

PRINTMOVERS LIMITED

Report and Financial Statements

31 March 2003

**Deloitte & Touche LLP
Southampton**



REPORT AND FINANCIAL STATEMENTS 2003

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REPORT AND FINANCIAL STATEMENTS 2003

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

K. W. Lawrence	Chairman
C. G. Sheath	Chief Executive
A. S. Faulkner	Finance Director
P. J. Martin	Operations Director

SECRETARY

A. S. Faulkner

REGISTERED OFFICE

Bourne House
33 Dairy Meadow Lane
The Clarendon Centre
Salisbury
Wiltshire
SP1 2TJ

BANKERS

Bank of Scotland
PO Box no. 39900
Bishopsgate Exchange
Level 7 155 Bishopsgate
London
EC2M 3YB

Lloyds TSB Bank plc
38 Blue Boar Road
Salisbury
SP1 1DB

SOLICITORS

DLA
3 Noble Street
London
EC2V 7EE

Wilsons
Steynings House
Fisherton Street
Salisbury
Wiltshire
SP2 7RJ

AUDITORS

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Southampton

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 March 2003.

PRINCIPAL ACTIVITY

The principal activity of the Company is the collection and delivery of specialist products and materials of which photographic products and print materials are the primary constituents.

REVIEW OF THE BUSINESS

In line with expectations and as a result of the disposal of part of the business in 2001, sales have declined compared with the previous year. During the year the company focused on restructuring the distribution network with the objective of improving efficiency. The result was a significant reduction in the cost base and an improvement in operating profit which was £567k compared to a loss of £476k in the previous year. The business has continued to expand its customer base and started to service the healthcare sector. In line with current and anticipated demands the company has moved its hub to a much larger property.

FUTURE DEVELOPMENTS

The company will continue to exploit its differentiating trading advantages in order to attract quality customers and retain its current clients. These features include a timed delivery or collection offering, combined with high service levels and effective customer care. The company will consider growing through acquisition where it is sensible to do so.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £503k (2002 - £4,452k). Due to the Company having negative distributable reserves the directors do not recommend the payment of any dividends (2002 - nil).

DIRECTORS AND THEIR INTERESTS

The current directors are shown on page 1. All directors served throughout the year.

	At 31 March 2003		At 31 March 2002	
	Ordinary	Preference	Ordinary shares	Preference shares
C. G. Sheath	-	-	15,000	489,324
A. S. Faulkner	-	-	2,500	81,554
P. J. Martin	-	-	2,500	81,554

The interests of the directors in the shares of the parent company, Leading Pack Ltd, as at the 31 March 2003 are set out below:

	At 31 March 2003	
	Ordinary	Preference
C. G. Sheath	15,000	489,325
A. S. Faulkner	2,500	81,555
P. J. Martin	2,500	81,555
K. W. Lawrence (see below)	-	-

MAJOR INVESTOR

The company is a wholly owned subsidiary of Leading Pack Limited. At 31 March 2003 Barrington House Nominees Limited, on behalf of investors in the Gresham II Fund, owned 80,000 ordinary shares of 10p each (80% of the issued ordinary share capital) and 5,871,893 preference shares of 10p each in Leading Pack Limited. The Gresham II Fund is managed by Gresham LLP. By virtue of K. W. Lawrence being the representative of Gresham LLP, K. W. Lawrence held a non-beneficial interest in 80,000 ordinary shares, and 5,871,893 preference shares of Leading Pack Limited.

DIRECTORS' REPORT (continued)

SUPPLIER PAYMENT POLICY AND PRACTICE

It is the Company's policy to agree payment terms with suppliers in advance and, subject to satisfactory receipt of goods and services and compliance with all trading terms and conditions, to settle liabilities as they fall due. At the end of the period, the Company had an average of 31 days' purchases outstanding in trade creditors (2002 – 31 days).

EMPLOYEE INVOLVEMENT

The directors have established a policy of providing employees with information about the Company. Directors and managers encourage the free flow of information and ideas.

DISABLED EMPLOYEES

The company employs disabled persons where circumstances permit, and full and fair consideration is given to applications for employment by disabled persons having regard to their particular aptitudes and disabilities.

Where existing employees become disabled, it is the Company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion wherever appropriate.

DIRECTORS' RESPONSIBILITIES

United Kingdom company law requires the directors to prepare financial statements 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 period. In preparing those financial statements, the directors are required to:

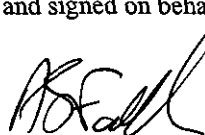
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to 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 financial statements 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

On 1 August 2003 Deloitte & Touche transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The company has given its consent to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26(5) of the Companies Act 1989. Accordingly a resolution for the re-appointment of Deloitte & Touche LLP as auditors will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



A. S. Faulkner
Secretary

Date: 26/4/03

DIRECTORS' REPORT ON CORPORATE GOVERNANCE

PrintMovers Limited is committed to high standards of corporate governance. The Board is accountable to the Company's shareholders for good corporate governance. This statement describes how the principles of corporate governance are applied to the Company.

THE WORKINGS OF THE BOARD AND ITS COMMITTEES

The Board

The Board currently comprises at least one non-executive director and three executive directors with a clear separation of the roles of Chairman and Chief Executive. The Board is responsible to shareholders for the proper management of the Company. It plans to meet monthly. To enable the Board to discharge its responsibilities, all directors receive appropriate and timely information. Briefing papers are distributed by the Company Secretary to all directors in advance of Board meetings.

The non-executive director performs an essential role in safeguarding investors' interests by monitoring the Company's performance and its executive management.

All directors have access to the advice and services of the Company Secretary, A. S. Faulkner, who is responsible to the Board for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. The appointment and removal of the Company Secretary is a matter for the Board as a whole.

The following committees deal with specific aspects of the Company's affairs:

Audit Committee

The Audit Committee, which comprises K. W. Lawrence (Chairman) and C. G. Sheath, plans to meet twice a year. The Committee provides a forum for reporting by the Company's external auditors.

The Audit Committee is responsible for reviewing a wide range of financial matters including the annual accounts before their submission to the Board, and monitoring the controls which are in force to ensure the integrity of the financial information reported to the shareholders. The Audit Committee advises the Board on the appointment of external auditors and on their remuneration for audit work, and discusses the nature and scope of the audit with the external auditors.

Remuneration Committee

The Remuneration Committee is responsible for determining the contract terms, remuneration and other benefits for executive directors and other senior executives. It is also responsible for proposing candidates for appointment to the Board, having regard to the balance and structure of the Board. The Committee employs the services of advisers, as it deems necessary. The Committee currently comprises the non-executive director and is chaired by K. W. Lawrence with the other member being C. G. Sheath. The Report of the Remuneration Committee is set out on page 6.

Management Committee

The Management Committee is chaired by C. G. Sheath and comprises the executive directors together. It plans to meet weekly to discuss key operational issues.

INTERNAL FINANCIAL CONTROL

The Board has responsibility for the Company's system of internal financial control and for reviewing its effectiveness. Such a system can only provide reasonable and not absolute assurance against material misstatement or loss.

DIRECTORS' REPORT ON CORPORATE GOVERNANCE (continued)


On a monthly basis the Board considers the comparison between budgeted and actual financial performance. All fixed capital expenditure is reviewed in advance by the Chief Executive and Financial Director and items over £25,000 are additionally referred to the Board. Two signatories, which in the majority of cases are the Chief Executive and Financial Director, are required to sign cheques and the Financial Director reviews each payroll. Bank reconciliations are regularly carried out and the treasury position is reported and managed on a daily basis by the Financial Director or a senior member of his team.

All issues concerning acquisitions, funding, investments in non-liquid funds (except if the outlay is on fixed assets below £25,000) or any arrangement outside the ordinary course of business, are referred to the Board which includes a representative of the Major Investor.

The Audit Committee monitors, through reports to it by the Financial Director and external auditors, the controls which are in force and any perceived gaps within the control environment.

RELATIONS WITH SHAREHOLDERS

The Board recognises the importance of communications with shareholders. All shareholders are represented on the Board which is used as the main forum for communication.


C. G. Sheath
Chief Executive

Date: 26.9.03

REPORT OF THE REMUNERATION COMMITTEE

During the year K.W. Lawrence served as chairman of the Remuneration Committee with the other member of the committee being C. G. Sheath. The Committee determines an overall remuneration package for executive directors and other senior executives in order to attract and retain high quality executives capable of achieving the Company's objectives. The package consists of basic salary, benefits and pensions.

The fees for non-executive directors are determined by the Board in consultation with a representative of the Major Investor.

Directors are not involved in any discussions about their own remuneration.

Details of directors' remuneration for the year ended 31 March 2003 are given in note 4 to the accounts.

K. W. Lawrence
Chairman



Date:

26.9.03

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PRINTMOVERS LIMITED

We have audited the financial statements of PrintMovers Limited for the year ended 31 March 2003 which comprise the profit and loss account, the balance sheet, the cash flow statement, the notes to the cash flow statement and the related notes 1 to 19. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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 if, in our opinion, the directors' report is not consistent with the financial statements, 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 with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 financial statements. It also includes an assessment of the significant estimates and judgements 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 of the state of the company's affairs as at 31 March 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Southampton

Date 15 October 2003

PROFIT AND LOSS ACCOUNT
Year ended 31 March 2003

	Note	2003 £000	2002 £000
Turnover	3	18,283	33,474
Cost of sales	2	(14,253)	(27,688)
Gross profit		4,030	5,786
Administrative expenses:			
- normal		(2,557)	(6,310)
- exceptional	19	(1,100)	-
		(3,657)	(6,310)
Other operating income	2, 5	194	48
Operating profit/(loss)	5	567	(476)
Amounts written back for fixed assets	2	-	5,500
Loss on disposal of business segment		-	(90)
Net interest payable	6	(3)	(482)
Profit on ordinary activities before taxation		564	4,452
Tax on profit on ordinary activities	7	(61)	-
Retained profit for the financial year	15, 16	503	4,452

There have been no recognised gains and losses attributable to the shareholders other than the profit for the current and preceding financial year and accordingly no Statement of Total Recognised Gains and Losses is shown.

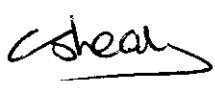
The results shown are all attributable to continuing operations.

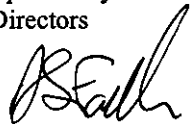
PRINTMOVERS LIMITED

BALANCE SHEET 31 March 2003

	Note	2003 £'000	2002 £'000
FIXED ASSETS			
Tangible assets	8	16	1,643
Investments	9	-	-
		<u>16</u>	<u>1,643</u>
CURRENT ASSETS			
Stocks	10	15	23
Debtors – due within one year	11	4,668	2,184
Debtors – due after more than one year	11	-	2,200
Cash at bank and in hand		1,033	4
		<u>5,716</u>	<u>4,411</u>
CREDITORS: amounts falling due within one year	12	<u>(2,304)</u>	<u>(3,129)</u>
NET CURRENT ASSETS		<u>3,412</u>	<u>1,282</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,428</u>	<u>2,925</u>
CAPITAL AND RESERVES			
Called up share capital	14	662	11,505
Share premium account	15	876	876
Capital redemption reserve	14, 15	10,843	-
Profit and loss account deficit	15	(8,953)	(9,456)
SHAREHOLDERS' FUNDS		<u>3,428</u>	<u>2,925</u>
Attributable to equity shareholders		1,899	(9,446)
Attributable to non-equity shareholders		1,529	12,371
		<u>3,428</u>	<u>2,925</u>

These financial statements were approved by the Board of Directors on 26/9 2003.
Signed on behalf of the Board of Directors


C. G. Sheath
Director


A. S. Faulkner
Director

CASH FLOW STATEMENT
Year ended 31 March 2003

	Note	2003 £'000	2002 £'000
Net cash inflow from operating activities	(i)	1,717	1,780
Returns on investments and servicing of finance			
Interest received		14	14
Interest paid		(17)	(227)
Non-equity dividends paid		-	(951)
Net cash outflow from returns on investments and servicing of finance		(3)	(1,164)
Capital expenditure			
Payments to acquire tangible fixed assets		(14)	(97)
Acquisitions and disposals			
Sale of business segment	2	-	17,335
Net cash inflow before financing		1,700	17,854
Financing			
Repayment of bank loans		-	(15,729)
Capital element of hire purchase repayments		-	(57)
Net cash outflow from financing		-	(15,786)
Increase in cash in the period	(ii), (iii)	1,700	2,068

NOTES TO THE CASH FLOW STATEMENT
Year ended 31 March 2003

(i) RECONCILIATION OF OPERATING PROFIT/(LOSS) TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	Note	2003 £'000	2002 £'000
Operating profit/(loss)		567	(476)
Depreciation and amortisation		27	1,689
Decrease/(increase) in stock		8	(274)
Exceptional item	19	1,100	-
Decrease in debtors		229	3,308
Decrease in creditors		(214)	(2,467)
Net cash inflow from operating activities		1,717	1,780

(ii) RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2003 £'000	2002 £'000
Increase in cash in the year	1,700	2,068
Cash outflow from decrease in debt	-	15,786
Movement in debt from cash flows	1,700	17,854
Amortisation of loan issue costs	-	(174)
Write off of issue costs	-	(919)
Cancellation of loan notes	-	5,500
Movement in debt from non-cash flows	-	4,407
Change in net debt in the year	1,700	22,261
Net debt at the beginning of the year	(668)	(22,929)
Net debt at the end of the year	1,032	(668)

(iii) ANALYSIS OF CHANGES IN NET DEBT

	1 April 2002 £'000	Cash flows £'000	31 March 2003 £'000
Cash at bank and in hand	4	1,029	1,033
Overdraft	(671)	671	-
	(667)	1,700	1,033
Finance leases	(1)	-	(1)
	(668)	1,700	1,032

NOTES TO THE ACCOUNTS
Year ended 31 March 2003

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Tangible fixed assets

Tangible fixed assets are stated at cost, less depreciation. Depreciation is provided on cost in equal annual instalments over the estimated useful lives of the assets. Freehold land is not depreciated. The rates of depreciation are as follows:

Freehold buildings	1% to 2%
Plant and machinery	10% to 20%
Motor vehicles	50%
Fixtures and Fittings	10% to 20%

Stocks

Stocks are stated at the lower of purchase cost and net realisable value.

Deferred taxation

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset, or on unremitted earnings of subsidiaries and associates where there is no commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Leases

Assets obtained under finance leases and hire purchase contracts are capitalised at their fair value on acquisition and depreciated over their estimated useful lives. The finance charges are allocated over the period of the lease in proportion to the capital element outstanding.

Operating lease rentals are charged to the profit and loss account in equal annual amounts over the lease term.

Pension costs

The Company operates a defined contribution pension scheme and pension costs are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

NOTES TO THE ACCOUNTS
Year ended 31 March 2003

2. DISPOSALS AND PRESENTATION OF PRIOR YEAR FIGURES

On 28 December 2001, the company sold the trade and assets of its photoprocessing operation. This gave rise to the write back of £5.5m of fixed assets. The net proceeds excluding the deferred consideration were £17,335k.

In order to provide a more accurate comparative for the 2003 results distribution costs of £9,612,000 have been reclassified within cost of sales. Rental income has also been reclassified from cost of sales into other operating income to provide improved disclosure.

3. TURNOVER

Turnover, all of which arose in the United Kingdom, represents amounts derived from the provision of goods and services which fall within the Company's ordinary activities after deduction of trade discounts and Value Added Tax. In the opinion of the directors, the Company operates only one class of business.

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2003 £'000	2002 £'000
Directors' remuneration		
Emoluments	361	612
Pension contributions	15	34
Compensation for loss of office	-	106
	<u>376</u>	<u>752</u>
Highest paid director:		
Emoluments	206	264
Pension contributions	8	8
	<u>214</u>	<u>272</u>

There were 3 (2002: 7) directors to whom retirement benefits were accruing under the defined contribution pension scheme.

	2003 No.	2002 No.
Average number of persons employed		
Management and administration	40	66
Production and distribution	431	948
Sales and marketing	-	68
	<u>471</u>	<u>1,082</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2003

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (Continued)

	2003	2002
	£'000	£'000
Staff costs during the year (including directors)		
Wages and salaries	5,835	13,097
Social Security costs	490	1,002
Pension costs	253	548
	<u>6,578</u>	<u>14,647</u>

Contributions to the pension scheme accrued at the year end amounted to £18,000 (2002 - £52,000).

5. OPERATING PROFIT/(LOSS)

	2003	2002
	£'000	£'000
Operating profit/(loss) is stated after charging/(crediting):		
Amortisation of goodwill	-	438
Depreciation:		
Owned assets	27	1,198
Leased assets	-	53
Rentals payable under operating leases		
Hire of plant and machinery	1,064	1,431
Other operating leases	63	320
Auditors' remuneration		
Audit fees	23	18
Other services	6	-
Rentals receivable under operating leases	(194)	(48)
Exceptional item (see note 19)	1,100	-
	<u>1,100</u>	<u>-</u>

6. NET INTEREST PAYABLE

	2003	2002
	£'000	£'000
Interest payable:		
Bank overdrafts	(16)	(1,108)
Other loans	-	(141)
Cancellation of interest	-	2,066
Amortisation of loan issue costs	-	(174)
Write off of loan issue costs	-	(919)
Provision for interest on swap contract	(1)	(220)
	<u>(17)</u>	<u>(496)</u>
Interest receivable	<u>14</u>	<u>14</u>
	<u>(3)</u>	<u>(482)</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2003

7. TAXATION

	2003 £000	2002 £000
Current tax:		
UK corporation tax charge for the year	61	-

The tax assessed for the year is lower than that resulting from applying the standard 30% rate of corporation tax in the UK (2002: 30%) for the reasons set out in the following reconciliation:

	2003 %	2002 %
Standard tax rate for year as a percentage of profits	30	30
Expenses not deductible for tax purposes	55	(33)
Capital allowances in excess of depreciation	(27)	(1)
Utilisation of tax losses	(48)	21
Movement in short term timing differences	1	-
Capital losses	-	(17)
Current tax rate for year as a percentage of profits	11	-

A deferred tax asset has not been recognised, as its recoverability is not probable at this time.

8. TANGIBLE FIXED ASSETS

	Freehold land £'000	Freehold buildings £'000	Motor vehicles £'000	Plant & machinery £'000	Fixtures & fittings £'000	Total £'000
Cost						
At 1 April 2002	565	1,453	-	-	52	2,070
Additions	-	-	5	9	-	14
Disposals (note 20)	(565)	(1,453)	-	-	-	(2,018)
At 31 March 2003	-	-	5	9	52	66
Accumulated depreciation						
At 1 April 2002	-	379	-	-	48	427
Charge for the year	-	25	1	-	1	27
Disposals	-	(404)	-	-	-	(404)
At 31 March 2003	-	-	1	-	49	50
Net book value						
At 31 March 2003	-	-	4	9	3	16
At 31 March 2002	565	1,074	-	-	4	1,643

The gross cost of assets leased out under operating leases at the year end was £nil (2002 - £1,639,000). The associated accumulated depreciation on these assets at the year end was £nil (2002 - £379,000).

NOTES TO THE ACCOUNTS
Year ended 31 March 2003

9. INVESTMENTS HELD AS FIXED ASSETS

	£
Cost and net book value of investment in subsidiaries	
At 1 April 2002	12
Disposals (note 19)	(12)
	<u> </u>
Cost and net book value of investment in subsidiaries at 31 March 2003	<u> </u>

10. STOCKS

	2003 £'000	2002 £'000
Raw materials and consumables	<u>15</u>	<u>23</u>

11. DEBTORS

	2003 £'000	2002 £'000
Due within one year:		
Trade debtors	1,669	1,966
Amounts owed by parent company	2,713	-
Prepayments and accrued income	<u>286</u>	<u>218</u>
	<u>4,668</u>	<u>2,184</u>
Due after more than one year:		
Other debtors	<u>-</u>	<u>2,200</u>

Other debtors comprised deferred consideration receivable in 2004 in respect of the sale of the photoprocessing operations. This was sold to the parent company in the year - see note 19.

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2003 £'000	2002 £'000
Bank overdrafts	-	671
Trade creditors	350	1,154
Corporation tax	61	-
Taxes and social security	683	335
Other creditors	399	657
Accruals and deferred income	810	311
Obligations under finance leases	<u>1</u>	<u>1</u>
	<u>2,304</u>	<u>3,129</u>

Obligations under finance leases are secured on the related leased assets.

NOTES TO THE ACCOUNTS
Year ended 31 March 2003

13. BORROWINGS

	Overdraft £'000	Obligations under finance leases £'000	Total £'000
Total borrowings as at 31 March 2003	-	1	1
Total borrowings as at 31 March 2002	671	1	672

The Bank of Scotland has a fixed and floating charge over the assets of the company via a debenture.

14. CALLED UP SHARE CAPITAL

	2003 £'000	2002 £'000
Authorised:		
Equity		
100,000 ordinary shares of 10p each	10	10
Non-equity		
Preference shares of 10p each: 6,524,328 (2002: 6,524,324)	652	652
Deferred shares of 10p each: 108,475,676	10,848	10,848
	<u>11,510</u>	<u>11,510</u>
Called up, allotted and fully paid:		
Equity		
100,000 ordinary shares of 10p each	10	10
Non-equity		
Preference shares of 10p each: 6,524,328 (2002: 6,524,324)	652	652
Deferred shares of 10p each: 108,425,676	-	10,843
	<u>662</u>	<u>11,505</u>

On the 28 March 2003 as part of a restructuring of share capital, 4 new preference shares were issued at a nominal value of 10p each and the company repurchased all of the 108,425,676 issued deferred shares, which had a nominal value of £10,843,000, for consideration of 1p. Following the cancellation of these shares, a capital redemption reserve was created – see note 15.

On any return of capital or payment of any dividend or distribution, the holders of the preference shares shall participate as a class in a fixed return or payment on a share for share basis. No dividend or distribution of any kind shall be paid to the holders of the ordinary shares until the preference shareholders have been paid in full. Upon being paid in full, the preference shares will be reclassified as deferred shares, having such rights as attach to the deferred shares. The preference shares carry no voting rights other than in the event of non-payment of the associated dividend or on the winding up of the Company.

The ordinary shares carry the right to one vote in respect of each fully paid share. The deferred shares carry no voting, dividend or repayment rights.

On a winding up of the company the order of distribution of the remaining assets is as follows:

1. First, paying to the holders of the preference shares an amount equal to the subscription price (inclusive of any premium) paid for such shares.

NOTES TO THE ACCOUNTS
Year ended 31 March 2003

14. CALLED UP SHARE CAPITAL (Continued)

2. Second, paying to the holders of the ordinary shares an amount equal to the subscription price (including any premium) paid for such shares.
3. Third, paying to the holders of the ordinary shares and the preference shares pari passu the sum of £100,000 per share.
4. Fourth, paying to the holders of the deferred shares the amounts credited as paid up on such shares.
5. Lastly, distributing the balance amongst the holders of the ordinary shares pari passu.

15. STATEMENT OF MOVEMENTS ON RESERVES

	Note	Share premium account £'000	Capital redemption reserve £'000	Profit and loss account £'000	Total £'000
Balance at 1 April 2002		876	-	(9,456)	(8,580)
Retained profit for the year		-	-	503	503
Repurchase of own shares	14	-	10,843	-	10,843
Balance at 31 March 2003		<u>876</u>	<u>10,843</u>	<u>(8,953)</u>	<u>2,766</u>

16. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2003 £'000	2002 £'000
Profit for the financial year	503	4,452
Increase in shareholders' funds	503	4,452
Opening shareholders' funds	2,925	(1,527)
Closing shareholders' funds	<u>3,428</u>	<u>2,925</u>

17. FINANCIAL COMMITMENTS

Operating lease commitments

At 31 March 2003, the Company was committed to making the following payments during the next year in respect of operating leases:

	2003 Land and buildings £'000	2003 Motor vehicles £'000	2002 Land and buildings £'000	2002 Motor vehicles £'000
Leases which expire:				
Within one year	7	-	20	13
Within two to five years	33	-	28	1
Over five years	58	-	-	-
	<u>98</u>	<u>-</u>	<u>48</u>	<u>14</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 2003

18. PARENT COMPANY AND CONTROLLING PARTIES

The entire issued share capital of PrintMovers Limited is owned by Leading Pack Limited, a company incorporated in Great Britain on 28 March 2003 and registered in England and Wales.

Barrington House Nominees Limited owns 80% of the ordinary share capital and 5,871,893 preference shares of 10p each in Leading Pack Limited on behalf of investors in the 'Gresham II Fund'. The 'Gresham II Fund' is managed by Gresham LLP.

Consolidated accounts have not been produced for the current period. The first accounting period for the group will be the year ended 31 March 2004 at which time consolidated accounts will be produced.

19. RELATED PARTY TRANSACTIONS

Leading Pack Limited, the parent company, was incorporated on a share for share basis to create a holding company structure. Consistent with this, various assets were transferred to Leading Pack Limited at their estimated fair value as follows:

- i. The debtor for deferred consideration of £2.2m at a value of £1.1m;
- ii. The freehold properties for their net book value of £1,613k;
- iii. The investments held as fixed assets for their net book value of £12.

The loss on the transfer of the debtor for deferred consideration reflects the directors' assessment of the risks associated with its ultimate recovery. It is classified as an exceptional administration cost (see note 5).

The balance receivable from Leading Pack Limited is disclosed in note 11.