Horsell Graphic Industries Limited

Annual report and accounts

for the year ended 31 December 2002

Registered number: 31919

Directors' Report

For the year ended 31 December 2002

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 2002.

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.

Results and dividends

The company's loss for the year is £180,000 (2001: loss of £2,374,000).

The directors do not recommend the payment of a dividend (2001: £nil).

Directors and their interests

The directors who served during the year were as follows:

P.U. Blum
D.J. Edwards
C.R.G. Mullin

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 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.

Auditors

Following the conversion of PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned as auditors on 17 February 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the Board,

Christine Mullin

C.R.G. Mullin
Director

Axis 1
Rhodes Way
Watford
Hertfordshire
WD24 4FD

11th September 2003

Independent Auditors' Report

To the Members of Horsell Graphic Industries Limited

We have audited the accounts on pages 4 to 12, 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 and 7.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the accounts in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities on page 2.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards issued by the Auditing Practices Board. 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 in to 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 accounts 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 accounts, if 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 transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. The other information comprises only the directors' report.

Basis of audit 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 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 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 the company's affairs at 31 December 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
West London

[Date]
11 September 2003

Profit and loss account

For the year ended 31 December 2002

	Note	2002 £'000	2001 £'000
Turnover		-	-
Cost of sales		-	-
Gross profit		-	-
Administrative expenses		(180)	(2,374)
Loss on ordinary activities before taxation	2	(180)	(2,374)
Tax on loss on ordinary activities	3	-	-
Retained loss for the year	9, 10	(180)	(2,374)

All activity has arisen from discontinued operations. The company has no recognised gains or losses in either year other than the retained loss for that year. A statement of movement on reserves is given in note 9.

Note of historical cost profits and losses

For the year ended 31 December 2002

	Note	2002 £'000	2001 £'000
Reported loss on ordinary activities before taxation		(180)	(2,374)
Difference between an historical cost depreciation charge and the actual depreciation charge for the year	9	36	36
Historical cost loss on ordinary activities before taxation		(144)	(2,338)
Historical cost loss for the year retained after taxation and dividends		(144)	(2,338)

The accompanying notes are an integral part of this statement.

Balance sheet
31 December 2002

	Note	2002 £'000	2001 £'000
Fixed assets			
Tangible assets	4	4,025	4,205
Investments	5	-	-
		4,025	4,205
Current assets			
Debtors	6	14,970	14,970
Creditors: Amounts falling due within one year		-	-
Net current assets		14,970	14,970
Total assets less current liabilities		18,995	19,175
Creditors: Amounts falling due after more than one year	7	(613)	(613)
Net assets		18,382	18,562
Capital and reserves			
Called-up share capital	8	31,323	31,323
Share premium account	9	1	1
Revaluation reserve	9	350	386
Other reserves	9	3,220	3,220
Profit and loss account	9	(16,512)	(16,368)
Total shareholders' funds	10	18,382	18,562
Equity interest		18,319	18,499
Non-equity interests		63	63
Total shareholders' funds	10	18,382	18,562

The accounts on pages 4 to 12 were approved by the board on 11th September 2003 and signed on its behalf by:

C.R.G. Mullin
Director

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

Notes to accounts
31 December 2002

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 adopted FRS 19 “Deferred tax” in the accounts. The adoption of FRS 19 has not resulted in a prior year adjustment and had no impact on the current or prior year results.

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.

b) Tangible fixed assets

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

Depreciation is provided on all tangible fixed assets other than freehold and long leasehold land, 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

The company has adopted the transitional provisions under FRS 15 to retain the book value of land and buildings which were last revalued in 1989 and has not adopted a policy of annual revaluations for the future.

c) Investments

Fixed asset investments are shown at cost less provision for impairment.

d) 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.

e) 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 periods 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.

1 Accounting policies (continued)

f) 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.

g) 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 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging:

	2002 £'000	2001 £'000
Depreciation of tangible fixed assets	180	180

Auditors' remuneration for the current and previous years was borne by another group undertaking.

The directors were the only employees of the company during the year and received no remuneration for their services to the company.

3 Tax on loss on ordinary activities

There is no tax charge for the year (2001: £nil).

4 Tangible fixed assets

a) The movement in the year was as follows:

	Land and buildings Freehold £'000	Long leasehold £'000	Total £'000
Cost or valuation			
At 1 January and 31 December 2002	4,257	1,806	6,063
Depreciation			
At 1 January 2002	1,071	787	1,858
Charge	85	95	180
At 31 December 2002	1,156	882	2,038
Net book value			
At 31 December 2002	3,101	924	4,025
At 31 December 2001	3,186	1,019	4,205

Freehold and long leasehold land amounting to £909,000 (2001: £909,000) has not been depreciated.

4 Tangible fixed assets (continued)

b) Basis of valuation

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

	2002		2001	
	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:

	2002		2001	
	Freehold £'000	Long leasehold £'000	Freehold £'000	Long leasehold £'000
Original cost	2,853	1,648	2,853	1,648
Depreciation based on cost	(941)	(708)	(884)	(621)
Net book value	1,912	940	1,969	1,027

5 Fixed asset investments

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

	2002 £'000	2001 £'000
Subsidiary undertakings	-	-

5 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%

6 Debtors

	2002 £'000	2001 £'000
Amounts owed by other group undertakings	14,970	14,970

7 Creditors: Amounts falling due after more than one year

	2002 £'000	2001 £'000
Obligations under finance leases - due after five years	613	613

8 Called-up share capital

	2002 £	2001 £
Authorised		
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
	31,648,053	31,648,053

8 Called-up share capital (continued)

	2002 £	2001 £
Allotted, called-up and fully-paid		
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
	31,322,718	31,322,718

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.

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	Revaluation reserves £'000	Other reserves £'000	Profit and loss account £'000	Total £'000
At 1 January 2002	1	386	3,220	(16,368)	(12,761)
Transfer from revaluation reserve	-	(36)	-	36	-
Loss for the year	-	-	-	(180)	(180)
At 31 December 2002	1	350	3,220	(16,512)	(12,941)

10 Reconciliation of movements in shareholders' funds

	2002 £'000	2001 £'000
Loss for the year	(180)	(2,374)
Net reduction to shareholders' funds	(180)	(2,374)
Opening shareholders' funds	18,562	20,936
Closing shareholders' funds	18,382	18,562

11 Cash flow statement

As permitted by FRS 1 (Revised), the company has not produced a cash flow statement as it is a wholly owned subsidiary undertaking of Kodak Polychrome Graphics Company Limited (Barbados) which has produced a group cash flow statement in its accounts.

12 Ultimate parent company

The company is a subsidiary undertaking of Kodak Polychrome Graphics Limited, a company incorporated in the United Kingdom and whose principal place of business is at Axis 1, Rhodes Way, Watford, Hertfordshire, WD24 4FD.

The ultimate parent undertaking is Kodak Polychrome Graphics Company Limited (Barbados), a company based in Barbados. Copies of the group accounts of the ultimate parent undertaking can be obtained from 401 Merrit 7, Norwalk, CT 06851, U.S.A.

13 Transactions with related parties

As a subsidiary undertaking of Kodak Polychrome Graphics Limited, the company has taken advantage of the exemption in FRS 8 "Related party disclosures" from disclosing transactions with other members of the group headed by Kodak Polychrome Graphics Limited.