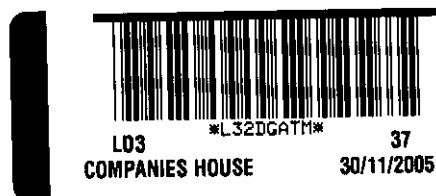


**IMAGE SOURCE GROUP LIMITED  
AND ITS SUBSIDIARIES**

**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31 DECEMBER 2004**

**Company Number: 4647322**



**WILDER COE  
CHARTERED ACCOUNTANTS  
233-237 OLD MARYLEBONE ROAD  
LONDON NW1 5QT**

# IMAGE SOURCE GROUP LIMITED AND ITS SUBSIDIARIES

## COMPANY INFORMATION

<b>Directors</b>	C.S.M Vaughan D. Grossart J.P. Cumberland M.J. Walker D.S. Noik
<b>Secretary</b>	C.S.M. Vaughan
<b>Company Number</b>	4647322
<b>Registered Office</b>	235 Old Marylebone Road London NW1 5QT
<b>Auditors</b>	Wilder Coe Chartered Accountants 233 - 237 Old Marylebone Road London NW1 5QT

# **IMAGE SOURCE GROUP LIMITED AND ITS SUBSIDIARIES**

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# IMAGE SOURCE GROUP LIMITED AND ITS SUBSIDIARIES

## DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2004

The directors present their report and the audited financial statements for the period ended 31 December 2004.

### Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period, which give a true and fair view of the state of the affairs of the company and the group, and the profit or loss of the group 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 the group, 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 the group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Principal activities, review of business and dividends

The group's principal activity during the year was that of the holding company of creation, production, supply and distribution companies specialising in high-end commercial visual content to business clients in the advertising, design, publishing and corporate sectors.

The directors note the performance of the group during the year

The results for the year are set out on Page 4.

The directors do not recommend that a dividend be paid.

### Directors and their interests

The directors of the company during the year, together with their beneficial interests in the share capital of the parent company, were as follows: -

		Number of shares	
Class of share		2004	2003
C.S.M Vaughan	Ordinary shares of 10p each	508,477	508,477
	Cumulative Participating Preference Shares of £1 each	-	-
D. Grossart	Ordinary shares of 10p each	490,636	490,636
	Cumulative Participating Preference Shares of £1 each	-	-
J.P. Cumberland	Ordinary shares of 10p each	-	-
	Cumulative Participating Preference Shares of £1 each	-	-
M.J. Walker	Ordinary shares of 10p each	-	-
	Cumulative Participating Preference Shares of £1 each	-	-
D.S. Noik (appointed 15/12/2004)	Ordinary shares of 10p each	-	-
	Cumulative Participating Preference Shares of £1 each	-	-

The directors had no interests in or contracts with the company during the year.

**IMAGE SOURCE GROUP LIMITED AND ITS SUBSIDIARIES**  
**DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2004**

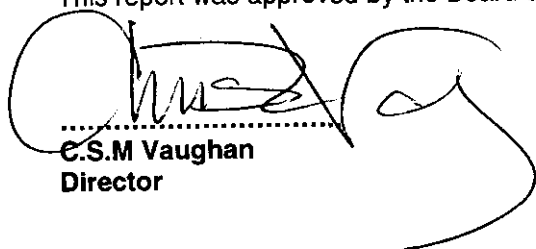
**Introduction of the Euro**

The directors have assessed the impact of the introduction of a single European currency and do not consider its effect upon the group to be material. Any related expenditure is charged to the profit and loss account as incurred.

**Auditors**

The auditors, Wilder Coe, will be proposed for reappointment in accordance with Section 385 of the Companies Act 1985.

This report was approved by the Board on .....<sup>24</sup>/06/05..... and signed on its behalf.



.....  
**C.S.M Vaughan**  
**Director**

**IMAGE SOURCE GROUP LIMITED AND ITS SUBSIDIARIES**  
**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF**  
**IMAGE SOURCE GROUP LIMITED**

We have audited the financial statements of Image Source Group Limited and its subsidiaries for the year ended 31 December 2004 which comprise the Consolidated Profit and Loss Account, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the 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 the group's directors are responsible for the preparation of 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 group has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the group is not disclosed.

We read the Directors' Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatement or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

**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 group's and 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.

**Opinion**

In our opinion, the financial statements give a true and fair view of the state of the affairs of the company and the group as at 31 December 2004 and of the group's profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



**Wilder Coe**  
Chartered Accountants and Registered Auditors  
233-237 Old Marylebone Road  
London  
NW1 5QT

21/11/05  
Date: .....

**IMAGE SOURCE GROUP LIMITED AND ITS SUBSIDIARIES**

**CONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2004**

	Notes	Year ended 31 December 2004 £	11 months to 31 December 2003 £
<b>TURNOVER</b>	<b>1,2</b>	<b>4,738,464</b>	<b>3,467,098</b>
Cost of sales		<b>(1,357,810)</b>	<b>(1,244,383)</b>
<b>GROSS PROFIT</b>		<b>3,380,654</b>	<b>2,222,715</b>
Administrative expenses		<b>(2,957,460)</b>	<b>(1,944,247)</b>
<b>OPERATING PROFIT</b>	<b>3</b>	<b>423,194</b>	<b>278,468</b>
Net interest payable	<b>4</b>	<b>(135,203)</b>	<b>(31,925)</b>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>287,991</b>	<b>246,543</b>
Taxation on profit on ordinary activities	<b>6</b>	<b>(14,072)</b>	<b>-</b>
<b>RETAINED PROFIT FOR THE YEAR</b>	<b>16</b>	<b>273,919</b>	<b>246,543</b>

Turnover and operating profit derive wholly from continuing operations.

The notes on pages 9 to 21 form part of these financial statements.

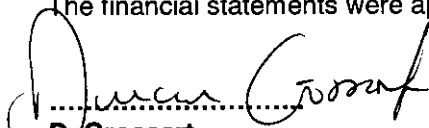
As permitted by Section 230 of the Companies Act the parent company's profit and loss account has not been included in these financial statements. See Note 9.

**IMAGE SOURCE GROUP LIMITED AND ITS SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEET  
AS AT 31 DECEMBER 2004**

		2004		2003	
	Notes	£	£	£	£
<b>FIXED ASSETS</b>					
Intangible fixed assets	8		392,836		413,493
Tangible fixed assets	9		164,074		93,243
			<u>556,910</u>		<u>506,736</u>
 <b>CURRENT ASSETS</b>					
Stocks	12	795,015		493,066	
Debtors	13	1,098,397		1,049,700	
Cash at bank and in hand		211,815		186,207	
		<u>2,105,227</u>		<u>1,728,973</u>	
<b>CREDITORS:</b> Amounts falling due within one year	14				
		<u>(1,003,133)</u>		<u>(889,166)</u>	
<b>NET CURRENT ASSETS</b>			<u>1,102,094</u>		<u>839,807</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>1,659,004</u>		<u>1,346,543</u>
 <b>CREDITORS:</b> Amounts falling due after more than one year	15		733,542		695,000
 <b>CAPITAL AND RESERVES</b>					
Called up share capital – all equity	19		183,413		183,413
Share premium	17		221,587		221,587
Profit and loss account	16		520,462		246,543
			<u>1,659,004</u>		<u>1,346,543</u>

The financial statements were approved by the Board ..... <sup>24/06/05</sup> ..... and signed on its behalf by

  
D. Grossart  
Director

The notes on pages 9 to 22 form part of these financial statements.



**IMAGE SOURCE GROUP LIMITED AND ITS SUBSIDIARIES**

**COMPANY BALANCE SHEET  
AS AT 31 DECEMBER 2004**

		2004		2003	
	Notes	£	£	£	£
<b>FIXED ASSETS</b>					
Tangible fixed assets	10		-		-
Investments	11		1,336		1,336
			<u>1,336</u>		<u>1,336</u>
<b>CURRENT ASSETS</b>					
Stocks	12		-		-
Debtors	13	725,926		768,938	
Cash at bank and in hand		12,350		124,570	
		<u>738,276</u>		<u>893,508</u>	
<b>CREDITORS:</b> Amounts falling due within one year	14	(50,042)		(26,256)	
<b>NET CURRENT ASSETS</b>			<u>688,234</u>		<u>867,252</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>689,570</u>		<u>868,588</u>
 <b>CREDITORS:</b> Amounts falling due after more than one year	15		733,542		695,000
<b>CAPITAL AND RESERVES</b>					
Called up share capital - all equity	19		183,413		183,413
Share Premium			221,587		221,587
Profit and loss account	16		(448,972)		(231,412)
			<u>689,570</u>		<u>868,588</u>

The financial statements were approved by the Board on 24/06/05 and signed on its behalf by

  
**D. Grossart**  
Director

The notes on pages 9 to 22 form part of these financial statements.

**IMAGE SOURCE GROUP LIMITED AND ITS SUBSIDIARIES**

**CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2004**

	Year ended 31 December 2004 £	11 months to 31 December 2003 £
<b>Operating Activities</b>		
Net cash inflow from continuing operating activities (Page 8)	293,918	(350,235)
<b>Return on investments and servicing of finance</b>		
Interest paid	(135,203)	(33,805)
<b>Taxation</b>		
Tax paid	-	-
<b>Capital expenditure and financial investment</b>		
Purchase of tangible fixed assets	(133,107)	(116,260)
<b>Cash inflow before management of liquid resources and financing</b>	<u>25,608</u>	<u>(500,300)</u>
<b>Acquisitions and disposals</b>		
Purchase of subsidiary undertakings	-	(413,493)
<b>Financing</b>		
Issue of new share capital	-	405,000
New loans	<u>-</u>	<u>695,000</u>
	-	1,100,000
<b>Increase in cash in the year</b>	<u><u>25,608</u></u>	<u><u>186,207</u></u>

The notes on pages 9 to 21 form part of these financial statements.

**IMAGE SOURCE GROUP LIMITED AND ITS SUBSIDIARIES**

**CONSOLIDATED CASH FLOW STATEMENT INFORMATION  
FOR THE YEAR ENDED 31 DECEMBER 2004**

**RECONCILIATION OF OPERATING PROFIT TO NET CASH  
INFLOW FROM OPERATING ACTIVITIES**

	Notes	Year ended 31 December 2004 £	11 months to 31 December 2003 £
Operating profit		423,194	280,348
Depreciation and amortisation charges		82,933	23,017
Increase in stocks		(301,949)	(493,066)
Increase in debtors		(48,697)	(1,049,700)
Increase in creditors		138,437	889,166
<b>Net cash flow from operating activities</b>		<b>293,918</b>	<b>(350,235)</b>

**RECONCILIATION OF NET CASH FLOW TO  
MOVEMENT IN NET DEBT**

	£	£
(Increase) in cash in the year	(25,608)	(186,207)
New loans	-	695,000
Movement in net debt in the year	<b>(25,608)</b>	<b>508,793</b>
Net debt at 1 January 2004	<b>508,793</b>	-
Net debt at 31 December 2004	<b>483,185</b>	<b>508,793</b>

The notes on pages 9 to 21 form part of these financial statements

# IMAGE SOURCE GROUP LIMITED AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

### 1. ACCOUNTING POLICIES

#### 1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards and include the results of the group's operations which are described in the Directors' Report, all of which are continuing.

#### 1.2 Basis of consolidation

The group financial statements consolidate the financial statements of Image Source Group Limited and its subsidiaries. Goodwill arising on consolidation is capitalised and amortised over its estimated useful life, subject to periodic reviews for impairment of value in accordance with Financial Reporting Standard Number 10.

#### 1.3 Foreign exchange

Monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

#### 1.4 Turnover

Turnover comprises the invoiced value of goods and services supplied by the group exclusive of Value Added Tax, trade discounts or any other applicable taxes.

#### 1.5 Intangible fixed assets and amortisation

Goodwill is the difference between amounts paid on the acquisition of a business and the fair value of the identifiable assets and liabilities. It is amortised to the profit and loss account on a straight line basis over its estimated economic life of twenty years.

#### 1.6 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful life, using the following bases: -

Plant and machinery	25% - 33% Straight line
Motor vehicles	20% Straight line

#### 1.7 Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value. Costs include non-recurrent design and photography costs. Once the compact discs have been released for sale these costs are amortised over five years.

#### 1.8 Deferred taxation

Provision is made in full for all taxation deferred in respect of timing differences that have originated but not reversed by the balance sheet, except for gains on disposal of fixed assets that will be rolled over into replacement assets and earnings of overseas subsidiaries that are not intended to be remitted to the UK.

Deferred tax assets are recognised to the extent that it is more likely than not that they will be recovered.

# IMAGE SOURCE GROUP LIMITED AND ITS SUBSIDIARIES

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004

### 1. ACCOUNTING POLICIES (continued)

#### 1.9 Operating leases

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

#### 1.10 Investments

In the parent company accounts, shares in subsidiary undertakings are stated at cost less any provision for permanent diminution in value.

#### 1.12 General

Except where shown otherwise, all disclosures in the notes to the financial statements relate to the group, as opposed to the parent company.

### 2. TURNOVER

The turnover and pre-tax profit is entirely attributable to the group's principal activity as noted in the Directors' Report.

Turnover has not been disclosed by geographical market as the directors consider that it would be seriously prejudicial to the group's interest.

### 3. OPERATING PROFIT

	Year ended 31 December 2004 £	11 months to 31 December 2003 £
<b>The operating profit is stated after charging:</b>		
Depreciation and amortisation		
- owned by the group	62,276	23,017
- of goodwill	20,657	-
Auditors' remuneration	10,750	12,000
Operating lease rentals		
- other operating leases	131,481	73,372

**IMAGE SOURCE GROUP LIMITED AND ITS SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2004**

**4. NET INTEREST PAYABLE**

	<b>Year ended 31 December 2004 £</b>	<b>11 months to 31 December 2003 £</b>
<b>Interest Payable</b>		
On bank loans and overdrafts and on loans repayable in full within five years	137,390	35,594
	<u>137,390</u>	<u>35,594</u>
 <b>Interest Receivable</b>		
Bank interest	2,187	3,669
	<u>2,187</u>	<u>3,669</u>
 <b>Net interest payable in year</b>	 135,203	 31,925
	<u>135,203</u>	<u>31,925</u>

**IMAGE SOURCE GROUP LIMITED AND ITS SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2004**

**5. DIRECTORS AND EMPLOYEES**

	<b>Year ended 31 December 2004 £</b>	<b>11 months to 31 December 2003 £</b>
<b>Staff costs including directors:-</b>		
Wages and salaries	1,338,340	883,432
Social security costs	120,665	90,756
Other pension costs	11,304	2,500
	<u>1,470,309</u>	<u>976,688</u>

The average monthly number of employees, including directors, during the period was made up as follows:

Directors	<b>2</b>	<b>2</b>
Sales and Administration	<b>31</b>	<b>23</b>
	<u>33</u>	<u>25</u>

<b>Directors' emoluments:-</b>	<b>£</b>	<b>£</b>
Aggregate emoluments	205,033	168,739
Contributions to money purchase pension schemes	11,304	2,500
Total emoluments	<u>216,337</u>	<u>171,239</u>

Included in the above are the following emoluments, including pensions, paid to the highest paid director:	<b>£</b>	<b>£</b>
	108,517	83,194

During the year retirement benefits were accruing to directors in respect of money purchase pension schemes.

**IMAGE SOURCE GROUP LIMITED AND ITS SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2004**

**6. TAXATION**

	Year ended 31 December 2004 £	11 months to 31 December 2003 £
UK Corporation tax on profits of the year	14,072	-
	<hr/> 14,072 <hr/>	<hr/> - <hr/>
	£	£
Profit on ordinary activities before tax	287,991	246,543
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	86,397	73,963
	<hr/>	<hr/>
<b>Effects of:</b>		
Expenses not deductible for tax purposes	1,784	7,891
Depreciation for the period in excess of capital allowances	(2,986)	7,665
Different rate taxes on overseas earnings	(7,279)	-
Utilisation of tax losses	(56,478)	(89,519)
Other tax adjustments	(7,366)	-
	<hr/>	<hr/>
<b>Current tax charge for the year</b>	14,072	-
	<hr/>	<hr/>

There were no factors that may affect future tax charges.



**IMAGE SOURCE GROUP LIMITED AND ITS SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2004**

**7. LOSS ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY**

The loss after tax and dividends attributable to members of the parent company for the period was £217,560 (2003: £231,412)

The group financial statements do not include a separate profit and loss account for the parent undertaking as permitted by section 230 of the Companies Act 1985.

**8. INTANGIBLE FIXED ASSETS - GROUP**

<b>COST</b>	<b>£</b>
At 1 January 2004	<b>413,493</b>
Additions	-
	<hr/>
At 31 December 2004	<b>413,493</b>
	<hr/>
<b>AMORTISATION</b>	
At 1 January 2004	-
Charge for the year	<b>20,657</b>
	<hr/>
At 31 December 2004	<b>20,657</b>
	<hr/>
<b>NET BOOK VALUE</b>	
At 31 December 2004	<b>392,836</b>
	<hr/>

**IMAGE SOURCE GROUP LIMITED AND ITS SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2004**

**9. TANGIBLE FIXED ASSETS - GROUP**

	<b>Plant and Machinery</b>	<b>Motor vehicles</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>COST</b>			
At 1 January 2004	101,594	14,666	116,260
Additions	133,107	-	133,107
	<hr/>	<hr/>	<hr/>
At 31 December 2004	234,701	14,666	249,367
	<hr/>	<hr/>	<hr/>
<b>DEPRECIATION</b>			
At 1 January 2004	21,017	2,000	23,017
Charge for the year	59,345	2,931	62,276
	<hr/>	<hr/>	<hr/>
At 31 December 2004	80,362	4,931	85,293
	<hr/>	<hr/>	<hr/>
<b>NET BOOK VALUE</b>			
At 31 December 2004	154,339	9,735	164,074
	<hr/>	<hr/>	<hr/>
At 31 December 2003	80,577	12,666	93,243
	<hr/>	<hr/>	<hr/>

**10. TANGIBLE FIXED ASSETS - COMPANY**

The company has no tangible fixed assets

# **IMAGE SOURCE GROUP LIMITED AND ITS SUBSIDIARIES**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004**

### **11. INVESTMENTS – COMPANY**

<b>COST</b>	<b>At 31 December 2003 and 2004 £</b>
<b>Group Undertakings</b>	<b><u>1,336</u></b>

The company has the following active subsidiary undertakings held directly or indirectly :

<b>NAME OF SUBSIDIARY</b>	<b>EQUITY INTEREST HELD</b>	<b>COUNTRY OF INCORPORATION</b>	<b>NATURE OF BUSINESS</b>
Image Source Limited	100%	UK	} Creation, production, supply and distribution of high-end commercial visual content.
The Picture Book Limited	100%	UK	
Image Source AG	100%	Germany	

### **12. STOCKS**

	<b>Group</b>		<b>Company</b>	
	<b>2004 £</b>	<b>2003 £</b>	<b>2004 £</b>	<b>2003 £</b>
Work in progress	<b>635,220</b>	358,441	-	-
Finished goods	<b>159,795</b>	134,625	-	-
	<hr/> <b>795,015</b> <hr/>	<hr/> 493,066 <hr/>	<hr/> - <hr/>	<hr/> - <hr/>

**IMAGE SOURCE GROUP LIMITED AND ITS SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2004**

**13. DEBTORS**

	<b>Group</b>		<b>Company</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Due within one year</b>				
Trade debtors	709,297	711,143	-	-
Other debtors	21,781	26,855	940	438
Prepayments and accrued income	367,319	311,702	-	-
<b>Due in more than one year</b>				
Amounts due from subsidiary undertakings	-	-	724,986	768,500
	<u>1,098,397</u>	<u>1,049,700</u>	<u>725,926</u>	<u>768,938</u>

**14. CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>Group</b>		<b>Company</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Bank loans and overdrafts (secured – see below)	207,063	92,905	-	-
Trade creditors	343,649	509,688	34,292	25,006
Amounts owed to group undertakings	-	-	-	-
Corporation tax	14,072	-	-	-
Tax and social security costs	66,496	136,078	-	-
Accruals and deferred income	371,853	150,495	15,750	1,250
	<u>1,003,133</u>	<u>889,166</u>	<u>50,042</u>	<u>26,256</u>

The company is party to an unlimited cross guarantee between itself, The Picture Book Limited and Image Source Limited in respect of their bank loans and overdrafts.

**IMAGE SOURCE GROUP LIMITED AND ITS SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2004**

**15. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	<b>Group</b>		<b>Company</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Other creditors	<b>733,542</b>	695,000	<b>733,542</b>	695,000
	<hr/> <b>733,542</b> <hr/>	<hr/> 695,000 <hr/>	<hr/> <b>733,542</b> <hr/>	<hr/> 695,000 <hr/>

Included within the above are amounts falling due as follows:

	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
<b>In 2-5 years</b>		
Other creditors	<b>733,542</b>	-
	<hr/>	<hr/>
<b>Over 5 years</b>		
Other creditors	-	695,000
	<hr/>	<hr/>
<b>Creditors include amounts not wholly repayable within 5 years as follows:</b>		
Repayable not by instalments	-	695,000
	<hr/>	<hr/>

**IMAGE SOURCE GROUP LIMITED AND ITS SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2004**

**16. PROFIT AND LOSS ACCOUNT**

	<b>Group £</b>	<b>Company £</b>
Retained profit/(loss) as at 1 January 2004	246,543	(231,412)
Profit/(loss) for the financial period	273,919	(217,560)
Retained profits at 31 December 2004	<u>520,462</u>	<u>(448,972)</u>

**17. SHARE PREMIUM**

	<b>Group £</b>
At 31 December 2003 and 31 December 2004	<u>221,587</u>

**18. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	<b>2004 £</b>	<b>2003 £</b>
Profit for the financial period	273,919	246,543
Shares issued	-	183,413
Share Premium created in the period	-	221,587
<b>Net additions to shareholders' funds</b>	<u>273,919</u>	<u>651,543</u>
<b>Opening shareholders' funds</b>	<u>651,543</u>	<u>-</u>
<b>Closing shareholders' funds</b>	<u>925,462</u>	<u>651,543</u>

**IMAGE SOURCE GROUP LIMITED AND ITS SUBSIDIARIES**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2004**

**19. SHARE CAPITAL**

	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
<b>Authorised</b>		
1,982,370 Ordinary shares of 10p each	<b>198,237</b>	198,237
5,000 Cumulative Participating Preference shares of £1 each	<b>5,000</b>	5,000
	<b>203,237</b>	203,237
	<hr/>	<hr/>
<b>Allotted, called up &amp; fully paid for</b>		
1,784,130 Ordinary shares of 10p each	<b>178,413</b>	178,413
5,000 Cumulative Participating Preference shares of £1 each	<b>5,000</b>	5,000
	<b>183,413</b>	183,413
	<hr/>	<hr/>

**20. ANALYSIS OF NET DEBT**

	<b>At 1 January 2004</b>	<b>Cash Flow</b>	<b>At 31 December 2004</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>CASH AT BANK AND IN HAND:</b>			
Cash in hand	186,207	25,608	211,815
<b>DEBT:</b>			
Debt due > one year	(695,000)	-	(695,000)
<b>Net debt</b>	<hr/> (508,793) <hr/>	<hr/> 25,608 <hr/>	<hr/> (483,185) <hr/>

# **IMAGE SOURCE GROUP LIMITED AND ITS SUBSIDIARIES**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2004**

### **21. REVENUE COMMITMENTS**

The amounts payable in the coming year in respect of operating leases are shown below, analysed according to the expiry date of the leases.

	<b>Group</b>		<b>Company</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Expiry Date:</b>				
<b>Land and Buildings</b>				
Within one year	106,304	-	-	-
Between one and two years	-	108,816	-	-
<b>Other</b>				
Within one year	2,532	-	-	-
Between one and two years	1,490	10,236	-	-

### **22. RELATED PARTY TRANSACTIONS**

Included within debtors due after more than one year at the period end is an amount of £724,986 (2003: £768,500) due from Image Source Limited, a wholly owned subsidiary. No interest has been charged on this balance. The maximum amount outstanding during the period was £768,500.

### **24. ULTIMATE CONTROLLING PARTY**

There was no single ultimate controlling party at 31 December 2004 or 31 December 2003.