

Horsell Graphic Industries Limited

Annual report and accounts for the year ended
31 December 2000

Registered number: 31919



Directors' report

For the year ended 31 December 2000

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 2000.

Principal activity and business review

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

Results and dividends

Results and dividends are as follows:

	£'000
Accumulated deficit, beginning of year	(15,027)
Profit for the year	737
Transfer from revaluation reserve	260
Accumulated deficit, end of year	<u>(14,030)</u>

The directors do not recommend the payment of a dividend (1999 - £nil).

Directors and their interests

The directors who served during the year were as follows:

P.U. Blum	(appointed 25 January 2001)
D.J. Edwards	
L.H. Powell	
W.M. Tulloch	(resigned 1 August 2000)
C.R.G. Dooley	(appointed 1 August 2000)

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:

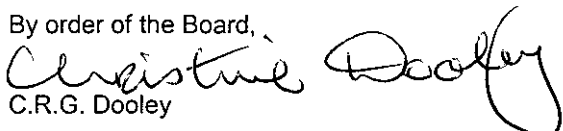
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts 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.

Auditors

The directors will place a resolution before the annual general meeting to appoint auditors for the ensuing year.

By order of the Board,


C.R.G. Dooley
Director

Axis 1
Rhodes Way
Watford
Hertfordshire
WD2 4FD

29 October 2001

To the Shareholders of Horsell Graphic Industries Limited:

We have audited the accounts on pages 4 to 17 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 6 to 8.

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.

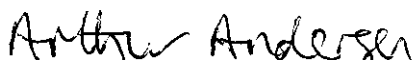
Basis of opinion

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 2000 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

29 October 2001

Profit and loss account

For the year ended 31 December 2000

	Notes	2000 £'000	1999 £'000
Turnover	2	-	79,362
Cost of sales		-	(67,313)
Gross profit		-	12,049
Other operating expenses	3	(545)	(7,440)
Operating (loss) profit		(545)	4,609
Profit (loss) on disposal of investments		1,282	(3,530)
Costs of a fundamental restructuring	4	-	(132)
Profit on ordinary activities before finance charges		737	947
Other interest receivable and similar income		-	1,383
Interest payable and similar charges	5	-	(1,567)
Profit on ordinary activities before taxation	6	737	763
Tax on profit on ordinary activities	8	-	-
Retained profit for the year		737	763

All activity has arisen from discontinued operations. The company has no recognised gains or losses in either year other than the retained profit for that 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 2000

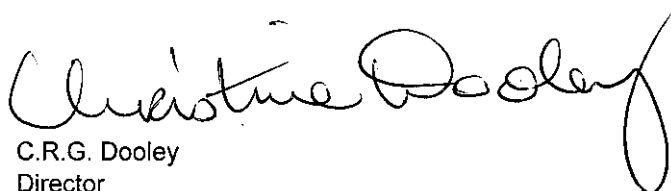
	2000 £'000	1999 £'000
Reported profit on ordinary activities before taxation	737	763
Difference between an historical cost depreciation charge and the actual depreciation charge for the year	260	3
Historical cost profit on ordinary activities before taxation	997	766
Historical cost profit for the year retained after taxation and dividends	997	766

The accompanying notes are an integral part of this statement.

Balance sheet
31 December 2000

	Notes	2000 £'000	1999 £'000
Fixed assets			
Tangible assets	9	4,385	16,425
Investments	10	-	5,945
		<u>4,385</u>	<u>22,370</u>
Current assets			
Stocks	11	-	7,433
Debtors	12	17,164	31,114
Cash at bank and in hand		-	955
		<u>17,164</u>	<u>39,502</u>
Creditors: Amounts falling due within one year	13	-	(16,691)
Net current assets		<u>17,164</u>	<u>22,811</u>
Total assets less current liabilities		21,549	45,181
Creditors: Amounts falling due after more than one year	14	(613)	(20,273)
Provisions for liabilities and charges	15	-	(4,709)
Net assets		<u>20,936</u>	<u>20,199</u>
Capital and reserves			
Called-up share capital	16	31,323	31,323
Share premium account	17	1	1
Revaluation reserve	17	422	682
Other reserves	17	3,220	3,220
Profit and loss account	17	(14,030)	(15,027)
Equity shareholders' funds		<u>20,936</u>	<u>20,199</u>

The accounts on pages 4 to 17 were approved by the board on 29 October 2001 and signed on its behalf by:


C.R.G. Dooley
Director

29 October 2001

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

Notes to accounts

31 December 2000

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.

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 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*

UK corporation tax 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.

Deferred tax is provided using the liability method on all timing differences only to the extent that they are expected to reverse in the future without being replaced, [except that the deferred tax effects of timing differences arising from pensions and other post-retirement benefits are always recognised in full]

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. Differences between amounts charged to the profit and loss account and amounts funded are shown as either provisions or prepayments in the balance sheet.

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)

1 Accounting policies (continued)

i) Leases

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

j) Revaluation reserve

Surpluses arising on the revaluation of individual fixed assets other than investment properties are credited to a non-distributable reserve known as the revaluation reserve. Revaluation deficits in excess of the amount of prior revaluation surpluses on the same asset are charged to the profit and loss account. Where depreciation charges are increased following a revaluation, an amount equal to such increase is transferred annually from this reserve to the profit and loss account below the profit for the financial year. On the disposal of a revalued fixed asset, any remaining revaluation surplus corresponding to the item is also transferred to the profit and loss account.

2 Segment information

Turnover and profit on ordinary activities before taxation arose entirely from the principal activity of the company.

Contributions to turnover by geographical segment were as follows:

	2000 £'000	1999 £'000
United Kingdom	-	27,484
Rest of Europe	-	37,904
Americas	-	4,745
Other	-	9,229
	<hr/>	<hr/>
	-	79,362

3 Other operating expenses

	2000 £'000	1999 £'000
Distribution costs	-	1,151
Administrative expenses	545	6,289
	<hr/>	<hr/>
	545	7,440

Notes to accounts (continued)

4 Costs of a fundamental restructuring of continuing operations

The costs of a fundamental restructuring of continuing operations arose in respect of a major restructuring of the company following its acquisition by Kodak Polychrome Graphics Limited on 28 March 1998.

5 Interest payable and similar charges

	2000 £'000	1999 £'000
On bank loans, overdrafts and other loans	-	1,567

6 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2000 £'000	1999 £'000
Depreciation and amounts written off tangible fixed assets	545	2,437
Hire of plant and machinery under operating lease rentals	-	679
Other operating lease rentals	-	769
Auditors' remuneration		
- audit fees	-	-
- other	-	16
Staff costs (see note 7)	-	11,533

Audit fees have been borne by a fellow group undertaking.

7 Staff costs

The average number of employees (including executive directors) was:

	2000 Number	1999 Number
Processing	-	307
Selling and distribution	-	49
Administration	-	30
	-	386

Notes to accounts (continued)

7 Staff costs (continued)

Their aggregate remuneration comprised:

	2000 £'000	1999 £'000
Employee costs during the year amounted to:		
Wages and salaries	-	9,891
Social security costs	-	989
Other pension costs	-	653
	<u>-</u>	<u>11,533</u>

Directors' remuneration:

The remuneration of the directors was as follows:

	2000 £'000	1999 £'000
Emoluments	-	227
Company contributions to defined contribution pension schemes	-	11
	<u>-</u>	<u>238</u>

Highest paid director:

The above amounts for remuneration include the following in respect of the highest paid director:

	2000 £'000	1999 £'000
Emoluments	-	118
Company contributions to defined contribution pension schemes	-	6
	<u>-</u>	<u>124</u>

Pensions

No directors (1999 - 2) were members of the company's defined contribution pension scheme.

Notes to accounts (continued)

8 Tax on loss on ordinary activities

There is no tax charge in the current year due to the utilisation of brought forward tax losses (1999 - £nil).

9 Tangible fixed assets

a) The movement in the year was as follows:

	Land and buildings			Plant and machinery	Total
	Freehold £'000	Long leasehold £'000	Short leasehold £'000	£'000	£'000
Cost or valuation					
Beginning of year	4,257	1,806	498	30,563	37,124
Transfers to parent company	-	-	(498)	(30,563)	(31,061)
End of year	4,257	1,806	-	-	6,063
Depreciation					
Beginning of year	901	232	274	19,292	20,699
Charge	85	460	-	-	545
Transfers to parent company	-	-	(274)	(19,292)	(19,566)
End of year	986	692	-	-	1,678
Net book value					
Beginning of year	3,356	1,574	224	11,271	16,425
End of year	3,271	1,114	-	-	4,385

Freehold and long leasehold land amounting to £909,000 (1999 - £909,000) has not been depreciated.

Plant and machinery includes fixtures and fittings and assets in the course of construction.

Notes to accounts (continued)

9 Tangible fixed assets (continued)

b) Basis of valuation

Plant and machinery (including fixtures and fittings) and short leasehold land and buildings are shown at cost.

Freehold and long leasehold land and buildings are shown at a 1989 open market basis valuation with subsequent additions at cost as shown below:

	2000		1999	
	Freehold £'000	Long leasehold £'000	Freehold £'000	Long leasehold £'000
Professionally valued				
- existing use	3,300	1,200	3,300	1,200
Valued by the directors				
- alternative use	-	349	-	349
Total at valuation	3,300	1,549	3,300	1,549
Subsequent additions at cost	1,016	428	1,016	428
Subsequent disposals at cost	(59)	(171)	(59)	(171)
Cost/valuation end of year	4,257	1,806	4,257	1,806

If land and buildings had not been revalued they would have been included at the following amounts:

	2000		1999	
	Freehold £'000	Long leasehold £'000	Freehold £'000	Long leasehold £'000
Original cost	2,853	1,648	2,853	1,648
Depreciation based on cost	(827)	(534)	(770)	(306)
Net book value	2,026	1,114	2,083	1,342

10 Fixed asset investments

The following are included in the net book value of fixed asset investments:

	2000 £'000	1999 £'000
Subsidiary undertakings	-	5,945

Notes to accounts (continued)

10 Fixed asset investments (continued)

a) Principal investments

The company has investments in the following subsidiary undertakings:

	Country of incorporation or registration	Principal activity	Proportion of ordinary shares held by the company
Subsidiary undertakings:			
HGI Sales Co. Limited	Great Britain	Dormant	100%
Horsell Engineering Limited	Great Britain	Dormant	100%

b) Movement during the year

	Subsidiary undertakings £'000
Cost	
Beginning of year	12,395
Additions	794
Disposals	(13,189)
End of year	-
Amounts written off	
Beginning of year	6,450
Disposals	(6,450)
End of year	-
Net book value	
Beginning of year	5,945
End of year	-

Notes to accounts (continued)

11 Stocks

	2000 £'000	1999 £'000
Raw materials and consumables	-	4,059
Work-in-progress	-	1,626
Finished goods and goods for resale	-	1,748
	<u>-</u>	<u>7,433</u>

The estimated replacement cost of stocks is not materially different from their balance sheet value.

12 Debtors

	2000 £'000	1999 £'000
Amounts owed by other group undertakings	17,164	29,546
VAT	-	650
Other debtors	-	175
Prepayments and accrued income	-	743
	<u>17,164</u>	<u>31,114</u>

13 Creditors: Amounts falling due within one year

	2000 £'000	1999 £'000
Bank loans and overdrafts	-	3,765
Trade creditors	-	5,091
Amounts owed to other group undertakings	-	5,240
Other creditors	-	2,575
Accruals and deferred income	-	20
	<u>-</u>	<u>16,691</u>

Notes to accounts (continued)

14 Creditors: Amounts falling due after more than one year

	2000 £'000	1999 £'000
Obligations under finance leases - due after five years	613	613
Amounts owed to other group undertakings	-	19,660
	<u>613</u>	<u>20,273</u>

15 Provisions for liabilities and charges

	2000 £'000	1999 £'000
Reorganisation	-	4,709
	<u>-</u>	<u>4,709</u>
		Reorganisation provision £'000
Beginning of year		4,709
Transferred to other group company		(4,709)
		<u>-</u>

16 Called-up share capital

	2000 £	1999 £
<i>Authorised</i>		
45,117,762 special ordinary shares of 70p each	31,582,433	31,582,433
65,000 deferred ordinary shares of £1 each	65,000	65,000
5,000 7.5% (now 5.25% plus tax credit) preference shares of 1p each	50	50
11,567 7.5% (now 5.25% plus tax credit) "A" cumulative participating preference shares of 1p each	116	116
7,433 7.5% (now 5.25% plus tax credit) "B" cumulative participating preference shares of 1p each	74	74
38,000 ordinary shares of 1p each	380	380
	<u>31,648,053</u>	<u>31,648,053</u>

Notes to accounts (continued)

16 Called-up share capital (continued)

	2000 £	1999 £
<i>Allotted, called-up and fully-paid</i>		
44,657,283 special ordinary shares of 70p each	31,260,098	31,260,098
62,000 deferred ordinary shares of £1 each	62,000	62,000
5,000 7.5% (now 5.25% plus tax credit) preference shares of 1p each	50	50
11,567 7.5% (now 5.25% plus tax credit) "A" cumulative participating preference shares of 1p each	116	116
7,433 7.5% (now 5.25% plus tax credit) "B" cumulative participating preference shares of 1p each	74	74
38,000 ordinary shares of 1p each	380	380
	<u>31,322,718</u>	<u>31,322,718</u>

17 Reserves

	Share premium account £'000	Revaluation reserves £'000	Other reserves £'000	Profit and loss account £'000	Total £'000
Beginning of year	1	682	3,220	(15,027)	(11,124)
Transfer from revaluation reserve	-	(260)	-	260	-
Profit for the year	-	-	-	737	737
End of year	<u>1</u>	<u>422</u>	<u>3,220</u>	<u>(14,030)</u>	<u>(10,387)</u>

18 Reconciliation of movements in shareholders' funds

	2000 £'000	1999 £'000
Profit for the year	<u>737</u>	<u>763</u>
Net addition to shareholders' funds	737	763
Opening shareholders' funds	<u>20,199</u>	<u>19,436</u>
Closing shareholders' funds	<u>20,936</u>	<u>20,199</u>

19 Guarantees and other financial commitments

a) Capital commitments

Capital commitments are as follows:

	2000 £'000	1999 £'000
Contracted for but not provided for	<u>-</u>	<u>350</u>

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:

	2000		1999	
	Land and buildings £'000	Plant and machinery £'000	Land and buildings £'000	Plant and machinery £'000
Within one year	-	-	-	95
Within two to five years	-	-	-	183
After five years	-	-	605	-
	-	-	605	278

c) Pension arrangements

The company operates a defined contribution pension scheme for its employees. The pension cost for the year was £nil (1999 - £652,972).

The company also operates a defined benefit scheme for certain employees. The pension cost for the year was £nil (1999 - £ nil). 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 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.

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.