

Horsell Graphic Industries Limited

Annual report and accounts
for the year ended 31 December 2006

Registered number 31919

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HORSELL GRAPHIC INDUSTRIES LIMITED

Directors' Report

For the year ended 31 December 2006

The directors present their annual report and the audited financial statements for the year ended 31 December 2006

Principal activity, business review and future developments

The company did not trade during the current and previous financial year. Going forward, the directors do not expect the company to trade.

Key performance indicators ("KPIs")

Given that the company did not trade during the current year, the company's directors are of the opinion that analysis using KPIs is not necessary for an understanding of the development, performance or position of the business.

Results and dividends

The company's profit for the year is £843,000 (2005: £855,000).

The directors do not recommend the payment of a dividend (2005: £nil) and accordingly the profit for the year has been transferred to reserves.

Financial risk management

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The company's operations expose it to financial risks as set out below.

Interest rate cash flow risk

The company has interest bearing assets that include intercompany balances, which bear interest at floating rates relative to LIBOR.

Liquidity risk

The company actively maintains intercompany finance that is designed to ensure the company has sufficient available funds.

Directors

The directors who served during the year and up to the date of signing these accounts were as follows:

T J O Baber	(resigned 23 March 2007)
N P Yeomans	(resigned 26 June 2006)
D R Oates	(resigned 5 February 2007)
D Wigfield	(appointed 1 October 2006)
N P Penhearow	(appointed 5 February 2007)
R J Wildman	(appointed 5 February 2007)
D Lambert	(appointed 2 April 2007)

HORSELL GRAPHIC INDUSTRIES LIMITED

Directors' Report (continued)

For the year ended 31 December 2006

Statement of 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 as at the end of the financial year and of the profit or loss of the company for that year. 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.

Disclosure of information to Auditors

Each of the persons who is a director at the date of approval of this report confirms that

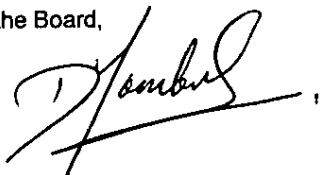
- (1) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
 - (2) the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.
- This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution concerning their appointment will be proposed at the Annual General Meeting.

By order of the Board,

D Lambert
Director



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HORSELL GRAPHIC INDUSTRIES LIMITED

PricewaterhouseCoopers LLP
10 Bricket Road
St Albans AL1 3JX
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We have audited the financial statements of Horsell Graphic Industries Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.


Opinion

In our opinion

the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended,

the financial statements have been properly prepared in accordance with the Companies Act 1985, and

the information given in the Directors' Report is consistent with the financial statements



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

St Albans

31 October 2007

HORSELL GRAPHIC INDUSTRIES LIMITED

Profit and loss account

For the year ended 31 December 2006

	Note	2006 £'000	2005 £'000
Interest receivable and similar income	2	1,205	1,222
Profit on ordinary activities before taxation	3	1,205	1,222
Tax charge on profit on ordinary activities	4	(362)	(367)
Profit for the financial year	9, 10	843	855

The company has no recognised gains and losses other than those included in the results above, and therefore no separate statement of total recognised gains and losses has been presented

There is no material difference between the profit on ordinary activities before taxation and the profit for the year stated above and their historical cost equivalents

The notes on pages 7 to 11 form part of these financial statements

HORSELL GRAPHIC INDUSTRIES LIMITED

Balance sheet

As at 31 December 2006

	Note	2006 £'000	2005 £'000
Fixed assets			
Investments	5	-	-
Current assets			
Debtors	6	20,843	19,821
Creditors amounts falling due within one year	7	(362)	(183)
Net assets		<u>20,481</u>	<u>19,638</u>
Capital and reserves			
Called-up share capital	8	31,323	31,323
Share premium account	9	1	1
Other reserves	9	3,220	3,220
Profit and loss account	9	(14,063)	(14,906)
Total equity shareholders' funds	10	<u>20,481</u>	<u>19,638</u>

The accounts on pages 5 to 11 were approved by the board on 31 October 2007 and signed on its behalf by



D Lambert

Director

The notes on pages 7 to 11 form part of these financial statements

HORSELL GRAPHIC INDUSTRIES LIMITED

Notes to accounts

For the year ended 31 December 2006

1 Accounting policies

A summary of the principal accounting policies, which have been applied consistently throughout the year

a) Basis of accounting

These financial statements are prepared on the going concern basis, under the historical cost convention in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom

b) Investments

Fixed asset investments are shown at cost less provision for impairment

c) 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

d) Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Deferred tax is measured at the average tax rates that are expected to apply in the years in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversals of underlying timing differences can be deducted. Deferred tax assets and liabilities recognised have not been discounted.

e) Exemption from requirement to produce consolidated accounts

Horsell Graphic Industries Limited is a wholly owned subsidiary of Eastman Kodak Company, a company registered in the USA, which prepares consolidated accounts including the results of the company, and under section 228a of the Companies Act 1985 is exempt from producing group financial statements. Accordingly these financial statements present information about the company as an individual undertaking and not as a group.

HORSELL GRAPHIC INDUSTRIES LIMITED

Notes to accounts (continued)

For the year ended 31 December 2006

2 Interest receivable and similar income

	2006 £'000	2006 £'000
Interest on amounts owed by group undertakings	1,205	1,222

3 Profit on ordinary activities before taxation

Auditors' remuneration for the current and prior years was borne by another group undertaking, Kodak Graphic Communications Limited (formerly Kodak Polychrome Graphics Limited)

The directors were the only employees of the company during the year and received no remuneration for their services to the company (2005 nil)

4 Tax on profit on ordinary activities

	2006 £'000	2005 £'000
Current tax – UK corporation tax at 30% (2005 30%)	362	367

The current tax assessed for the year is equal to (2005 equal to) than the standard rate of corporation tax in the UK of 30%

5 Fixed asset investments

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

	2006 £'000	2005 £'000
Subsidiary undertakings	-	-

The company has investments in the following subsidiary undertakings

Subsidiary undertakings	Country of incorporation or registration	Principal activity	Proportion of ordinary shares held by the company
Horsell Engineering Limited	England and Wales	Dormant	100%

HORSELL GRAPHIC INDUSTRIES LIMITED

Notes to accounts (continued)

For the year ended 31 December 2006

6 Debtors

	2006 £'000	2005 £'000
Amounts owed by group undertakings	20,843	19,821

The above debtor is receivable from the company's immediate parent undertaking, Kodak Graphic Communications Ltd (formerly Kodak Polychrome Graphics Limited). The debt is unsecured and has a maturity date of 31 December 2007. Interest has been charged for 2006 at 6.08125% (being 12-month LIBOR rate plus 1.5%) amounting to a total interest charge for 2006 of £1,205,000 (note 2). The interest rate will be adjusted annually on 1 January each year to reflect any changes in the LIBOR rate.

7 Creditors: amounts falling due within one year

	2006 £'000	2005 £'000
Corporation tax	362	183

8 Called-up share capital

	2006 £'000	2005 £'000
<i>Authorised</i>		
45,117,762 special ordinary shares of 70p each	31,583	31,583
65,000 deferred ordinary shares of £1 each	65	65
	<u>31,648</u>	<u>31,648</u>
<i>Allotted, called-up and fully-paid</i>		
44,657,283 special ordinary shares of 70p each	31,261	31,261
62,000 deferred ordinary shares of £1 each	62	62
	<u>31,323</u>	<u>31,323</u>

The special ordinary shareholders will have the right to have the first £30 million of profits available for distribution in any financial year. Subject thereto all the other issued shareholders of the company shall rank *pari passu* in respect of profits available for distribution in excess of such amount and resolved to be distributed.

HORSELL GRAPHIC INDUSTRIES LIMITED

Notes to accounts (continued)

For the year ended 31 December 2006

8 Called-up share capital (continued)

On a return of assets on a winding up or otherwise, the special ordinary shareholders shall carry the right in priority to any payment upon any other class of shareholders to the repayment of a sum equal to the nominal amount paid up on the special ordinary shares. Subject thereto, all the other issued shareholders shall rank *pari passu* with each other and be entitled (after the above payment) to the repayment of a sum equal to the nominal amount paid up on such shares. The other shareholders shall carry no right to any further right of participation in the assets of the company. The special ordinary shareholders shall carry the right to any surplus assets existing after the above payments.

The special ordinary shareholders shall carry the right to vote at any general meeting of the company. The other shareholders do not carry the right to vote at these meetings.

9 Reserves

	Share premium account £'000	Other reserves £'000	Profit and loss account £'000	Total £'000
At 1 January 2006	1	3,220	(14,906)	(11,685)
Retained profit for the financial year	-	-	843	843
At 31 December 2006	<u>1</u>	<u>3,220</u>	<u>(14,063)</u>	<u>10,842</u>

10 Reconciliation of movements in shareholders' funds

	2006 £'000	2005 £'000
Profit for the financial year	843	855
Opening shareholders' funds	<u>19,638</u>	<u>18,783</u>
Closing shareholders' funds	<u>20,481</u>	<u>19,638</u>

HORSELL GRAPHIC INDUSTRIES LIMITED

Notes to accounts (continued)

For the year ended 31 December 2006

11 Cash flow statement

As permitted by FRS 1 (Revised 1996), the company has not produced a cash flow statement as it is a wholly owned subsidiary undertaking of Eastman Kodak Company which has produced a group cash flow statement in its accounts, which are publicly available

12 Transactions with related parties

The company has taken advantage of the exemption under paragraph 3(c) from the provisions of FRS8, 'Related Party Disclosures', which requires the disclosure of the details of material transactions between the reporting entity and any related parties, on the grounds that it is a wholly owned subsidiary of a group headed by Eastman Kodak Company, a company based in the U S A , whose accounts are publicly available

13 Ultimate parent undertaking

The company's immediate parent undertaking is Kodak Graphic Communications Limited (formerly Kodak Polychrome Graphics Limited), a company registered in England and Wales and whose principal place of business is at Axis 1, Rhodes Way, Watford, Hertfordshire, WD24 4FD The ultimate parent undertaking and controlling entity is Eastman Kodak Company, a company registered in the U S A

The smallest and largest group in which the results of Horsell Graphic Industries Limited are consolidated is that headed by Eastman Kodak Company These accounts are publicly available and can be obtained from 343 State Street, Rochester, NY 14650, U S A