

IMAGE SOURCE GROUP LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2010

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COMPANIES HOUSE

IMAGE SOURCE GROUP LIMITED

COMPANY INFORMATION

DIRECTORS

C S M Vaughan
M J Walker
J P Cumberland
M L Blackwell

COMPANY SECRETARY

C S M Vaughan

COMPANY NUMBER

04647322

REGISTERED OFFICE

235 Old Marylebone Road
London
NW1 5QT

AUDITORS

Wilder Coe LLP
Chartered Accountants
233-237 Old Marylebone Road
London
NW1 5QT

IMAGE SOURCE GROUP LIMITED

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IMAGE SOURCE GROUP LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2010

The directors present their report and the audited financial statements for the year ended 31 December 2010

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

PROVISION OF INFORMATION TO AUDITORS

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that

- so far as that director is aware, there is no relevant audit information of which the company and the group's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company and the group's auditors in connection with preparing their report and to establish that the company and the group's auditors are aware of that information

PRINCIPAL ACTIVITY

The group's principal activities during the year were that of the creation, production, supply and distribution of high end commercial visual content to business clients in advertising, design, publishing and corporate sectors.

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £54,238 (2009 - profit £158,370)

The directors note the performance of the company during the year. Their aim is to improve this level of performance in the coming year.

The principal risks faced by the company are those of general market and economic risks in common with other businesses in the current economic climate.

The directors aim to manage these risks in order to maintain and improve on the current level of performance.

The directors do not recommend the payment of a dividend.

IMAGE SOURCE GROUP LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2010**

DIRECTORS

The directors who served during the year were

C S M Vaughan
C Sanderson (resigned 21 February 2011)
M J Walker
J P Cumberland (appointed 13 August 2010)

AUDITORS

Wilder Coe transferred their business to a new limited liability partnership called Wilder Coe LLP with effect from 1 September 2010. As part of this restructuring arrangement, Wilder Coe resigned as auditors and, in accordance with the Companies Act 2006, Wilder Coe LLP were subsequently appointed as auditors with effect from 1 September 2010.

The auditors, Wilder Coe LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on **18TH JULY 2011** and signed on its behalf

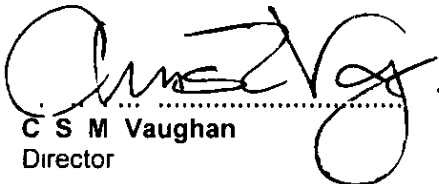

C S M Vaughan
Director

IMAGE SOURCE GROUP LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF IMAGE SOURCE GROUP LIMITED

We have audited the financial statements of Image Source Group Limited for the year ended 31 December 2010, set out on pages 5 to 20. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 DIRECTORS AND AUDITORS

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2010 and of the group's loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

IMAGE SOURCE GROUP LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF IMAGE SOURCE GROUP LIMITED

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Bee Chew MSc BA (Hons) ACA (Senior Statutory Auditor)
for and on behalf of

Wilder Coe LLP

Wilder Coe LLP
Chartered Accountants & Statutory Auditors
233-237 Old Marylebone Road
London
NW1 5QT
Date 19 July 2011

IMAGE SOURCE GROUP LIMITED

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2010**

	Note	2010 £	2009 £
TURNOVER	1,2	6,053,467	7,174,949
Cost of sales		<u>(1,750,764)</u>	<u>(2,023,382)</u>
GROSS PROFIT		4,302,703	5,151,567
Administrative expenses		<u>(4,156,975)</u>	<u>(4,764,608)</u>
OPERATING PROFIT	3	145,728	386,959
Interest payable and similar charges	6	<u>(106,034)</u>	<u>(152,184)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		39,694	234,775
Tax on profit on ordinary activities	7	<u>(93,932)</u>	<u>(76,405)</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		(54,238)	158,370
RETAINED PROFIT BROUGHT FORWARD		<u>2,200,799</u>	<u>2,042,429</u>
RETAINED PROFIT CARRIED FORWARD		<u>2,146,561</u>	<u>2,200,799</u>

All amounts relate to continuing operations

There were no recognised gains and losses for 2010 or 2009 other than those included in the Profit and Loss Account

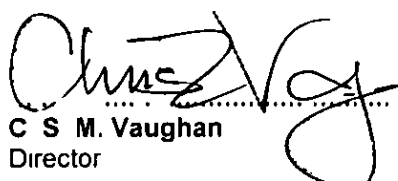
The notes on pages 9 to 20 form part of these financial statements

IMAGE SOURCE GROUP LIMITED
REGISTERED NUMBER 04647322

CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2010

	Note	2010 £	2009 £
FIXED ASSETS			
Intangible assets	8	265,657	284,743
Tangible assets	9	666,157	601,922
		<u>931,814</u>	<u>886,665</u>
CURRENT ASSETS			
Stocks	11	1,142,588	1,373,230
Debtors	12	1,352,326	1,353,295
Cash at bank and in hand		778,973	1,108,985
		<u>3,273,887</u>	<u>3,835,510</u>
CREDITORS amounts falling due within one year	13	<u>(1,462,460)</u>	<u>(1,541,368)</u>
NET CURRENT ASSETS		<u>1,811,427</u>	<u>2,294,142</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,743,241</u>	<u>3,180,807</u>
CREDITORS , amounts falling due after more than one year	14	<u>(196,680)</u>	<u>(580,008)</u>
NET ASSETS		<u><u>2,546,561</u></u>	<u><u>2,600,799</u></u>
CAPITAL AND RESERVES			
Called up share capital	16	178,413	178,413
Share premium account	17	221,587	221,587
Profit and loss account		2,146,561	2,200,799
EQUITY SHAREHOLDERS' FUNDS	18	<u><u>2,546,561</u></u>	<u><u>2,600,799</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
18TH JULY 2011


C S M. Vaughan
Director

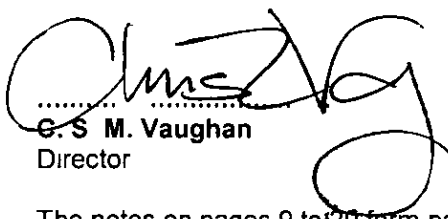
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IMAGE SOURCE GROUP LIMITED
REGISTERED NUMBER. 04647322

COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2010

	Note	2010 £	2009 £
FIXED ASSETS			
Investments	10	1,386	1,386
CURRENT ASSETS			
Debtors	12	427,814	810,528
Cash at bank		37,749	37,707
		<u>465,563</u>	<u>848,235</u>
CREDITORS amounts falling due within one year	13	<u>(590,762)</u>	<u>(561,479)</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(125,199)</u>	<u>286,756</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(123,813)</u>	<u>288,142</u>
CREDITORS amounts falling due after more than one year	14	<u>(196,680)</u>	<u>(580,008)</u>
NET LIABILITIES		<u><u>(320,493)</u></u>	<u><u>(291,866)</u></u>
CAPITAL AND RESERVES			
Called up share capital	16	178,413	178,413
Share premium account	17	221,587	221,587
Profit and loss account		<u>(720,493)</u>	<u>(691,866)</u>
EQUITY SHAREHOLDERS' DEFICIT	18	<u><u>(320,493)</u></u>	<u><u>(291,866)</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
18TH JULY 2011


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G. S. M. Vaughan
Director

The notes on pages 9 to 20 form part of these financial statements

IMAGE SOURCE GROUP LIMITED

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2010**

	Note	2010 £	2009 £
Net cash flow from operating activities	19	647,866	1,399,759
Returns on investments and servicing of finance	20	(106,034)	(152,184)
Taxation		(173,503)	(182,213)
Capital expenditure and financial investment	20	(345,723)	(120,807)
CASH INFLOW BEFORE FINANCING		22,606	944,555
Financing	20	(352,618)	(236,441)
(DECREASE)/INCREASE IN CASH IN THE YEAR		(330,012)	708,114

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT
FOR THE YEAR ENDED 31 DECEMBER 2010**

	2010 £	2009 £
(Decrease)/Increase in cash in the year	(330,012)	708,114
Cash outflow from decrease in debt and lease financing	352,618	236,441
MOVEMENT IN NET DEBT IN THE YEAR	22,606	944,555
Net funds/(debt) at 1 January 2010	145,181	(799,374)
NET FUNDS AT 31 DECEMBER 2010	167,787	145,181

The notes on pages 9 to 20 form part of these financial statements

IMAGE SOURCE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and include the results of the group's operations which are described in the Director's Report, all of which are continuing

1.2 Basis of consolidation

The financial statements consolidate the accounts of Image Source Group Limited and all of its subsidiary undertakings ('subsidiaries') Goodwill arising on consolidation is capitalised and amortised over its estimated life, subject to periodic reviews for impairment of value in accordance with Financial Reporting Standard 10

The results of subsidiaries acquired during the year are included from the effective date of acquisition

1.3 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied, exclusive of Value Added Tax and trade discounts, or any other applicable taxes

1.4 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 over its estimated economic life of 20 years

1.5 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases

Leasehold improvements	- 20% straight line
Plant & machinery	- 25% - 33% straight line

1.6 Investments

Investments in subsidiaries are valued at cost less provision for impairment

1.7 Leasing and hire purchase

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives Assets acquired by hire purchase are depreciated over their useful lives Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company Obligations under such agreements are included in creditors net of the finance charge allocated to future periods The finance element of the rental payment is charged to the Profit and Loss Account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period

IMAGE SOURCE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

1 ACCOUNTING POLICIES (continued)

1.8 Operating leases

Rentals under operating leases are charged to the Profit and Loss Account on a straight line basis over the lease term

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate

1.9 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. Stocks of finished goods comprise Compact Discs of images for sale. Once the product has been brought into use, stocks are amortised over the lesser of four years and estimated useful life.

1.10 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

1.11 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at 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 gains and losses are recognised in the Profit and Loss Account.

1.12 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

1.13 General

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

IMAGE SOURCE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

2. TURNOVER

The whole of the turnover and profit before taxation is entirely attributable to the group's principal activity as noted in the Director's Report

Turnover has not been disclosed by geographical market as permitted under the Companies Act 2006

3 OPERATING PROFIT

The operating profit is stated after charging

	2010 £	2009 £
Amortisation - intangible fixed assets	19,086	19,086
Depreciation of tangible fixed assets		
- owned by the group	281,573	306,701
- held under finance leases	-	13,035
Auditors' remuneration	15,430	16,900
Auditors' remuneration - non-audit	3,900	3,900
Operating lease rentals		
- other operating leases	340,282	360,257
Difference on foreign exchange	3,168	7,384
	<u>340,282</u>	<u>360,257</u>

Auditors fees for the company were £1,450 (2009 - £1,450)

4. STAFF COSTS

Staff costs, including directors' remuneration, were as follows

	2010 £	2009 £
Wages and salaries	2,222,529	2,361,335
Social security costs	193,936	207,815
Other pension costs	29,684	31,713
	<u>2,446,149</u>	<u>2,600,863</u>

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

	2010	2009
Directors	4	4
Sales and administration	50	50
	<u>54</u>	<u>54</u>

IMAGE SOURCE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

5. DIRECTORS' REMUNERATION

	2010 £	2009 £
Emoluments	<u>256,581</u>	<u>350,058</u>
Company pension contributions to defined contribution pension schemes	<u>29,684</u>	<u>31,713</u>

During the year retirement benefits were accruing to 2 directors (2009 - 2) in respect of defined contribution pension schemes

The highest paid director received remuneration of £148,452 (2009 - £144,933)

The value of the group's contributions paid to a money purchase pension scheme in respect to the highest paid director amounted to £17,309 (2009 £17,309)

During the year, amounts of £21,598 (2009 £19,959) were payable to Matrix Private Equity Partners LLP with regards to fees for non-executive directors' services

6 INTEREST PAYABLE

	2010 £	2009 £
On bank loans and overdrafts	75,862	85,282
On other loans	29,145	58,044
On finance leases and hire purchase contracts	1,027	1,016
Other interest payable	-	7,842
	<u>106,034</u>	<u>152,184</u>

IMAGE SOURCE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

7 TAXATION

	2010 £	2009 £
Analysis of tax charge in the year		
Current tax (see note below)		
UK corporation tax charge on profit for the year	27,805	127,852
Adjustments in respect of prior periods	10,259	-
	<hr/>	<hr/>
Foreign tax on income for the year	38,064	127,852
	45,837	-
	<hr/>	<hr/>
Total current tax	83,901	127,852
	<hr/>	<hr/>
Deferred tax (see note 15)		
Origination and reversal of timing differences	10,031	(51,447)
	<hr/>	<hr/>
Tax on profit on ordinary activities	93,932	76,405
	<hr/>	<hr/>

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2009 - *higher than*) the standard rate of corporation tax in the UK of 28% (2009 - 28%) The differences are explained below

	2010 £	2009 £
Profit on ordinary activities before tax	39,694	234,775
	<hr/>	<hr/>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009 - 28%)	11,114	65,737
	<hr/>	<hr/>
Effects of.		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	20,394	36,702
Depreciation for year in excess of capital allowances	5,937	32,288
Utilisation of tax losses	(5,068)	(5,121)
Profit on the sale of fixed assets	(24)	(1,754)
Overseas tax	45,837	-
Adjustments to tax charge in respect of prior periods	10,259	-
Small companies relief	(4,548)	-
	<hr/>	<hr/>
Current tax charge for the year (see note above)	83,901	127,852
	<hr/>	<hr/>

Factors that may affect future tax charges

There are no factors that may affect future charges

IMAGE SOURCE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

8 INTANGIBLE FIXED ASSETS

	Goodwill £
Group	
Cost	
At 1 January 2010 and 31 December 2010	381,711
Amortisation	
At 1 January 2010	96,968
Charge for the year	19,086
At 31 December 2010	116,054
Net book value	
At 31 December 2010	265,657
At 31 December 2009	284,743

9 TANGIBLE FIXED ASSETS

	Leasehold improvement £	Plant & machinery £	Total £
Group			
Cost			
At 1 January 2010	205,297	1,680,597	1,885,894
Additions	12,250	333,703	345,953
Disposals	-	(6,680)	(6,680)
At 31 December 2010	217,547	2,007,620	2,225,167
Depreciation			
At 1 January 2010	147,359	1,136,613	1,283,972
Charge for the year	43,370	238,203	281,573
On disposals	-	(6,535)	(6,535)
At 31 December 2010	190,729	1,368,281	1,559,010
Net book value			
At 31 December 2010	26,818	639,339	666,157
At 31 December 2009	57,938	543,984	601,922

IMAGE SOURCE GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

10 FIXED ASSET INVESTMENTS

Company	Shares in group undertakings £
Cost or valuation	
At 1 January 2010 and 31 December 2010	<u>1,386</u>
Net book value	
At 31 December 2010	<u>1,386</u>
<i>At 31 December 2009</i>	<u>1,386</u>

11 STOCKS

	Group		Company	
	2010	2009	2010	2009
	£	£	£	£
Work in progress	1,112,588	1,343,230	-	-
Finished goods and goods for resale	30,000	30,000	-	-
	<u>1,142,588</u>	<u>1,373,230</u>	<u>-</u>	<u>-</u>

12 DEBTORS

	Group		Company	
	2010	2009	2010	2009
	£	£	£	£
Trade debtors	449,458	536,662	-	-
Other debtors	146,178	85,634	420,770	798,484
Prepayments and accrued income	719,617	683,895	7,044	12,044
Deferred tax asset (see note 15)	37,073	47,104	-	-
	<u>1,352,326</u>	<u>1,353,295</u>	<u>427,814</u>	<u>810,528</u>

IMAGE SOURCE GROUP LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

13 CREDITORS
Amounts falling due within one year

	<u>Group</u>		<u>Company</u>	
	2010	2009	2010	2009
	£	£	£	£
Bank loans and overdrafts	383,796	383,796	383,328	383,328
Net obligations under finance leases and hire purchase contracts	30,710	-	-	-
Trade creditors	370,784	331,721	-	-
Amounts owed to group undertakings	-	-	5,000	5,000
Corporation tax	138	29,740	138	-
Social security and other taxes	57,578	104,617	-	-
Interest on preference shares	196,946	167,801	196,946	167,801
Other creditors	220,280	239,758	-	2,065
Accruals and deferred income	202,228	283,935	5,350	3,285
	<u>1,462,460</u>	<u>1,541,368</u>	<u>590,762</u>	<u>561,479</u>

The group bank overdraft is secured by way of fixed and floating charges over all property and assets of Image Source Group Limited, Image Source Limited and The Picture Book Limited

Net obligations under finance leases and hire purchase contracts are secured over the assets to which they relate

14. CREDITORS.
Amounts falling due after more than one year

	<u>Group</u>		<u>Company</u>	
	2010	2009	2010	2009
	£	£	£	£
Bank loans	191,680	575,008	191,680	575,008
Share capital treated as debt (Note 16)	5,000	5,000	5,000	5,000
	<u>196,680</u>	<u>580,008</u>	<u>196,680</u>	<u>580,008</u>

Disclosure of the terms and conditions attached to the non-equity shares is made in note 16

Creditors include amounts not wholly repayable within 5 years as follows

	<u>Group</u>		<u>Company</u>	
	2010	2009	2010	2009
	£	£	£	£
Repayable other than by instalments	5,000	5,000	5,000	5,000

IMAGE SOURCE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

15. DEFERRED TAXATION

	<u>Group</u>		<u>Company</u>	
	2010 £	2009 £	2010 £	2009 £
At beginning of year	47,104	(4,343)	-	-
(Charge for)/released during the year	(10,031)	51,447	-	-
At end of year	37,073	47,104	-	-

The deferred taxation balance is made up as follows

	<u>Group</u>		<u>Company</u>	
	2010 £	2009 £	2010 £	2009 £
Accelerated capital allowances	14,405	20,635	-	-
Tax losses brought forward	22,668	26,469	-	-
	37,073	47,104	-	-

16. SHARE CAPITAL

	2010 £	2009 £
Shares classified as capital		
Allotted, called up and fully paid		
1,784,130 Ordinary shares of £0.10 each	178,413	178,413
Shares classified as debt		
Allotted, called up and fully paid		
5,000 Cumulative participating preference shares of £1 each	5,000	5,000

In compliance with FRS 25 the company has changed the presentation of non-equity financial instruments requiring the restatements of its Cumulative Participating Preference share capital as debt

The Cumulative Participating Preference shares are entitled to dividends amounting to a percentage of pre-tax profits in perpetuity

The Cumulative Participating Preference shares hold no voting or redemption rights

The Cumulative Participating Preference shares have priority on return of capital in the event of the company being wound up

IMAGE SOURCE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

17 RESERVES

	Share premium account £
Group	
At 1 January 2010 and 31 December 2010	<u>221,587</u>
	Share premium account £
Company	
At 1 January 2010 and 31 December 2010	<u>221,587</u>

18 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2010 £	2009 £
Group		
Opening shareholders' funds	2,600,799	2,442,429
(Loss)/profit for the year	(54,238)	158,370
	<u>2,546,561</u>	<u>2,600,799</u>
Closing shareholders' funds		
	2010 £	2009 £
Company		
Opening shareholders' deficit	(291,866)	(232,096)
Loss for the year	(28,627)	(59,770)
	<u>(320,493)</u>	<u>(291,866)</u>
Closing shareholders' deficit		

The company has taken advantage of the exemption contained within section 408 of the Companies Act 2006 not to present its own Profit and Loss Account

19 NET CASH FLOW FROM OPERATING ACTIVITIES

	2010 £	2009 £
Operating profit	145,728	386,959
Amortisation of intangible fixed assets	19,086	19,086
Depreciation of tangible fixed assets	281,573	319,736
(Profit)/loss on disposal of tangible fixed assets	(85)	38,460
Decrease in stocks	230,642	410,586
Decrease in debtors	50,938	500,032
Decrease in creditors	(80,016)	(275,100)
	<u>647,866</u>	<u>1,399,759</u>
Net cash inflow from operating activities		

IMAGE SOURCE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010

20 ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT

	2010 £	2009 £
Returns on investments and servicing of finance		
Interest paid	(105,007)	(151,168)
Hire purchase interest	(1,027)	(1,016)
Net cash outflow from returns on investments and servicing of finance	(106,034)	(152,184)
	2010 £	2009 £
Capital expenditure and financial investment		
Sale of intangible fixed assets	-	6,307
Purchase of tangible fixed assets	(345,953)	(123,386)
Sale of tangible fixed assets	230	(3,728)
Net cash outflow from capital expenditure	(345,723)	(120,807)
	2010 £	2009 £
Financing		
Repayment of loans	(383,328)	(227,230)
New/(repayment of) finance leases	30,710	(9,211)
Net cash outflow from financing	(352,618)	(236,441)

21 ANALYSIS OF CHANGES IN NET DEBT

	1 January 2010 £	Cash flow £	Other non-cash changes £	31 December 2010 £
Cash at bank and in hand	1,108,985	(330,012)	-	778,973
Bank overdraft	(468)	-	-	(468)
	1,108,517	(330,012)	-	778,505
Debt.				
Debts due within one year	(383,328)	352,618	(383,328)	(414,038)
Debts falling due after more than one year	(580,008)	-	383,328	(196,680)
Net funds	145,181	22,606	-	167,787

IMAGE SOURCE GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

22. CONTINGENT LIABILITIES

The company is party to an unlimited cross guarantee between itself, The Picture Book Limited and Image Source Limited in respect of the companies' bank overdrafts

The company is also party to an unlimited cross guarantee between itself, the Picture Book Limited and image Source Limited in respect of a loan to the company

The maximum potential liability at 31 December 2010 was £Nil (2009 £465)

23. OPERATING LEASE COMMITMENTS

At 31 December 2010 the Group had annual commitments under non-cancellable operating leases as follows

	Land and buildings	
	2010	2009
Group	£	£
Expiry date:		
Between 2 and 5 years	45,963	45,963
After more than 5 years	267,630	267,630

24. DIRECTORS' BENEFITS: ADVANCES, CREDIT AND GUARANTEES

Included within other debtors is an amount of £3,326 (2009 £32,200) relating to a balance due from C S M Vaughan, a director of the company This amount has been subsequently cleared

Also included within other debtors is an amount of £691 (2009 £Nil) relating to a balance due from C Sanderson, a director of the company This amount has been subsequently cleared

25. PRINCIPAL SUBSIDIARIES

Company name	Country	Percentage Shareholding
Image Source Limited	UK	100
The Picture Book Limited	UK	100

The principal activities of the principal subsidiaries are the same as of the group being that of the creation, production, supply and distribution of high end commercial visual content to business clients in advertising, design, publishing and corporate sectors

26. ULTIMATE CONTROLLING PARTY

As at 31 December 2010 and 31 December 2009 there was no single ultimate controlling party