



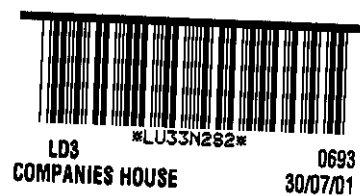
ARTHURANDERSEN

Horsell Graphic Industries Limited

Accounts 31 December 1999

together with directors' and auditors' reports

Registered number: 31919



Directors' report

For the year ended 31 December 1999

The directors present their annual report on the affairs of the company, together with the accounts and auditors' report, for the year ended 31 December 1999.

Principal activity and business review

The principal activity of the company continues to be the supply and manufacture of printing consumables and equipment. In addition, the company is the holding company for certain overseas selling companies which market these products. From 1 January 2000, the company's trade was transferred to its immediate parent undertaking, Kodak Polychrome Graphics Limited.

The directors consider the results for the year to be satisfactory and expect the general level of activity to continue in the future.

Results and dividends

Results and dividends are as follows:

	£'000
Accumulated deficit, beginning of year	(15,793)
Profit for the year	763
Transfer from revaluation reserve	3
Accumulated deficit, end of year	<u>(15,027)</u>

The directors do not recommend the payment of a dividend (1998 - £nil).

Directors and their interests

The directors who served during the year were as follows:

D.J. Edwards

L.H. Powell

J.P. Macfarlane (resigned 1 August 1999)

W.M. Tulloch (resigned 1 August 2000)

C.R.G. Dooley (appointed 1 August 2000)

P.U. Blum (appointed 25 January 2001)

The directors do not have any interests required to be disclosed under Schedule 7 of the Companies Act 1985.

Directors' report (continued)

Directors' responsibilities

Company law requires the directors to prepare accounts 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 accounts, 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 accounts; and
- prepare the accounts 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 accounts 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.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Employee consultation

The company places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through formal and informal meetings and the company magazine. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Year 2000

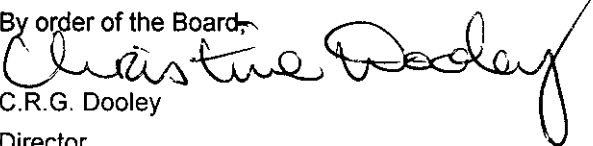
The Year 2000 work programme was successfully completed in the year with no major problems experienced.

Directors' report (continued)

Auditors

The directors will place a resolution before the annual general meeting to reappoint Arthur Andersen as auditors for the ensuing year.

By order of the Board,

A handwritten signature in black ink, appearing to read 'Christine Dooley', written over the printed name.

C.R.G. Dooley

Director

Axis 1

Rhodes Way

Watford

Hertfordshire

WD2 4FD

20 July 2001



To the Shareholders of Horsell Graphic Industries Limited:

We have audited the accounts on pages 5 to 19 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 7 to 9.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

Basis of opinion

We conducted our audit in accordance with 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts and of whether the accounting policies are appropriate to the circumstances of the company, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company at 31 December 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen
Chartered Accountants and Registered Auditors

Bank House
9 Charlotte Street
Manchester
M1 4EU

20 July 2001

Profit and loss account

For the year ended 31 December 1999

	Notes	1999 £'000	1998 £'000
Turnover	2	79,362	92,428
Cost of sales		(67,313)	(75,109)
Gross profit		12,049	17,319
Other operating expenses	3	(7,440)	(15,095)
Operating profit		4,609	2,224
Costs of a fundamental restructuring	4	(132)	(9,453)
Other interest receivable and similar income		1,383	341
Interest payable and similar charges	5	(1,567)	(1,784)
Loss on disposal of investments		(3,530)	-
Profit (loss) on ordinary activities before taxation	6	763	(8,672)
Tax on profit (loss) on ordinary activities	8	-	889
Retained profit (loss) for the year		763	(7,783)

All activity has arisen from continuing operations. The company has no recognised gains or losses other than the retained profit or loss for the year. A statement of movement on reserves is given in note 17.

Note of historical cost profits and losses

For the year ended 31 December 1999

	1999 £'000	1998 £'000
Reported profit (loss) on ordinary activities before taxation	763	(8,672)
Difference between an historical cost depreciation charge and the actual depreciation charge for the year	3	3
Historical cost profit (loss) on ordinary activities before taxation	766	(8,669)
Historical cost profit (loss) for the year retained after taxation and dividends	766	(7,780)

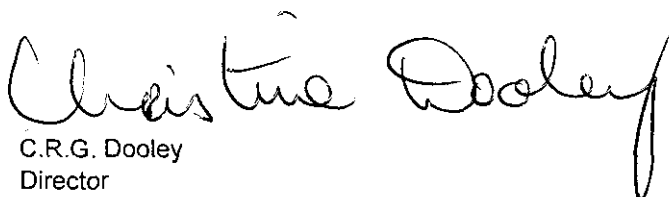
The accompanying notes are an integral part of these statements.

Balance sheet

31 December 1999

	Notes	1999 £'000	1998 £'000
Fixed assets			
Tangible assets	9	16,425	15,470
Investments	10	5,945	6,102
		<u>22,370</u>	<u>21,572</u>
Current assets			
Stocks	11	7,433	12,910
Debtors: due within one year	12	31,114	32,861
Debtors: due after more than one year	12	-	852
Cash at bank and in hand		955	5,011
		<u>39,502</u>	<u>51,634</u>
Creditors: Amounts falling due within one year	13	<u>(16,691)</u>	<u>(30,351)</u>
Net current assets		<u>22,811</u>	<u>21,283</u>
Total assets less current liabilities		<u>45,181</u>	<u>42,855</u>
Creditors: Amounts falling due after more than one year	14	<u>(20,273)</u>	<u>(14,072)</u>
Provisions for liabilities and charges	15	<u>(4,709)</u>	<u>(9,347)</u>
Net assets		<u>20,199</u>	<u>19,436</u>
Capital and reserves			
Called-up share capital	16	31,323	31,323
Share premium account	17	1	1
Revaluation reserve	17	682	685
Other reserves	17	3,220	3,220
Profit and loss account	17	<u>(15,027)</u>	<u>(15,793)</u>
Equity shareholders' funds		<u>20,199</u>	<u>19,436</u>

Signed on behalf of the Board


C.R.G. Dooley
Director

20 July 2001

The accompanying notes are an integral part of this balance sheet.

Notes to accounts

31 December 1999

1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the current year and the preceding year, is set out below.

a) Basis of accounting

The accounts are prepared under the historical cost convention modified to include the revaluation of certain land and buildings and in accordance with applicable accounting standards. Assets and liabilities are recognised where, as a result of past transactions or events, the company has rights or other access to future economic benefits controlled by the company, or obligations to transfer economic benefits.

The company has taken advantage of the exemption from preparing consolidated accounts afforded by Section 228 of the Companies Act 1985 because it is a wholly owned subsidiary of Kodak Polychrome Graphics Limited which prepares consolidated accounts which are publicly available. The company is also on this basis exempt from the requirement of FRS1 to present a cash flow statement.

b) Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment.

Depreciation is provided at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life as follows:

Freehold buildings	2% per annum
Leasehold land and buildings	over the term of the lease
Plant and machinery	10% - 33% per annum

c) Investments

Fixed asset investments are shown at cost less provision for impairment. Income is included (together with the related tax credit) in the accounts of the year in which it is receivable.

d) Stocks

Stocks are stated at the lower of cost and net realisable value. Cost incurred in bringing each product to its present location and condition is based on:

Raw materials	-	purchase cost on a first-in, first-out basis, including transport
Work-in-progress	-	cost of direct materials and labour, plus a reasonable proportion
and finished goods		of manufacturing overheads based on normal levels of activity.

Net realisable value is based on estimated normal selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

Notes to accounts (continued)

1 Accounting policies (continued)

e) *Taxation*

Corporation tax payable is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Advance corporation tax payable on dividends paid or provided for in the year is written off, except when recoverability against corporation tax payable is considered to be reasonably assured. Credit is taken for advance corporation tax written off in previous periods when it is recovered against corporation tax liabilities.

Deferred taxation (which arises from differences in the timing of the recognition of items, principally depreciation, in the accounts and by the tax legislation) has been calculated on the liability method. Deferred taxation is provided on timing differences which will probably reverse, at the rates of tax likely to be in force at the time of the reversal. Deferred tax is not provided on timing differences which, in the opinion of the directors, will probably not reverse.

f) *Pension costs*

The company provides pensions and other benefits to certain employees through a funded defined benefit pension scheme and a funded defined contribution pension scheme.

The assets of the schemes are held independently of the company by trustees.

The amount charged to the profit and loss account for the defined benefit scheme is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The regular cost is calculated so that it represents a substantially level percentage of current and future pensionable payroll. Variations from regular cost are charged or credited to the profit and loss account over the estimated average remaining working life of scheme members.

The amount charged to the profit and loss account for the defined contribution scheme represents amounts payable in the year. Any difference between amounts charged to the profit and loss account and contributions paid is shown as a separately identified liability or asset in the balance sheet.

Further information on pension costs is provided in note 19c.

g) *Foreign currency*

Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates as of the date of the transaction (or, where appropriate, at the rate of exchange in a related forward exchange contract).

Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end (or, where appropriate, at the rate of exchange in a related forward exchange contract). Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

h) *Turnover*

Turnover comprises the value of sales (excluding VAT and similar taxes and trade discounts) of goods and services in the normal course of business.

Notes to accounts (continued)

19 Guarantees and other financial commitments (continued)

b) Operating lease commitments

The company has annual commitments in respect of operating leases expiring:

	1999		1998	
	Land and buildings £'000	Plant and machinery £'000	Land and buildings £'000	Plant and machinery £'000
Within one year	-	95	-	233
Within two to five years	-	183	-	446
After five years	605	-	769	-
	<u>605</u>	<u>278</u>	<u>769</u>	<u>679</u>

c) Pension arrangements

The company operates a defined contribution pension scheme for its employees. The pension cost for the year was £652,972 (1998 - £815,234).

The company also operates a defined benefit scheme for certain employees. The pension cost for the year was £nil (1998 - £19,146). The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit credit method.

20 Cash flow statement

As permitted by Financial Reporting Standard No. 1 (revised), the company has not produced a cash flow statement because its ultimate parent company, Kodak Polychrome Graphics Limited has prepared consolidated accounts which include the accounts of the company for the year.

21 Post balance sheet events

From 1 January 2000, the company's trade was transferred to its immediate parent undertaking Kodak Polychrome Graphics Limited.

During 2000, Anitec Image (Great Britain) Limited, Horsell International Limited and Horsell Systems Limited subsidiaries of Horsell Graphic Industries Limited which are held at a net value of £Nil, was liquidated.

Notes to accounts (continued)

22 Transactions with related parties

As a subsidiary undertaking of Kodak Polychrome Graphics Limited, the company has taken advantage of the exemption in FRS8 "Related party disclosures" from disclosing transactions with other members of the group headed by Kodak Polychrome Graphics Limited.

23 Ultimate parent company

The company is a subsidiary undertaking of Kodak Polychrome Graphics Limited, incorporated in the United Kingdom. The largest and smallest group of which Horsell Graphic Industries Limited was a member and for which group accounts are drawn up was that headed by Kodak Polychrome Graphics Limited, whose principal place of business is at Axis 1, Rhodes Way, Watford, Hertfordshire, WD2 4FD.