

Company Registration No. 04323657 (England and Wales)

DOCUMEDIA SOLUTIONS (UK) LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 28 FEBRUARY 2005



DOCUMEDIA SOLUTIONS (UK) LIMITED

COMPANY INFORMATION

Directors	H H Maxwell J W Tayler M P O'Connor (Appointed 30 September 2004)
Secretary	H H Maxwell
Company number	04323657
Registered office	Truscott House, 32-42 East Road London Great Britain N1 6AD
Auditors	Hazlewoods LLP Windsor House Barnett Way Barnwood Gloucester GL4 3RT
Bankers	Bank of Scotland plc 55 Temple Row Birmingham B2 5LS
Solicitors	Taylor Wessing 50 Victoria Embankment Blackfriars London EC4Y 0DX

DOCUMEDIA SOLUTIONS (UK) LIMITED

CONTENTS

	Page
Directors' report	1 - 2
Independent auditors' report	3 - 4
Profit and loss account	5
Balance sheet	6
Notes to the financial statements	7 - 16

DOCUMEDIA SOLUTIONS (UK) LIMITED

DIRECTORS' REPORT

for the year ended 28 February 2005

The directors present their report and financial statements for the year ended 28 February 2005.

Principal activities and review of the business

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

This is the Company's fifth year of trading and, after taking into account an exceptional profit, the Company recorded its *first profitable year overall. The business has now become smaller and more focussed. It is in a position to expand profitably in its core competence. It is highly thought of and, with increasing take off of its software and supporting structure, all in the business view the future with much confidence.*

Results and dividends

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

Directors

The following directors have held office since 1 March 2004:

H H Maxwell

J W Tayler

M P O'Connor

(Appointed 30 September 2004)

Directors' interests

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

	Ordinary shares of £ 1 each	
	28 February 2005	1 March 2004
H H Maxwell	-	-
J W Tayler	-	-
M P O'Connor	-	-

The directors hold no interests in the shares of this company. The directors' interests in the shares of the parent company, Documedia Solutions Plc, are disclosed in that company's financial statements.

The directors have been granted options over ordinary shares of 1p in Documedia Solutions Plc, the details of which are also disclosed in that company's financial statements.

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Hazlewoods LLP be reappointed as auditors of the company will be put to the Annual General Meeting.

DOCUMEDIA SOLUTIONS (UK) LIMITED

DIRECTORS' REPORT (CONTINUED) **for the year ended 28 February 2005**

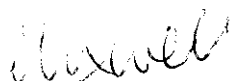
Directors' responsibilities

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;
- state whether applicable 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 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

16 May 2005

DOCUMEDIA SOLUTIONS (UK) LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF DOCUMEDIA SOLUTIONS (UK) LIMITED

We have audited the financial statements of Documedia Solutions (UK) Limited on pages 5 to 16 for the year ended 28 February 2005. 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

Qualified opinion arising from disagreement about accounting treatment in comparatives

Included in provisions for liabilities and charges at 28 February 2003 was an amount of £226,000 in respect of redundancy payments made to employees in March 2003. The directors 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 these costs as the company did not have an actual or constructive obligation to make these payments at 28 February 2003. The loss before tax for the year ended 29 February 2004 should therefore be increased by £226,000.

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 28 February 2005 and of its profit for the year then ended and, except for the adjustment required to the comparatives noted above, have been properly prepared in accordance with the Companies Act 1985.


Hazlewoods LLP

Chartered Accountants

Registered Auditor

16 May 2005

Windsor House
Barnett Way
Barnwood
Gloucester
GL4 3RT

DOCUMEDIA SOLUTIONS (UK) LIMITED

PROFIT AND LOSS ACCOUNT for the year ended 28 February 2005

	Notes	2005 £	2004 £
Turnover	2		
Continuing operations	5,317,201	4,640,991	
Discontinued activities	1,283,211	2,356,766	
		<u>6,600,412</u>	<u>6,997,757</u>
Cost of sales		(3,978,618)	(4,789,632)
Gross profit		<u>2,621,794</u>	<u>2,208,125</u>
Administrative expenses - normal		(2,651,018)	(3,015,531)
Administrative expenses - exceptional		(70,208)	(191,091)
Other operating income		-	2,990
		<u></u>	<u></u>
Operating loss	4		
Continuing operations	(98,533)	(903,688)	
Discontinued activities	(899)	(91,819)	
		<u>(99,432)</u>	<u>(995,507)</u>
Profit on disposal of trading division	167,663	-	
		<u>167,663</u>	<u>-</u>
Profit/(loss) on ordinary activities before interest		68,231	(995,507)
Interest payable and similar charges	5	(28,837)	(28,623)
		<u></u>	<u></u>
Profit/(loss) on ordinary activities before taxation		39,394	(1,024,130)
Tax on profit/(loss) on ordinary activities	6	-	-
		<u></u>	<u></u>
Profit/(loss) on ordinary activities after taxation	15	<u>39,394</u>	<u>(1,024,130)</u>


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 2005**

	Notes	2005 £	£	2004 £	£
Fixed assets					
Tangible assets	7		277,312		294,412
Current assets					
Stocks	8	81,873		277,148	
Debtors	9	1,091,055		1,610,479	
Cash at bank and in hand		52,915		33,251	
		<u>1,225,843</u>		<u>1,920,878</u>	
Creditors: amounts falling due within one year	10	<u>(1,002,143)</u>		<u>(1,832,400)</u>	
Net current assets			223,700		88,478
Total assets less current liabilities			<u>501,012</u>		<u>382,890</u>
Creditors: amounts falling due after more than one year	11		(3,634,728)		(3,600,000)
Provisions for liabilities and charges	12		<u>(44,000)</u>		-
			<u>(3,177,716)</u>		<u>(3,217,110)</u>
Capital and reserves					
Called up share capital	14	250,000		250,000	
Profit and loss account	15	(3,427,716)		(3,467,110)	
Shareholders' funds - equity interests	16	<u>(3,177,716)</u>		<u>(3,217,110)</u>	

The financial statements were approved by the Board on 16 May 2005


H H Maxwell
Director

DOCUMEDIA SOLUTIONS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 28 February 2005

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	Short leasehold	Over the term of the lease
Fixtures, fittings & equipment		Over 3-10 years on cost

1.5 Leasing and hire purchase commitments

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 year ended 28 February 2005

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 year has been derived from its principal activity wholly undertaken in the United Kingdom.

3 Cost of sales and net operating expenses

	2005			2004		
	Continuing	Discontinued	Total	Continuing	Discontinued	Total
	£	£	£	£	£	£
Cost of sales	3,221,496	757,122	3,978,618	3,342,879	1,446,753	4,789,632
Administrative expenses	2,194,238	526,988	2,721,226	2,204,790	1,001,832	3,206,622
Other operating income	-	-	-	(2,990)	-	(2,990)
	<u>5,415,734</u>	<u>1,284,110</u>	<u>6,699,844</u>	<u>5,544,679</u>	<u>2,448,585</u>	<u>7,993,264</u>

DOCUMEDIA SOLUTIONS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) **for the year ended 28 February 2005**

4	Operating loss	2005	2004
		£	£
	Operating loss is stated after charging:		
	Depreciation of tangible assets	213,508	334,959
	Loss on disposal of tangible assets	-	9,242
	Operating lease rentals		
	- Plant and machinery	50,404	210,824
	- Land and buildings	155,806	163,933
	Auditors' remuneration	10,500	10,500
	and after crediting:		
	Profit on disposal of tangible assets	(5,300)	-
		<u><u> </u></u>	<u><u> </u></u>

The exceptional administrative expenses of £70,208 (2004 : £191,091) represent redundancy costs.

5	Interest payable	2005	2004
		£	£
	On bank overdrafts	-	2,441
	Hire purchase interest	5,088	-
	Other interest	23,749	26,182
		<u><u> </u></u>	<u><u> </u></u>
		28,837	28,623
		<u><u> </u></u>	<u><u> </u></u>

DOCUMEDIA SOLUTIONS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) **for the year ended 28 February 2005**

6 Taxation

No taxation arises based on the loss for the period. The company has unutilised losses of approximately £2,209,000 available for offset against profits of future accounting periods; these have not been recognised as a deferred tax asset because the recognition criteria set out in FRS19 are not met.

	2005 £	2004 £
Factors affecting the tax charge for the year		
Profit/(loss) on ordinary activities before taxation	39,394	(1,024,130)
	<u> </u>	<u> </u>
Profit/(loss) on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00%	11,818	(307,239)
	<u> </u>	<u> </u>
Effects of:		
Non deductible expenses	10,370	27,407
Depreciation in excess of capital allowances	21,627	43,780
Short term timing difference	(3,300)	(67,800)
Tax losses surrendered for group relief purposes	5,924	24,567
Profit on sale offset against capital losses and capital allowance pool	(50,232)	-
Tax losses carried forward for use in future periods	3,793	279,285
	<u> </u>	<u> </u>
	(11,818)	307,239
	<u> </u>	<u> </u>
Current tax charge	-	-
	<u> </u>	<u> </u>

DOCUMEDIA SOLUTIONS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) **for the year ended 28 February 2005**

7 Tangible fixed assets

	Land and buildings Short leasehold £	Fixtures, fittings & equipment £	Total £
Cost			
At 1 March 2004	29,127	1,109,491	1,138,618
Additions	-	250,488	250,488
Disposals	-	(221,938)	(221,938)
At 28 February 2005	29,127	1,138,041	1,167,168
Depreciation			
At 1 March 2004	3,681	840,525	844,206
On disposals	-	(167,858)	(167,858)
Charge for the year	6,362	207,146	213,508
At 28 February 2005	10,043	879,813	889,856
Net book value			
At 28 February 2005	19,084	258,228	277,312
At 29 February 2004	25,446	268,966	294,412

Included above are assets held under finance leases or hire purchase contracts as follows:

	Fixtures, fittings & equipment £
Net book values	
At 28 February 2005	87,221
Depreciation charge for the year	
28 February 2005	19,325

8 Stocks and work in progress

	2005 £	2004 £
Raw materials and consumables	65,993	130,942
Work in progress	15,880	146,206
	81,873	277,148

DOCUMEDIA SOLUTIONS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) **for the year ended 28 February 2005**

9 Debtors	2005	2004
	£	£
Trade debtors	760,590	1,296,489
Other debtors	211,950	203,000
Prepayments and accrued income	118,515	110,990
	<u>1,091,055</u>	<u>1,610,479</u>
	<u><u>1,091,055</u></u>	<u><u>1,610,479</u></u>
10 Creditors: amounts falling due within one year	2005	2004
	£	£
Net obligations under hire purchase contracts	42,109	-
Trade creditors	364,194	707,400
Amounts owed to parent and fellow subsidiary undertakings	122,413	97,270
Taxes and social security costs	137,377	168,846
Other creditors	73,390	525,744
Accruals and deferred income	262,660	333,140
	<u>1,002,143</u>	<u>1,832,400</u>
	<u><u>1,002,143</u></u>	<u><u>1,832,400</u></u>

Included within other creditors is an amount of £Nil (2004 : £420,343) which is secured on the company's trade debtors.

DOCUMEDIA SOLUTIONS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) **for the year ended 28 February 2005**

11 Creditors: amounts falling due after more than one year	2005	2004
	£	£
Other loans	3,600,000	3,600,000
Net obligations under hire purchase contracts	34,728	-
	<u>3,634,728</u>	<u>3,600,000</u>
Analysis of loans		
Wholly repayable within five years	<u>3,600,000</u>	<u>3,600,000</u>
Loan maturity analysis		
In more than two years but not more than five years	<u>3,600,000</u>	<u>3,600,000</u>
Net obligations under hire purchase contracts		
Repayable within one year	42,109	-
Repayable between one and five years	34,728	-
	<u>76,837</u>	<u>-</u>
Included in liabilities falling due within one year	<u>(42,109)</u>	<u>-</u>
	<u>34,728</u>	<u>-</u>

Other loans due in more than one year represent a loan of £3,600,000 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.

12 Provisions for liabilities and charges

	Onerous lease provision
	£
Provided in the year	<u>44,000</u>

The above provision relates to a lease in the name of a fellow subsidiary that is now being paid by this company following the transfer of the trade of that company to Documedia Solutions (UK) Limited.

DOCUMEDIA SOLUTIONS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) **for the year ended 28 February 2005**

13 Pension costs

Defined contribution

	2005	2004
	£	£
Contributions payable by the company for the year	46,086	38,013

14 Share capital

	2005	2004
	£	£
Authorised		
250,000 Ordinary shares of £1 each	250,000	250,000
Allotted, called up and fully paid		
250,000 Ordinary shares of £1 each	250,000	250,000

15 Statement of movements on profit and loss account

	Profit and loss account
	£
Balance at 1 March 2004	(3,467,110)
Retained profit for the year	39,394
Balance at 28 February 2005	(3,427,716)

16 Reconciliation of movements in shareholders' funds

	2005	2004
	£	£
Profit/(Loss) for the financial year	39,394	(1,024,130)
Opening shareholders' funds	(3,217,110)	(2,192,980)
Closing shareholders' funds	(3,177,716)	(3,217,110)

DOCUMEDIA SOLUTIONS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) **for the year ended 28 February 2005**

17 Financial commitments

At 28 February 2005 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings			Other
	2005	2004	2005	2004
	£	£	£	£
Expiry date:				
Within one year	-	-	21,382	51,252
Between two and five years	39,000	39,000	17,586	79,128
In over five years	110,000	143,192	-	-
	<u>149,000</u>	<u>182,192</u>	<u>38,968</u>	<u>130,380</u>

18 Directors' emoluments

	2005	2004
	£	£
Emoluments for qualifying services	130,517	104,447
Company pension contributions to money purchase schemes	6,042	5,083
	<u>136,559</u>	<u>109,530</u>

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 1 (2004- 1).

DOCUMEDIA SOLUTIONS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) for the year ended 28 February 2005

19 Employees

Number of employees

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

	2005 Number	2004 Number
Production	59	72
Sales	22	21
Administration	18	29
	<u>99</u>	<u>122</u>

Employment costs

	£	£
Wages and salaries	2,505,602	2,983,871
Social security costs	254,420	313,010
Other pension costs	46,086	38,013
	<u>2,806,108</u>	<u>3,334,894</u>

20 Control

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

21 Related party transactions

The company has taken advantage of the exemption in Financial Reporting Standard Number 8 from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by the ultimate parent company.