	**30**	45
	52	70

Imagelinx UK Limited

Notes forming part of the financial statements for the year ended 31 December 2004 *(Continued)*

4 Directors

	2004 £'000	2003 £'000
Directors' remuneration consist of:		
Emoluments	**243**	424
Value of company pension contributions to money purchase schemes	**28**	38
The amounts in respect of the highest paid director is as follows:		
Emoluments	**111**	107
Value of company pension contributions to money purchase schemes	**20**	10
	Number	**Number**
Members of money purchase pension schemes	**2**	5

5 Operating loss

		2004 £'000	2003 £'000
This is stated after charging:			
Auditors' remuneration	- audit	**30**	28
	- non-audit	**18**	15
Depreciation	- owned fixed assets	**447**	467
	- assets held under finance leases	**49**	116
Operating lease rentals	- land and buildings	**117**	108
	- plant and machinery	**116**	85
Loss on disposal of fixed assets		**92**	26
Exceptional items:			
Write-down of IT projects		**-**	3,552
Restructuring costs		**560**	298

6 Interest receivable

	2004 £'000	2003 £'000
Interest from group companies	**85**	95

7 Interest payable

	2004 £'000	2003 £'000
Finance charges payable under finance leases	**7**	26
Interest payable to group companies	**-**	160
Bank interest payable	**15**	-
Other interest payable	**4**	-
	26	186

8 Tax on loss from ordinary activities

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

	2004 £'000	2003 £'000
Loss on ordinary activities before tax	**(5,685)**	(6,756)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 30% (2003 - 30%)	**(1,705)**	(2,027)
Effects of:		
Expenses not deductible for tax purposes	**1,452**	528
Non-qualifying depreciation	**15**	-
Capital allowances for year in excess of depreciation	**(121)**	112
Other timing differences	**-**	4
Tax losses	**308**	1,383
Group relief	**51**	-
Current tax charge for year	**-**	-

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

Deferred tax

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

	2004 £'000	2003 £'000
Capital allowances in advance of depreciation	**(370)**	(277)
Tax losses available	**(3,109)**	(3,009)
Other timing differences	**(38)**	(37)
	(3,517)	(3,323)

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
Cost				
At 1 January 2004	921	1,796	508	3,225
Additions	-	141	170	311
At 31 December 2004	**921**	**1,937**	**678**	**3,536**
Depreciation				
At 1 January 2004	62	1,175	-	1,237
Provided for the year	47	449	-	496
At 31 December 2004	**109**	**1,624**	**-**	**1,733**
Net book value				
At 31 December 2004	**812**	**313**	**678**	**1,803**
At 31 December 2003	859	621	508	1,988

The net book value of assets above includes an amount of £42,000 (2003 - £88,000) in respect of assets held under finance leases.

10 Investments

	Subsidiaries £'000	Associates £'000	Total £'000
Cost			
At 1 January 2004	4,279	91	4,370
Additions	2,803	-	2,803
At 31 December 2004	**7,082**	**91**	**7,173**
Amortisation			
At 1 January 2004	1,114	-	1,114
Provided for the year	4,725	91	4,816
At 31 December 2004	**5,839**	**91**	**5,930**
Net book value			
At 31 December 2004	**1,243**	**-**	**1,243**
At 31 December 2003	3,165	91	3,256

The company's investment in Imagelink USA Inc has been written down to its net asset value.

Furthermore the investment in the associate Imagelink Korea Co Limited has been fully provided for as there has been minimal trading during the year ending 31 December 2004, and there will be no trading going forward.

10 Investments *(Continued)*

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
Itlinx 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

11 Stocks

	2004 £'000	2003 £'000
Raw materials	7	4
Work in progress	-	13
	7	17

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

12 Debtors

	2004 £'000	2003 £'000
Trade debtors	**1,139**	976
Amounts owed by group undertakings	**735**	3,188
Other debtors	**75**	155
	1,949	4,319

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

13 Creditors: amounts falling due within one year

	2004 £'000	2003 £'000
Bank overdraft	**402**	-
Trade creditors	**498**	791
Amounts owed to group undertakings	**1,139**	1,807
Taxation and social security	**89**	63
Obligations under finance leases (note 14)	**6**	21
Other creditors	**186**	280
Accruals and deferred income	**216**	265
	2,536	3,227

14 Obligations under finance leases

	2004 £'000	2003 £'000
The maturity of these amounts is as follows:		
Amounts payable:		
Within one year	6	24
In two to five years	-	-
	6	24
Less: Finance charges allocated to future periods	-	(3)
	6	21
Finance leases are analysed as follows:		
Current obligations (note 13)	6	21
Non-current obligations	-	-
	6	21

15 Commitments under operating leases

As at 31 December 2004, the company had annual commitments under non-cancellable operating leases as set out below:

	2004 Land and buildings £'000	2004 Other £'000	2003 Land and buildings £'000	2003 Other £'000
Operating leases which expire:				
Within one year	-	-	-	2
In two to five years	-	27	-	65
Over five years	117	11	117	-
	117	38	117	67

16 Share capital

	Authorised	
	2004 £'000	2003 £'000
Ordinary shares of £1 each	**100**	100

	Allotted, called up and fully paid			
	2004 Number	2004 £'000	2003 Number	2003 £'000
Ordinary shares of £1 each	**99,987**	**100**	92,987	93

The issued share capital of the company has increased by the allotment to LTG Technologies plc of 7,000 ordinary shares of £1 each on 31 December 2004, credited as fully paid. Payment has been made at a premium of £249 per share, by the capitalisation of debt of £1,750,000.

17 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 2003	13	612	(7,418)	(6,793)
Loss for the year	-	-	(6,756)	(6,756)
Share capital issue	80	19,920	-	20,000
At 31 December 2003	93	20,532	(14,174)	6,451
Loss for the year	-	-	(5,685)	(5,685)
Share capital issue	7	1,743	-	1,750
At 31 December 2004	**100**	**22,275**	**(19,859)**	**2,516**

18 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.

19 Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £66,000 (2003 - £Nil).

20 Pension commitments

At the year end outstanding contributions to the company's money purchase pension scheme were £15,000 (2003 - £14,000).

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, c/o Imagelinx, Julias Way, Station Park, Lowmoor Road, Kirkby-In-Ashfield, Notts NG17 5HN.