

Company Registration No. 04323657 (England and Wales)

**DOCUMEDIA SOLUTIONS (UK) LIMITED**

**FINANCIAL STATEMENTS**

**FOR THE PERIOD 16 NOVEMBER 2001 TO 28 FEBRUARY 2003**



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# **DOCUMEDIA SOLUTIONS (UK) LIMITED**

## **COMPANY INFORMATION**

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<b>Directors</b>	HH Maxwell J W Tayler
<b>Secretary</b>	HH Maxwell
<b>Company number</b>	04323657
<b>Registered office</b>	Truscott House, 32-42 East Road London Great Britain N1 6AD
<b>Auditors</b>	Hazlewoods Windsor House Barnett Way Barnwood Gloucester GL4 3RT
<b>Bankers</b>	Bank of Scotland plc 55 Temple Row Birmingham B2 5LS
<b>Solicitors</b>	Taylor Wessing 50 Victoria Embankment Blackfriars London EC4Y 0DX

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# DOCUMEDIA SOLUTIONS (UK) LIMITED

## CONTENTS

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	Page
Directors' report	1 - 2
Independent auditors' report	3 - 4
Profit and loss account	5
Balance sheet	6
Notes to the financial statements	7 - 14

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# DOCUMEDIA SOLUTIONS (UK) LIMITED

## DIRECTORS' REPORT

for the period ended 28 February 2003

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The directors present their report and financial statements for the period ended 28 February 2003.

### Principal activities and review of the business

The principal activity of the company is that of digital printing and and the provision of print services.

The company was incorporated on 16 November 2001 as Law 2358 Limited. On 22 November 2001, the company changed its name to Documedia Solutions Limited and immediately acquired the trade and assets of a company known as Documedia Limited from receivership.

On 28 February 2002 the company acquired the trade and assets of Colourflow Limited which carries out similar activities.

On 2 August 2002 the company changed its name to Documedia Solutions (UK) Limited.

### Results and dividends

The results for the period are set out on page 5.

### Directors

The following directors have held office since 16 November 2001:

H H Maxwell

J W Tayler

### Directors' interests

The directors' interests in the shares of the company were as stated below:

	Ordinary shares of £ 1 each	
	28 February 2003	16 November 2001

H H Maxwell	-	-
J W Tayler	-	-

### Auditors

Hazlewoods were appointed auditors to the company and in accordance with section 385 of the Companies Act 1985, a resolution proposing that they be re-appointed will be put to the Annual General Meeting:

# DOCUMEDIA SOLUTIONS (UK) LIMITED

## DIRECTORS' REPORT (CONTINUED) for the period ended 28 February 2003

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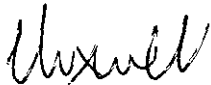
### Directors' responsibilities

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;
- 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.

On behalf of the board



H H Maxwell

Director

4 July 2003

# **DOCUMEDIA SOLUTIONS (UK) LIMITED**

## **INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF DOCUMEDIA SOLUTIONS (UK) LIMITED**

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We have audited the financial statements of Documedia Solutions (UK) Limited on pages 5 to 14 for the period ended 28 February 2003. These financial statements have been prepared under the historical cost convention and the accounting policies set out herein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

As described in the statement of directors' responsibilities on page 2 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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.

### **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.

# DOCUMEDIA SOLUTIONS (UK) LIMITED

## INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE SHAREHOLDERS OF DOCUMEDIA SOLUTIONS (UK) LIMITED

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### Qualified opinion arising from disagreement about accounting treatment

Included in provisions for liabilities and charges is an amount of £226,000 in respect of redundancy payments made to employees in March 2003. The directors have included the provision on the basis that the board passed a resolution on 27 February 2003 approving these costs. In our opinion no provision should have been made against this costs as the company did not have an actual or constructive obligation to make these payments at 28 February 2003. The loss before tax should be reduced by the same amount.

Except for the inclusion of the provision for redundancy payments referred to above, in our opinion the financial statements give a true and fair view of the state of the company's affairs at 28 February 2003 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Hazlewoods

4 July 2003

Chartered Accountants  
Registered Auditor

Windsor House  
Barnett Way  
Barnwood  
Gloucester  
GL4 3RT

# **DOCUMEDIA SOLUTIONS (UK) LIMITED**

## **PROFIT AND LOSS ACCOUNT** **for the period ended 28 February 2003**

	Notes	Period ended 28 February 2003 £
Turnover	2	10,257,423
Cost of sales		(6,997,095)
<b>Gross profit</b>		<b>3,260,328</b>
Administrative expenses - normal		(4,554,877)
Administrative expenses - exceptional	3	(762,835)
Other operating income		6,474
<b>Operating loss</b>	4	<b>(2,050,910)</b>
Reorganisation and business integration expenses		(398,616)
<b>Loss on ordinary activities before interest</b>		<b>(2,449,526)</b>
Other interest receivable and similar income		7,352
Interest payable and similar charges	5	(806)
<b>Loss on ordinary activities before taxation</b>		<b>(2,442,980)</b>
Tax on loss on ordinary activities	6	-
<b>Loss on ordinary activities after taxation</b>	16	<b>(2,442,980)</b>

The results above relate entirely to operations acquired during the period.

There are no recognised gains and losses other than those passing through the profit and loss account.

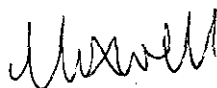


# DOCUMEDIA SOLUTIONS (UK) LIMITED

## BALANCE SHEET as at 28 February 2003

	Notes	2003 £	£
<b>Fixed assets</b>			
Tangible assets	8		1,503,631
<b>Current assets</b>			
Stocks	9	301,064	
Debtors	10	1,465,202	
Cash at bank and in hand		581	
		<u>1,766,847</u>	
<b>Creditors: amounts falling due within one year</b>	11	<u>(4,037,458)</u>	
<b>Net current liabilities</b>			<u>(2,270,611)</u>
<b>Total assets less current liabilities</b>			<u>(766,980)</u>
<b>Creditors: amounts falling due after more than one year</b>	12		(1,200,000)
<b>Provisions for liabilities and charges</b>	13		<u>(226,000)</u>
			<u>(2,192,980)</u>
<b>Capital and reserves</b>			
Called up share capital	15		250,000
Profit and loss account	16		<u>(2,442,980)</u>
<b>Shareholders' funds - equity interests</b>	17		<u>(2,192,980)</u>

The financial statements were approved by the Board on 4 July 2003



H H Maxwell  
Director

# DOCUMEDIA SOLUTIONS (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS for the period ended 28 February 2003

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### 1 Accounting policies

#### 1.1 Accounting convention

The financial statements have been prepared under the historical cost convention, adopting the following principal accounting policies all of which are in accordance with applicable Accounting Standards.

#### 1.2 Turnover

Turnover represents the amounts excluding value added tax receivable during the year for goods and services supplied.

#### 1.3 Goodwill

Goodwill is the difference between the cost of an acquired entity and the aggregate of the fair value of the entity's identifiable assets and liabilities.

Positive goodwill is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its estimated economic life of five years.

Goodwill is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

#### 1.4 Tangible fixed assets and depreciation

Depreciation is calculated to write off the cost less estimated residual value of tangible assets over their estimated useful lives at the following rates:

Land and buildings Freehold	50 years on building element, nil on land
Plant and machinery	Over 2 years on cost
Fixtures, fittings & equipment	Over 3 years on cost

#### 1.5 Leasing

Assets acquired under hire purchase and finance leases are recorded in the balance sheet as tangible fixed assets at their equivalent capital value. The corresponding liability is included under creditors due within or after one year. The interest element is charged to profit and loss account and represents a constant proportion of the balance of capital repayments outstanding.

The cost of and income from operating leases is respectively charged and credited to the profit and loss account on a straight line basis over the lease term.

#### 1.6 Stock and work in progress

Stock and work in progress are valued at the lower of cost and net realisable value. Cost is represented by direct materials and labour together with attributable amounts of fixed and variable overheads incurred in bringing each product to its present location and condition. Net realisable value is estimated selling price less further costs to completion and disposal.

#### 1.7 Pensions

The company makes contributions to the personal pension plans of certain employees. Contributions are charged in the profit and loss account as they become payable.

# DOCUMEDIA SOLUTIONS (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

for the period ended 28 February 2003

### 1 Accounting policies

(continued)

#### 1.8 Deferred taxation

In accordance with Financial Reporting Standard ("FRS") 19 Deferred Tax, full provision is made for deferred tax arising from timing differences between the differing treatment of certain items for taxation and accounting purposes. The provision is calculated at the rates of taxation at which it is estimated the liability will arise and is not discounted. No provision is made in respect of timing differences arising from the sale or revaluation of fixed assets unless there is a commitment to the disposal of the assets at the balance sheet date. Deferred tax assets are recognised only to the extent that the directors consider there to be suitable taxable profits which the underlying timing differences can be deducted.

#### 1.9 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date, or if appropriate at the forward contract rate. Non-monetary assets denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the date of acquisition of the assets. Transactions denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction, or at the contracted rate if the transaction is covered by a forward exchange contract. All revaluation differences and realised foreign exchange differences are taken to the profit and loss account.

#### 1.10 Cash flow statement

The company has not presented a cash flow statement on the grounds that the company is a wholly owned subsidiary company and a group cash flow statement is included in the financial statements of the parent company. The company is therefore exempt from the requirements of Financial Reporting Standard Number 1.

### 2 Turnover

The total turnover of the company for the period has been derived from its principal activity wholly undertaken in the United Kingdom.

### 3 Administrative expenses

The exceptional administrative expenses are made up as follows :

£

Provision for impairment in the value of goodwill	326,835
Provision for impairment in the value of freehold land and buildings	210,000
Provision for redundancy costs	226,000
	<u>762,835</u>

### 4 Operating loss

2003

£

Operating loss is stated after charging:

Depreciation of tangible assets	553,809
Operating lease rentals	
- Plant and machinery	151,895
- Other assets	169,437
Auditors' remuneration	23,500

# DOCUMEDIA SOLUTIONS (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the period ended 28 February 2003

<b>5</b>	<b>Interest payable</b>	<b>2003</b>
		<b>£</b>
	On bank overdrafts	806
		<u>806</u>
<b>6</b>	<b>Taxation</b>	
	No taxation arises based on the loss for the period. The company has unutilised losses of approximately £997,965 available for offset against profits of future accounting periods; these have not been recognised as a deferred tax assets because the recognition criteria set out in FRS19 are not met.	
	<b>Factors affecting the tax charge for the period</b>	
	Loss on ordinary activities before taxation	(2,442,980)
		<u>(2,442,980)</u>
	Loss on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00 %	(732,894)
		<u>(732,894)</u>
	Effects of:	
	Non deductible expenses (including provision for goodwill impairment)	136,561
	Depreciation in excess of capital allowances	229,144
	Short term timing difference	67,800
	Tax losses carried forward for use in future periods	299,389
		<u>732,894</u>
		<u>732,894</u>
	<b>Current tax charge</b>	-
		<u>-</u>

# **DOCUMEDIA SOLUTIONS (UK) LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)** **for the period ended 28 February 2003**

### **7 Intangible fixed assets**

	<b>Goodwill £</b>
<b>Cost</b>	
At 16 November 2001	-
Additions	326,835
At 28 February 2003	<u>326,835</u>
<b>Amortisation</b>	
At 16 November 2001	-
Provision for impairment in value	326,835
At 28 February 2003	<u>326,835</u>
<b>Net book value</b>	
At 28 February 2003	<u><u>-</u></u>

On 22 November 2001 the company acquired the trade and assets of Documedia Limited ('Documedia') from receivership. On 28 February 2002 the company acquired the trade and assets of Colourflow Limited ('Colourflow'), a company which carries on the business of printing and print services.

Details of the assets acquired and consideration paid are shown below:

	<b>Colourflow £</b>	<b>Documedia £</b>	<b>Total £</b>
Tangible fixed assets	159,995	1,597,990	1,757,985
Stock	5,000	187,733	192,733
Debtors	45,000	47,738	92,738
Creditors and provisions	(291,008)	(278,461)	(569,469)
Fair value of (net liabilities)/assets acquired	<u>(81,013)</u>	<u>1,555,000</u>	<u>1,473,987</u>
Goodwill	326,835	-	326,835
	<u><u>245,822</u></u>	<u><u>1,555,000</u></u>	<u><u>1,800,822</u></u>
<b>Satisfied by:</b>			
Cash	200,000	1,555,000	1,755,000
Acquisition costs	45,822	-	45,822
	<u><u>245,822</u></u>	<u><u>1,555,000</u></u>	<u><u>1,800,822</u></u>

No adjustments were required to restate the book values of assets acquired to fair value.

# **DOCUMEDIA SOLUTIONS (UK) LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)** **for the period ended 28 February 2003**

### **8 Tangible fixed assets**

	Land and buildings Freehold	Plant and machinery	Fixtures, fittings & equipment	Total
	£	£	£	£
<b>Cost</b>				
At 16 November 2001	-	-	-	-
Additions	1,256,027	947,105	64,308	2,267,440
	<u>1,256,027</u>	<u>947,105</u>	<u>64,308</u>	<u>2,267,440</u>
At 28 February 2003	1,256,027	947,105	64,308	2,267,440
	<u>1,256,027</u>	<u>947,105</u>	<u>64,308</u>	<u>2,267,440</u>
<b>Depreciation</b>				
At 16 November 2001	-	-	-	-
Provision for impairment in value	210,000	-	-	210,000
Charge for the period	21,580	509,723	22,506	553,809
	<u>231,580</u>	<u>509,723</u>	<u>22,506</u>	<u>763,809</u>
At 28 February 2003	231,580	509,723	22,506	763,809
	<u>231,580</u>	<u>509,723</u>	<u>22,506</u>	<u>763,809</u>
<b>Net book value</b>				
At 28 February 2003	1,024,447	437,382	41,802	1,503,631
	<u>1,024,447</u>	<u>437,382</u>	<u>41,802</u>	<u>1,503,631</u>

### **9 Stocks and work in progress**

**2003**  
**£**

Raw materials and consumables	157,516
Work in progress	143,548
	<u>301,064</u>

### **10 Debtors**

**2003**  
**£**

Trade debtors	1,274,618
Amounts owed by parent and fellow subsidiary undertakings	34,026
Other debtors	50,125
Prepayments and accrued income	106,433
	<u>1,465,202</u>

# DOCUMEDIA SOLUTIONS (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the period ended 28 February 2003

11 Creditors: amounts falling due within one year	2003 £
Bank overdrafts	318,089
Trade creditors	763,779
Amounts owed to parent and fellow subsidiary undertakings	2,416,826
Taxes and social security costs	152,067
Other creditors	55,149
Accruals and deferred income	331,548
	<u>4,037,458</u>

The company's bank overdraft is secured on certain freehold land and buildings owned by the company.

12 Creditors: amounts falling due after more than one year	2003 £
Other loans	<u>1,200,000</u>
<b>Analysis of loans</b>	
Wholly repayable within five years	<u>1,200,000</u>
<b>Loan maturity analysis</b>	
In more than two years but not more than five years	<u>1,200,000</u>

Creditors due in more than one year represent a loan of £1,200,000 from the company's ultimate parent company Documedia Solutions plc.

The loan is not interest bearing and is due for repayment at an unspecified date in not less than one but not more than five years.

13 Provisions for liabilities and charges	£
Profit and loss account	226,000
Balance at 28 February 2003	<u>226,000</u>

Included in provisions for liabilities and charges is an amount of £226,000 in respect of redundancy payments made to employees in March 2003. The directors have included the provision on the basis that the board passed a resolution on 27 February 2003 approving these costs.

# DOCUMEDIA SOLUTIONS (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the period ended 28 February 2003

### 14 Pension costs

#### Defined contribution

	2003 £
Contributions payable by the company for the period	47,673

### 15 Share capital

	2003 £
<b>Authorised</b>	
250,000 Ordinary shares of £ 1 each	250,000
<b>Allotted, called up and fully paid</b>	
250,000 Ordinary shares of £ 1 each	250,000

On 16 November 2001 the company issued 250,000 £1 ordinary shares at par to support the initial funding of the business.

### 16 Statement of movements on profit and loss account

	Profit and loss account £
Retained loss for the period	(2,442,980)

### 17 Reconciliation of movements in shareholders' funds

	2003 £
Loss for the financial period	(2,442,980)
Proceeds from issue of shares	250,000
Net depletion in shareholders' funds	(2,192,980)
Opening shareholders' funds	-
Closing shareholders' funds	(2,192,980)



# DOCUMEDIA SOLUTIONS (UK) LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the period ended 28 February 2003

### 18 Financial commitments

At 28 February 2003 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	Other
	2003	2003
	£	£
Expiry date:		
Within one year	-	5,952
Between two and five years	-	263,219
In over five years	110,900	-
	<u>110,900</u>	<u>269,171</u>

### 19 Employees

#### Number of employees

The average monthly number of employees (including directors) during the period was:

	2003 Number
Production	97
Sales	24
Administration	36
	<u>157</u>

#### Employment costs

	£
Wages and salaries	4,546,247
Social security costs	436,600
Other pension costs	47,673
	<u>5,030,520</u>

### 20 Control

The ultimate controlling party of the company is its parent company Documedia Solutions plc.

### 21 Related party transactions

During the period the company made sales of £19,655 and purchases of £9,733 with The Color Company Limited, a company in which J W Tayler, a director of the company, has a financial interest. At 28 February 2003 amounts due from and owing to The Color Company Limited were £1,951 and £9,173 respectively.