3906401

Photobox Limited

Report and Financial Statements

31 December 2007

Registered No. 3906401

Directors
S Laurent
M W Chapman

Secretary
J T Longley

Auditors
Ernst & Young LLP
1 More London Place
London SE1 2AF

Registered Office
52 New Inn Hall Street
Oxford
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Directors' report

The directors present their report and financial statements for the year ended 31 December 2007.

Results and dividends

The loss for the year, after taxation, is £1,050,046 (2006 – loss of £535,270). The directors do not recommend the payment of a dividend (2006 – £nil).

Principal activity and review of the business

The company's principal activity during the year continued to be that of business-to-consumer and business-to-business digital photographic and ancillary goods and services.

Turnover increased by 37% during the year primarily due to a successful, continuing campaign of new customer acquisition. Total active customers increased 34% during the year to stand at 394,000 in December 2007. Turnover is expected to be substantially higher in 2008 than that achieved in 2007.

The company made a loss before tax of £1,048,403 in the current year due to costs associated with the integration of the company with the new French parent and to a programme of investment in the company's operating platforms and general. Investments in technology rose 52% year on year, and marketing expenditure increased 70% year on year to support the continuing rapid growth of the company.

Gross margin however improved substantially year-on-year from 41.7% in 2006 to 43.9 % in 2007, reflecting the early benefit of the combination of the two companies, in respect of scale efficiencies and purchasing power.

Principal risks and uncertainties

Competitive risks

Whilst consolidating its position as market leader in the UK, the company has significant competition from other online specialists, and high street retailers who wish to have a presence in the market. Continuous investments in marketing, technology, and new products help us to consolidate and extend our leading position in the UK market.

Legislative risks

The company is subject to EU and UK consumer law, including distance-selling, and data-protection directives. In addition, our production facility is subject to further legislation in respect of Health and Safety and Waste Processing. We continue to retain professional advisors in respect of the risk of non-compliance with new and existing directives, and of course we retain legal counsel through which all consumer-facing services, terms and conditions, etc are validated.

Exposure to credit, liquidity and cash flow risk

Practically all company income is via credit card transactions over the Web, reaching our bank accounts in 3 to 4 days. Suppliers are generally paid on 30-day terms or more, therefore our operational working capital risks are negligible. Seasonal variations to our business however require large-scale project expenditure to be carefully planned and monitored over the quieter, first half of the year.

Future developments

The directors aim to maintain the management policies that have been adopted in the current year. They consider that 2008 will show a significant growth in sales from continuing activities.

Events since the balance sheet date

28 March 2008 the company received a loan of €650,000 from its ultimate parent undertaking and controlling party, Photoways Incorporated, to support the continued operations and growth of the company. The loans are interest bearing at 4.5% with no fixed repayment date.

Directors' report

Directors

The directors who served during the year were those listed on page 1.

Directors' statement as to disclosure of information to auditors

The directors who were members of the board at the time of approving the directors' report are listed on page 1. Having made enquiries of fellow directors and of the company's auditors, each of these directors confirms that:

- To the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware; and

- Each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

A resolution to reappoint Ernst & Young LLP, who were appointed auditors during the year, will be put to the members at the Annual General Meeting.

By order of the board

Director

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent; 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 that 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.

Independent auditors' report

to the members of Photobox Limited

We have audited the company's financial statements for the year ended 31 December 2007 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 22. 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

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as 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).

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 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.

Independent auditors' report

to the members of Photobox Limited

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 2007 and of its loss 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.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
London
26 February 2009.

Profit and loss account

for the year ended 31 December 2007

	Notes	2007 £	2006 (Restated) £
Turnover	2	11,093,697	8,101,801
Cost of sales		(6,225,251)	(4,721,365)
Gross profit		4,868,446	3,380,436
Administrative expenses		(6,063,628)	(4,179,706)
Other operating income		150,978	306,385
Operating loss	3	(1,044,204)	(492,885)
Interest receivable and similar income	4	39,423	21,109
Interest payable and similar charges	5	(43,622)	(28,267)
Loss on disposal of fixed assets	6	–	(48,340)
Loss on ordinary activities before taxation		(1,048,403)	(548,383)
Tax on loss on ordinary activities	8	(1,643)	13,113
Loss for the year	17	(1,050,046)	(535,270)

The turnover and operating result for the year arises from the company's continuing operations.

Statement of total recognised gains and losses

for the year ended 31 December 2007

There were no recognised gains or losses other than the loss for the year of £1,050,046 (2006 – loss of £535,270).

Balance sheet

at 31 December 2007

	Notes	2007 £	2006 (Restated) £
Fixed assets			
Intangible assets	9	19,637	23,701
Tangible assets	10	3,249,721	1,829,387
		3,269,358	1,853,088
Current assets			
Stocks	11	300,798	251,965
Debtors	12	389,257	661,876
Cash at bank and in hand		1,842,580	1,402,524
		2,532,635	2,316,365
Creditors: amounts falling due within one year	13	(5,184,865)	(2,964,474)
Net current liabilities		(2,652,230)	(648,109)
Total assets less current liabilities		617,128	1,204,979
Creditors: amounts falling due after more than one year	14	(297,772)	(443,683)
		319,356	761,296
Capital and reserves			
Called up share capital	15	65,662	65,662
Equity reserve	16	989,470	381,364
Share premium account	16	854,821	854,821
Profit and loss account	16	(1,590,597)	(540,551)
Shareholders' funds	17	319,356	761,296

The financial statements were approved by the board on 25 Feb 2009.

Director

Notes to the financial statements

at 31 December 2007

1. Accounting policies

Accounting convention

The financial statements are prepared under the historical cost convention.

Statement of cash flow

As the ultimate parent undertaking has published group financial statements, in accordance with Financial Reporting Standard No. 1 (Revised), a statement of cash flow is not presented in these financial statements.

Going Concern

The financial statements have been prepared on a going concern basis as the parent undertaking has provided a commitment to provide funding to the business to enable it to meet its liabilities as and when they fall due.

Intangible fixed assets

Intangible fixed assets are stated at historical cost. Amortisation is provided on all intangible fixed assets at rates included to write off the cost less estimated residual value of each asset over its expected useful life. In the case of a domain name the useful economic life is considered to be 10 years. Other intangible assets, which represents customer databases, are amortised over 4 years.

The carrying values of intangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

Tangible fixed assets

Tangible fixed assets are stated at historical cost. Depreciation is provided on all tangible fixed assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows:-

Leasehold improvements	–	over the term of the lease
Plant and machinery	–	20% per annum
Fixtures, fittings and equipment	–	25%-30% per annum

Software development costs will be amortised over 3 years, commencing when the assets are complete and ready for use.

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition.

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exception:

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Notes to the financial statements

at 31 December 2007

1. Accounting policies (continued)

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Share-based payments

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by an external valuer using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the company (market conditions). No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions number of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement.

The company has considered and accrued for social security costs on the potential future benefit to employees of all equity-settled awards which do not qualify for relief under the Enterprise Management Incentives scheme.

Government grants

Grants are credited to deferred revenue. Grants towards capital expenditure are released to the profit and loss account over the expected useful life of the assets. Grants towards revenue expenditure are released to the profit and loss account as the related expenditure is incurred.

Leased assets and obligations

Where assets are financed by leasing agreements that give rights approximating to ownership ("finance leases"), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor. Lease payments are treated as consisting of capital and interest elements, and the interest is charged to the profit and loss account in proportion to the remaining balance outstanding.

All other leases are "operating leases" and the annual rentals are charged to profit and loss account on a straight line basis over the lease term.

Notes to the financial statements

at 31 December 2007

1. Accounting policies (continued)

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

Prior Year Adjustment

During the year the company adopted FRS20 Share Based Payments. This has resulted in the 2006 loss increasing by £381,364 and net assets falling by the same amount.

2. Turnover

Turnover represents amounts receivable for goods and services provided to customers, stated net of VAT.

The company's turnover and pre-tax result were all derived from its principal activity

	2007	*2006*
Percentage of turnover to non-UK markets	5.00%	6.00%

3. Operating loss

	2007	*2006*
	£	*£*
This is stated after charging/(crediting):		
Depreciation and amounts written off tangible fixed assets:		
– owned assets	398,956	224,442
– leased assets	195,834	135,933
Amortisation of intangible fixed assets	4,064	3,721
Operating lease rentals:		
– land and buildings	120,900	120,900
– other	3,003	1,126
Auditors' remuneration:		
– audit fees	35,000	21,405
– taxation services	4,500	5,000
Government grants	(3,756)	(3,756)
Exceptional professional fees	–	82,915

Notes to the financial statements
at 31 December 2007

4. Interest receivable and similar income

	2007	2006
	£	£
Bank interest	39,423	21,109

5. Interest payable and similar charges

	2007	2006
	£	£
Finance leases and hire purchase contracts	32,126	28,267
Other Interest Payable	11,496	–
	43,622	28,267

6. Exceptional items

	2007	2006
	£	£
Loss on disposal of plant and machinery	–	48,340

7. Staff costs

(a) Staff costs

	2007	2006 (Restated)
	£	£
Wages and salaries	4,078,021	2,801,175
Social security costs	401,282	228,646
	4,479,303	3,029,821

Included in wages and salaries is a total expense of share-based payments of £608,106 (2006: £381,364) accounted for as equity-settled share-based payment transactions. Included in social security costs is £61,494 (2006: £0) relating to accrued social security costs on the potential future benefit to employees of equity-settled awards.

The average monthly number of employees (including directors) during the year was made up as follows:

	2007	2006
	No.	No.
Administration	55	32
Production	69	55
	124	87

Notes to the financial statements

at 31 December 2007

7. Staff costs (continued)

(b) Directors' emoluments

	2007	*2006*
	£	*£*
Aggregate emoluments in respect of qualifying services	349,186	226,054
Number of directors	2	2
	2007	*2006*
	No.	*No.*

The amounts in respect of the highest paid director are as follows:

	2007	*2006*
	£	*£*
Aggregate emoluments	220,224	119,532

8. Tax

(a) Tax on profit/(loss) on ordinary activities

The tax charge/(credit) is made up as follows:

	2007	*2006*
	£	*£*
Current tax:		
UK corporation tax on the profit/(loss) for the year	–	–
Total current tax	–	–
Deferred tax:		
Origination and reversal of timing differences	1,643	(13,113)
Total deferred tax (note 15)	1,643	(13,113)
Total tax charge/(credit) for year	1,643	(13,113)

Notes to the financial statements

at 31 December 2007

8. Tax (continued)

(b) Factors affecting current tax charge for the year:

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 20% (2006 – 19%). The differences are explained below:

	20076	*2006 (Restated)*
	£	£
Loss on ordinary activities before tax	(1,048,403)	(548,383)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2006 – 19%)	(209,681)	(104,194)
Effects of:		
Expenses not deductible for tax purposes	139,078	91,816
Capital allowances in advance of depreciation	70,602	(31,373)
Higher tax rates on overseas earnings	–	43,751
Current tax for the year (note 8(a))	–	–

(c) Deferred tax

At 31 December 2006	(1,643)
Charged in the year	1,643
At 31 December 2007	–

	2007	*2006*
	£	£
The deferred tax asset is made up as follows:		
Accelerated capital allowances	–	88,218
Unrealised tax losses	–	(89,861)
	–	(1,643)

Notes to the financial statements

at 31 December 2007

9. Intangible fixed assets

	Domain names £	*Other* £	*Total* £
Cost:			
At 31 December 2006 and 31 December 2007	20,651	8,000	28,651
Amortisation:			
At 31 December 2006	3,117	1,833	4,950
Charged in the year	2,064	2,000	4,064
At 31 December 2007	5,181	3,833	9,014
Net book value:			
At 31 December 2007	15,470	4,167	19,637
At 31 December 2006	17,534	6,167	23,701

10. Tangible fixed assets

	Plant and machinery £	*Fixtures fittings and equipment* £	*Leasehold improvements* £	*Software development* £	*Total* £
Cost:					
At 31 December 2006	1,744,440	597,851	196,543	238,040	2,776,874
Additions	125,242	391,556	27,508	1,470,818	2,015,124
At 31 December 2007	1,869,682	989,407	224,051	1,708,858	4,791,998
Depreciation:					
At 31 December 2006	699,265	208,242	39,980	–	947,487
Provided during the year	151,772	389,948	53,070	–	594,790
At 31 December 2007	851,037	598,190	93,050	–	1,542,277
Net book value:					
At 31 December 2007	1,018,645	391,217	131,001	1,708,858	3,249,721
At 31 December 2006	1,045,175	389,609	156,563	238,040	1,829,387

The net book value of plant and machinery includes £530,195 (2006 – £741,231) in respect of assets held under finance leases or hire purchase contracts.

Notes to the financial statements

at 31 December 2007

11. Stocks

	2007	2006
	£	£
Raw materials and consumables	300,798	251,965

12. Debtors

	2007	2006
	£	£
Trade debtors	22,495	128,176
Other debtors	27,985	29,475
Prepayments	117,530	90,405
Amounts owed by parent undertaking	–	300,069
Amounts owed by group undertakings	221,247	112,108
Deferred tax asset	–	1,643
	389,257	661,876

Other debtors include an amount of £27,985 (2006 – £27,985) due after more than one year. This is the deposit on the leased office premises.

13. Creditors: amounts falling due within one year

	2007	2006
	£	£
Obligations under finance leases	146,152	212,570
Trade creditors	1,120,612	775,175
Other creditors	309,421	42,993
Taxation and social security	596,560	317,339
Accruals and deferred income	1,177,818	829,424
Amounts owed to parent undertaking	615,395	308,983
Amounts owed to group undertakings	1,218,907	477,990
	5,184,865	2,964,474

14. Creditors: amounts falling due after more than one year

	2007	2006
	£	£
Obligations under finance leases - due within two to five years (note 19)	297,772	443,683

Obligations under finance leases disclosed above and in note 13 are secured on the related assets.

Notes to the financial statements

at 31 December 2007

15. Authorised and issued share capital

		Authorised
	2007	*2006*
	£	*£*
50,000,000 ordinary shares of 0.5p each	250,000	250,000

	Allotted, called up and fully paid			
	2007			*2006*
	No.	*£*	*No.*	*£*
Ordinary shares of 0.5p each	13,132,300	65,662	13,132,300	65,662

16. Statement of movement on reserves

	Equity Reserve	*Share premium account*	*Profit and loss account*
	£	*£*	*£*
At 31 December 2006 (restated)	381,364	854,821	(540,551)
Loss for the year	–	–	(1,050,046)
Transfer to equity reserve	608,106	–	–
At 31 December 2007	989,470	854,821	(1,590,597)

17. Reconciliation of movement in shareholders' funds

	2007	*2006*
	£	*£*
Opening shareholders' funds (restated)	761,296	755,801
Loss for the financial year (restated)	(1,050,046)	(535,270)
Shares issued at nominal value	–	2,657
Share premium on shares issued	–	156,744
Reserve credit for share based payment plans	608,106	381,364
Closing shareholders' funds	319,356	761,296

Notes to the financial statements

at 31 December 2007

18. Share options

As per the 2005 Stock Option and Grant Plan of Photoways Inc. and consecutive Amendments and Addendums, the Board of Directors of Photoways Inc. and its Committee, may grant Photobox Ltd's full or part-time officers, employees or directors, options to purchase Photoways Inc. Common Stock at a set exercise price.

Except as determined at the sole discretion of the Board of Directors of Photoways Inc., the vesting period of the options start on the 1st anniversary of the grant date, from which options vest linearly over 36 months. The maximum term of an option is 10 years from the date the option is granted.

The following table illustrates namely the number of options granted, their vesting start and end dates, their exercise prices, movements during 2007 and the numbers of options remaining to vest at the end of 2007.

	Date of Board of Directors	No. of options granted	Vesting start date	Vesting end date	Exercise price	Options to be vested at the beginning of 2007	Options granted in 2007	Options forfeited during 2007	Options vested during 2007	Options still to vest at the end of 2007
GRANT A	06/10/2006	3 185 000	01/07/2006	01/07/2010	1,15$	2 787 512			-794 976	1 992 536
GRANT B	06/12/2006	352 000	06/12/2007	06/12/2010	1,15$	352 000		-36 000	-88 000	228 000
GRANT C	06/12/2006	901 940	06/12/2007	06/12/2010	1,15$	901 940			-225 485	676 455
GRANT D	06/12/2006	342 334	06/12/2007	06/12/2010	1,15$	342 334			-85 584	256 751
GRANT E	23/05/2007	2 000	23/05/2008	23/05/2011	1,15$		2 000			2 000
GRANT F	19/12/2007	282 000	05/11/2008	19/12/2011	1,39$		282 000			282 000
TOTAL		5 065 274				4 383 786	284 000	-36 000	-1 194 045	3 437 742

The transfers to equity reserve as per FRS 20 and in relation to the grants of share options to Photobox Ltd's part or full time officers, employees or directors for 2006 and 2007 were £381,364 and £608,107 respectively.

The exercise prices of the share options have been determined over time based on the fair value of Photoways Inc. Common Stock which in turn was calculated based on past equity financing transactions and "Contingent Claim Analysis" methodology.

The following table lists the inputs used:

	Volatility	Expected life of options	Risk-free interest rate	Option value in USD
GRANT A	56.77%	5.88	3.70%	0.645
GRANT B	56.77%	5.58	3.70%	0.630
GRANT C	56.77%	6.08	3.70%	0.654
GRANT D	56.77%	6.08	3.70%	0.654
GRANT E	100.00%	6.00	4.50%	0.928
GRANT F	100.00%	6.00	4.50%	1.122

In addition, the turnover assumptions were 5% for senior executives and 20% for employees.

Notes to the financial statements

at 31 December 2007

19. Obligations under leases and hire purchase contracts

Amounts due under finance leases and hire purchase contracts:

	2007	*2006*
	£	*£*
Amounts payable:		
Within one year	146,152	212,570
In two to five years	297,771	443,683
	443,923	656,253

20. Commitments under operating leases

At 31 December, the company had annual commitments under non-cancellable operating leases as follows:

	2007	*2006*
	£	*£*
Plant and machinery		
expiring in the second to fifth year	3,003	3,003
Land and buildings:		
expiring in the second to fifth year	77,600	77,600
expiring after five years	43,300	43,300

21. Related party transactions

The company has taken advantage of the exemption contained within Financial Reporting Standard No 8 "Related Party Disclosures", and has not disclosed transactions with other group companies.

22. Ultimate parent undertaking and controlling party

In the directors' opinion, the company's immediate and ultimate parent undertaking and controlling party is Photoways Inc which is incorporated in the USA. This is the smallest and largest group in whose financial statements the company is consolidated. Copies of the group financial statements are available from 92 Hayden Avenue, Lexington, MA02421-7951, USA.