

altodigital Networks Limited
(formerly PIMCO (B1) Limited)

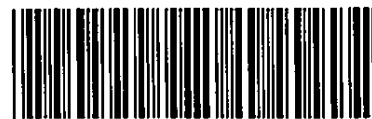
Financial Statements

For the period ended

31 March 2008

Company No: 6380200

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altodigital Networks Limited

Financial Statements

For the period ended 31 March 2008

Company Registration Number: 6380200

Registered Office: Universal House
294-304 St James' Road
London
SE1 5JX

Directors: J H Abrahart
J B G Tarrant

Secretary: J B G Tarrant

Bankers: Bank of Scotland plc
London

Solicitors: EMW Law LLP
Central Milton Keynes

Pinsent Masons
London

Auditor: Grant Thornton UK LLP
Registered Auditor
Chartered Accountants
Central Milton Keynes

altodigital Networks Limited

Financial Statements

For the period ended 31 March 2008

| INDEX | PAGE |
|--------------------------------------|-------------|
| Chairman's report | 1 |
| Report of the directors | 2 - 4 |
| Report of the independent auditor | 5 - 6 |
| Principal accounting policies | 7 - 8 |
| Consolidated profit and loss account | 9 |
| Consolidated balance sheet | 10 |
| Company balance sheet | 11 |
| Consolidated cash flow statement | 12 |
| Notes to the financial statements | 13 - 25 |

altodigital Networks Limited

Chairman's report

The consolidated results for the Group only represent five months profits due to the corporate restructure that took place during the period as referred to below. However, for the purpose of my report I shall refer to the continuous results of the Group for the 12 month period.

I am delighted to report that we have achieved a fifth consecutive year of growth with revenues rising by 11.6% to over £28.7 million with the expectation that this rate of increase will continue. During the year we further increased our sales force to 117, an increase of 24% over the last two years and were delighted towards the end of the year to be selected as one of only three dealers on the Government (OGC) Framework Agreement for multifunctional devices. This Agreement is estimated to be worth over £300 million over the next two years for the eight companies that are part of the Agreement. Over the next two years supported by our manufacturing partners we will be working closely with Government bodies to develop print solutions for the Public Sector.

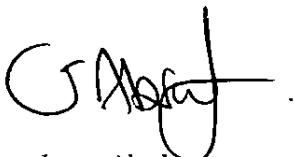
Operating profits before goodwill amortisation, non recurring items, interest and tax for the full twelve month period were £1,597,912 and showed a further improved performance over recent years. The strong cash generation from operations enabled the company to take the opportunity of buying out the minority equity shareholding owned by the Royal Bank of Scotland and crystallise a Redemption Premium also payable to the Royal Bank of Scotland. This buyback was financed by our new bankers, the Bank of Scotland, and included the provision of additional facilities for further acquisitions.

The focus on new major account business over the last two years has reaped the expected benefits with our total machine base rising by over 10% in the year to well over 20,000 machines. This overall growth together with the growth of the colour base which has more than doubled in the last two years has resulted in a marked increase in service revenues and profitability. In the last month of the year service revenues reached record levels. Sales of colour machines now account for well over 30% of all copiers sold and this proportion is still rising. The convergence of printer and copier technologies is also giving rise to the expected benefits identified two years ago so that the contracted base of printers has now quadrupled in this period and is still rising fast. Our consumables trading arm, altooffice, has also increased its rate of revenue and profits growth with revenues up by over 16% this year and profits by nearly 50%.

During the year we completed three further acquisitions in three separate regions funded by our own cash resources. The size of acquisitions is expected to increase in the current year with the improved financial facilities available to us. In addition the Group funded both an extension to our Southern warehouse in Leighton Buzzard which doubled the size of the existing facility and the development of a central call centre based in our Dudley office. All service calls are now channelled through this centre which is now manned by a team of fifteen call controllers.

Again, I am grateful to our major suppliers, particularly Kyocera and Ricoh who have continued to work closely with us and enabled us to grow our business. We continue to work with our supply partners to provide our customers with the best independent solution for their needs.

Our management team has successfully grown the business this year and I am grateful for their efforts and the efforts of all the Group's employees in achieving this and I look forward to another year of growth.



James Abraham
Chairman
30 June 2008

altodigital Networks Limited

Report of the Directors

The directors present their report together with financial statements for the period ended 31 March 2008.

Principal activities

The principal activity of the group is the provision of imaging products and network infrastructure solutions. The company acts as a holding company.

Business review

The company was incorporated on 24 September 2007 as PIMCO (BI) Limited and changed its name on 17 December 2007.

On 2 November 2007 the company purchased the entire share capital of altodigital Holdings Limited (formerly altodigital Networks Limited). Details of the transaction are set out in note 20. The accounts reflect the results of the trade from that date to 31 March 2008.

The group profit before taxation for the period to 31 March 2008 was £121,073 after a goodwill amortisation charge of £333,425. There was a tax charge of £159,136 leaving £38,063 to be transferred from reserves.

A review of the group's business activities, key performance indicators and future developments is given in the chairman's report on page 1.

Financial risk management objectives and policies

The group uses various financial instruments, these include loans, cash and various items, such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the group's operations.

The existence of these financial instruments expose the group to a number of financial risks, which are described in more detail below.

Liquidity risk

The group seeks to manage liquidity risk by ensuring that sufficient cash resources are available to meet foreseeable needs. Short term flexibility is achieved by the use of overdraft facilities. The maturity of borrowings is set out in note 13.

Interest rate risk

The group finances its operations through a mixture of retained profits and borrowings. The group is exposed to interest rate increases as all borrowings are at variable rates of interest. At times of interest rate volatility hedging and/or rate capping is considered.

Credit risk

The group's principal financial assets are cash and trade debtors. The credit risk associated with cash is limited. The principal credit risk therefore arises from debtors which is managed through a diversified customer base meaning that no one customer represents a significant proportion of the group's trade.

Directors

The directors in office during the year were J H Abrahart and J B G Tarrant. Both served on the Board throughout the period from incorporation.

altodigital Networks Limited

Report of the Directors (continued)

Directors' responsibilities for the financial statements

The directors are responsible for preparing 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 financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period. In preparing these 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 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.

In so far as each of the directors are aware:

- there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Employee involvement

The group has continued its practice of keeping employees informed of matters affecting them as employees and the financial and economic factors affecting the performance of the group. This is achieved through consultations with employees and the group newsletter.

Disabled employees

Applications for employment by disabled persons are given full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities. In the event of employees becoming disabled, every effort is made to retrain them in order that their employment with the group may continue.

It is the policy of the group that training, career development and promotion opportunities should be available to all employees.

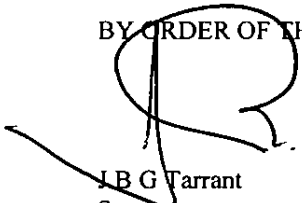
altodigital Networks Limited

Report of the Directors (continued)

Auditor

Grant Thornton UK LLP were appointed auditor during the period and offer themselves for re-appointment in accordance with section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD



J B G Tarrant
Secretary
30 June 2008

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF ALTODIGITAL NETWORKS LIMITED (FORMERLY PIMCO (BI) LIMITED)

We have audited the group and parent company financial statements (the "financial statements") of altodigital Networks Limited (formerly PIMCO (BI) Limited) for the period ended 31 March 2008 which comprise the principal accounting policies, the consolidated profit and loss account, consolidated balance sheet, company balance sheet, consolidated cash flow statement and notes 1 to 24. 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 auditor's 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 auditor

The directors' responsibilities for preparing the financial statements in accordance with United Kingdom law and 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).

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 report of the directors is consistent with the financial statements.

In addition, we also 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 other information contained in the financial statements, and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's report and the report of the directors. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of 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 group's and the company's circumstances, consistently applied and adequately disclosed.

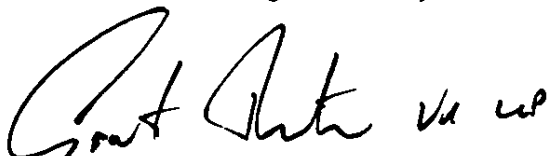
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

**REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF
ALTODIGITAL NETWORKS LIMITED (FORMERLY PIMCO (BI) LIMITED) (CONTINUED)**

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 group's and the parent company's affairs as at 31 March 2008 and of the group's loss for the period then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the report of the directors is consistent with the financial statements.



GRANT THORNTON UK LLP
REGISTERED AUDITOR
CHARTERED ACCOUNTANTS

Central Milton Keynes

14 JUL 2008

altodigital Networks Limited

Principal Accounting Policies

BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards (United Kingdom Generally Accepted Accounting Practice).

BASIS OF CONSOLIDATION

The group financial statements consolidate those of the parent company and of its subsidiary undertakings drawn up to 31 March 2008. Acquisitions of subsidiaries are dealt with by the acquisition method of accounting. On acquisition of a subsidiary, all of the subsidiary's assets and liabilities which exist at the date of acquisition are recorded at their fair values reflecting their condition at that date. Profits or losses on intra-group transactions are eliminated in full.

The company is entitled to the merger relief offered by Section 131 of the Companies Act 1985 in respect of the consideration received in excess of the nominal value of the equity shares issued in connection with the acquisition of the altodigital Holdings Limited group.

GOODWILL

Purchased goodwill and goodwill arising on consolidation, representing the excess of the fair value of the consideration given over the fair values of the identifiable net assets acquired, is capitalised and amortised on a straight line basis over its estimated useful economic life of between 3 and 20 years.

Goodwill is reviewed for impairment to the extent that there is any indication that the net carrying value is not recoverable.

TURNOVER

Turnover is the total amount receivable by the group for goods supplied and services provided, excluding VAT and trade discounts.

Turnover in respect of the supply and installation of office equipment is recognised upon completion of the installation. Turnover in respect of maintenance and service contracts is recognised over the period of the contract on a straight-line basis and/or on the copy volume usage of the equipment as appropriate.

DEPRECIATION

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

Depreciation is calculated to write down the cost of all fixed assets, by equal annual instalments over their expected useful lives.

The rates generally applicable are:

| | |
|------------------------|------------------------|
| Leasehold improvements | Over life of lease |
| Motor vehicles | 20 - 25% straight line |
| Other equipment | 10 - 33% straight line |

STOCK

Stock is stated at the lower of cost and net realisable value.

altodigital Networks Limited

Principal Accounting Policies (continued)

INVESTMENTS

Investments are included at cost less any amounts written off.

DEFERRED TAXATION

Deferred tax is recognised on all timing differences where the transactions or events that give the group an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured on an undiscounted basis, using rates of tax that have been enacted or substantively enacted by the balance sheet date.

CONTRIBUTIONS TO PENSION FUNDS

Defined contribution schemes

The pension costs charged against profits represent the amount of the contributions payable to the schemes in respect of the accounting year.

LEASED ASSETS

Leases that are regarded as operating leases and the total payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

FINANCIAL INSTRUMENTS

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument.

altodigital Networks Limited

Consolidated profit and loss account

For the period ended 31 March 2008

| | Note | £ | 5 months ended 31 March 2008 £ |
|---|------|-----------|--|
| Turnover | 1 | | 12,480,329 |
| Cost of sales | | | 5,945,300 |
| | | | <u>6,535,029</u> |
| Administrative expenses | | | |
| - other | | 5,898,167 | |
| - goodwill amortisation | | 333,425 | |
| - non recurring costs | | 55,514 | |
| | | <u></u> | <u>6,287,106</u> |
| Operating profit | | | |
| Before goodwill amortisation and non recurring costs | | | 636,862 |
| Goodwill amortisation | | | (333,425) |
| Non recurring costs | | | (55,514) |
| | 1 | | <u>247,923</u> |
| Net interest | 2 | | <u>126,850</u> |
| Profit on ordinary activities before taxation | | | <u>121,073</u> |
| Tax on profit on ordinary activities | 4 | | <u>159,136</u> |
| Loss for the financial year, transferred from reserves | 15 | | <u>(38,063)</u> |

All of the group's activities were acquired during the period and are classed as continuing.

There are no recognised gains and losses other than the loss for the period.

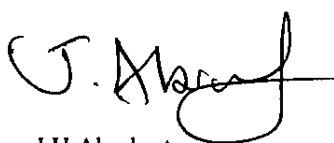
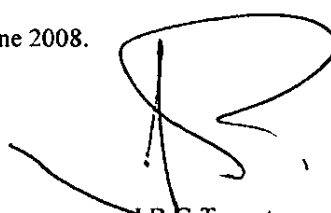
The accompanying accounting policies and notes form an integral part of these financial statements.

altodigital Networks Limited

Consolidated Balance Sheet at 31 March 2008

| | Note | £ | 2008 £ |
|--|------|------------------|-------------------|
| Fixed assets | | | |
| Intangible assets | 6 | | 14,944,361 |
| Tangible assets | 7 | | 639,762 |
| | | | <u>15,584,123</u> |
| Current assets | | | |
| Stocks | 9 | 1,799,219 | |
| Debtors | 10 | 4,572,011 | |
| Cash at bank and in hand | | 579,202 | |
| | | <u>6,950,432</u> | |
| Creditors: amounts falling due within one year | 11 | 9,754,284 | |
| | | <u></u> | |
| Net current liabilities | | | (2,803,852) |
| Total assets less current liabilities | | | <u>12,780,271</u> |
| Creditors: amounts falling due after more than one year | 12 | | 3,208,334 |
| | | | <u>9,571,937</u> |
| Capital and reserves | | | |
| Called up share capital | 14 | | 10,827 |
| Merger reserve | 15 | | 9,599,173 |
| Profit and loss account | 15 | | (38,063) |
| | | | <u></u> |
| Shareholder's funds | 16 | | <u>9,571,937</u> |

These financial statements were approved by the Board on 30 June 2008.

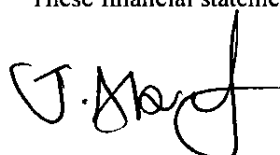
J H Abrahart
DirectorJ B G Tarrant
Director

The accompanying accounting policies and notes form an integral part of these financial statements.

altodigital Networks Limited**Company Balance Sheet at 31 March 2008**

| | Note | £ | 2008 £ |
|--|------|----------------|------------------|
| Fixed assets | | | |
| Investments | 8 | | 2,486,817 |
| | | | <u>2,486,817</u> |
| Current assets | | | |
| Debtors | 10 | 841,268 | |
| | | <u>841,268</u> | |
| Creditors: amounts falling due within one year | 11 | (469,666) | |
| | | <u></u> | |
| Net current assets | | | <u>371,602</u> |
| Total assets less current liabilities | | | <u>2,858,419</u> |
| Creditors: amounts falling due after more than one year | 12 | | 2,818,334 |
| | | | <u>40,085</u> |
| Capital and reserves | | | |
| Called up share capital | 14 | | 10,827 |
| Profit and loss account | 15 | | 29,258 |
| | | | <u></u> |
| Shareholder's funds | | | <u>40,085</u> |

These financial statements were approved by the Board on 30 June 2008.



J H Abrahart
Director



J B G Tarrant
Director

The accompanying accounting policies and notes form an integral part of these financial statements.

altodigital Networks Limited**Consolidated Cash flow Statement**

For the period ended 31 March 2008

| | Note | 5 months ended 31 March 2008 £ | £ |
|--|------|---|-------------|
| Net cash inflow from operating activities | 17 | | 1,345,936 |
| Returns on investments and servicing of finance | | | |
| Interest paid | | (126,850) | |
| Net cash outflow from returns on investments and servicing of finance | | | (126,850) |
| Taxation paid | | | (182,641) |
| Capital expenditure | | | |
| Purchase of tangible fixed assets | | (75,964) | |
| Net cash outflow from capital expenditure | | | (75,964) |
| Acquisition and disposals | | | |
| Purchase of subsidiary undertakings | | (2,085,990) | |
| Purchase of trade | | (219,564) | |
| Net cash outflow from acquisitions and disposals | | | (2,305,554) |
| Net cash outflow before financing | | | (1,345,073) |
| Financing | | | |
| New bank loans taken | | 2,900,000 | |
| Repayment of borrowings | | (844,004) | |
| Net cash inflow from financing | | | 2,055,996 |
| Increase in cash | 18 | | 710,923 |

The accompanying accounting policies and notes form an integral part of these financial statements.

altodigital Networks Limited

Notes to the Financial Statements

For the period ended 31 March 2008

1 Turnover and operating profit

The turnover and operating profit are attributable to the provision of reprographic, network and infrastructure solutions.

Operating profit is stated after charging:

| | 5 months ended 31 March 2008 £ |
|--------------------------|---|
| Auditors' remuneration | |
| - audit services | 19,500 |
| - non audit services | 2,813 |
| Operating leases | |
| - land and buildings | 198,661 |
| - other operating leases | 119,085 |
| Amortisation | 333,425 |
| Depreciation | 59,580 |

Non audit services provided by the group's auditor comprise tax compliance services of £2,813 as shown above and financial assistance services of £20,000, which have been capitalised in the balance sheet.

The non recurring costs of £55,514 relate to dilapidation costs regarding the cessation of certain operating leases.

2 Net interest

| | 5 months ended 31 March 2008 £ |
|---|---|
| Interest payable on bank loans and overdrafts | 114,525 |
| Other interest payable (see note 13) | 12,325 |
| | <u>126,850</u> |

altodigital Networks Limited

Notes to the Financial Statements (continued)

For the period ended 31 March 2008

3 Directors and employees

| | 5 months ended 31 March 2008 £ |
|--|---|
| Staff costs during the period amounted to: | |
| Wages and salaries | 3,325,766 |
| Social security costs | 402,671 |
| Other pension costs | 23,732 |
| | <u>3,752,169</u> |

The average number of employees of the group during the period was as follows:

| | 5 months ended 31 March 2008 Number |
|----------------|--|
| Sales | 114 |
| Service | 125 |
| Administration | 27 |
| | <u>266</u> |

Remuneration in respect of directors was as follows:

| | 5 months ended 31 March 2008 £ |
|----------------------|---|
| Aggregate emoluments | <u>84,319</u> |

No directors were members of the defined contribution pension scheme during the period.

The amounts set out above include remuneration in respect of the highest paid director as follows:

| | 5 months ended 31 March 2008 £ |
|----------------------|---|
| Aggregate emoluments | <u>55,634</u> |

altodigital Networks Limited

Notes to the Financial Statements (continued)

For the period ended 31 March 2008

4 Tax on profit on ordinary activities

The tax charge for the period represents:

| | 2008 £ |
|--|--------------------------------|
| United Kingdom corporation tax at 30% | 135,131 |
| Total current tax | <u>135,131</u> |
| Origination and reversal of timing differences (see note 10) | |
| Total deferred tax | <u>24,005</u> <u>24,005</u> |
| Tax on profit on ordinary activities | <u>159,136</u> |

The tax assessed for the period is different from the standard rate of corporation tax in the UK. The differences are explained as follows:

| | 2008 £ |
|---|-------------------------|
| Profit on ordinary activities before tax | <u>121,073</u> |
| Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% | 36,322 |
| Effect of: | |
| Expenses not allowable for tax purposes | 16,070 |
| Goodwill amortisation not allowable | 94,114 |
| Capital allowances for the period in excess of depreciation | (16,715) |
| Other timing differences | <u>5,340</u> |
| Current tax charge for period | <u>135,131</u> |

5 Profit for the financial period

The parent company has taken advantage of section 230 of the Companies Act 1985 and has not included its own profit and loss account in these financial statements. The company profit for the period was £29,258.

altodigital Networks Limited

Notes to the Financial Statements (continued)

For the period ended 31 March 2008

6 Intangible fixed assets

| The group | Purchased goodwill £ | Goodwill on consolidation £ | Total £ |
|----------------------------------|---------------------------------|--|--------------------|
| Cost | | | |
| Subsidiaries acquired (note 20) | - | 15,058,222 | 15,058,222 |
| Additions (note 20) | 219,564 | - | 219,564 |
| At 31 March 2008 | 219,564 | 15,058,222 | 15,277,786 |
| Amortisation | | | |
| Provided in the period | 19,712 | 313,713 | 333,425 |
| At 31 March 2008 | 19,712 | 313,713 | 333,425 |
| Net book amount at 31 March 2008 | 199,852 | 14,744,509 | 14,944,361 |

7 Tangible fixed assets

| The group | Leasehold improvements £ | Motor vehicles £ | Other equipment £ | Total £ |
|-------------------------------------|-------------------------------------|-----------------------------|------------------------------|--------------------|
| Cost | | | | |
| Subsidiaries acquired (see note 20) | 426,129 | 22,339 | 805,370 | 1,253,838 |
| Additions | 38,107 | 6,800 | 31,057 | 75,964 |
| At 31 March 2008 | 464,236 | 29,139 | 836,427 | 1,329,802 |
| Depreciation | | | | |
| Subsidiaries acquired (see note 20) | 81,867 | 22,339 | 526,254 | 630,460 |
| Provided in the period | 15,667 | - | 43,913 | 59,580 |
| At 31 March 2008 | 97,534 | 22,339 | 570,167 | 690,040 |
| Net book amount At 31 March 2008 | 366,702 | 6,800 | 266,260 | 639,762 |

altodigital Networks Limited

Notes to the Financial Statements (continued)

For the period ended 31 March 2008

8 Fixed asset investments**The company**

| | Shares in group undertaking £ |
|------------------|-------------------------------------|
| Cost | |
| Additions | 2,486,817 |
| At 31 March 2008 | <u>2,486,817</u> |

Shares in group undertakings

At 31 March 2008 the company had the following trading subsidiary undertakings:

| | Nature of business | Proportion of ordinary shares held |
|------------------------------|-----------------------|--|
| altodigital Holdings Limited | Reprographics | 100% |
| altodigital UK Limited | Reprographics | 100% |

All companies are registered in England and Wales.

All subsidiaries have been consolidated in these financial statements.

9 Stocks

| | The group 2008 £ |
|-----------------------|------------------------|
| Parts and consumables | 756,629 |
| Goods for resale | <u>1,042,590</u> |
| | <u>1,799,219</u> |

altodigital Networks Limited

Notes to the Financial Statements (continued)

For the period ended 31 March 2008

10 Debtors

| | The group 2008 £ | The company 2008 £ |
|---|---------------------------------|-----------------------------------|
| Trade debtors | 3,599,522 | - |
| Amounts owed by subsidiary undertakings | - | 774,644 |
| Other debtors | 279,281 | - |
| Prepayments and accrued income | 609,213 | 66,624 |
| Deferred tax | 83,995 | - |
| | <u>4,572,011</u> | <u>841,268</u> |

The deferred tax asset arises on accelerated capital allowances of £81,624 and other timing differences of £2,371. A proportion may not be recovered within one year.

The deferred tax charge for the period of £24,005 (see note 4) reflects the difference between deferred tax on the acquisition of altodigital Holdings (see note 20) and the deferred tax asset carried forward at 31 March 2008.

The charge for the period may be split between the effect of the tax rate change of £7,200 and the origination and reversal of timing differences of £16,805.

The group has a potential unrecognised deferred tax asset of £68,000 in respect of trading losses in certain companies. The asset has not been recognised due to the uncertainty over the timing of its recovery.

11 Creditors: amounts falling due within one year

| | The group 2008 £ | The company 2008 £ |
|---------------------------------|---------------------------------|-----------------------------------|
| Bank loans | 190,000 | 190,000 |
| Other loans | 483,769 | - |
| Trade creditors | 4,962,148 | - |
| Social security and other taxes | 1,071,942 | - |
| Current taxation | 432,801 | - |
| Other creditors | 1,124,372 | 266,666 |
| Accruals and deferred income | 1,489,252 | 13,000 |
| | <u>9,754,284</u> | <u>469,666</u> |

Deferred consideration of £266,666 included in other creditors relating to the acquisition of the altodigital Holdings Limited group (see note 20) is secured by a fixed and floating charge over the assets of the group.

altodigital Networks Limited

Notes to the Financial Statements (continued)

For the period ended 31 March 2008

12 Creditors: amounts falling due after more than one year

| | The group | The company |
|-----------------|------------------|--------------------|
| | 2008 | 2008 |
| | £ | £ |
| Bank loans | 2,685,000 | 2,685,000 |
| Other loans | 390,000 | - |
| Other creditors | 133,334 | 133,334 |
| | <u>3,208,334</u> | <u>2,818,334</u> |

Deferred consideration of £133,334 included in other creditors relating to the acquisition of the altodigital Holdings Limited group (see note 20) is secured by a fixed and floating charge over the assets of the group.

13 Borrowings

Borrowings are repayable as follows:

| | The group | The company |
|---------------------------------|------------------|--------------------|
| | 2008 | 2008 |
| | £ | £ |
| Within one year | | |
| Bank loans | 190,000 | 190,000 |
| Other loans | 483,769 | - |
| After one and within two years | | |
| Bank loans | 460,000 | 460,000 |
| Other loans | 390,000 | - |
| After two and within five years | | |
| Bank loans | 1,380,000 | 1,380,000 |
| After five years | | |
| Bank loans | 845,000 | 845,000 |
| | <u>3,748,769</u> | <u>2,875,000</u> |

altodigital Networks Limited

Notes to the Financial Statements (continued)

For the period ended 31 March 2008

13 Borrowings (continued)

The terms of the loans are as follows:

| | Amount outstanding £ | Terms |
|-----------------|----------------------------|---|
| Bank term loan | 2,875,000 | Repayable by quarterly instalments to 31 October 2013. Interest accrues on a daily basis at a rate per annum of 1.75% over base rate. |
| Other loans | 483,769 | Repayable by monthly instalments. Interest accrues on a daily basis at a rate per annum of 0.5% over base rate. |
| Director's loan | 390,000 | Repayable to J H Abrahart (director) on demand after 12 months. Interest accrues on a daily basis at a rate per annum of 2.5% over base rate. Interest payable to J H Abrahart during the period amounted to £12,325. |

The bank loans and the director's loan are secured by a fixed and floating charge over the assets of the group, and on assigned keyman insurance policies in respect of the executive directors and two other key employees. Other loans are unsecured.

14 Share capital

| | 2008 |
|------------------------------------|--------|
| Authorised | £ |
| Ordinary shares of £1 each | 50,000 |
| | ===== |
| Allotted, called up and fully paid | £ |
| Ordinary shares of £1 each | 10,827 |
| | ===== |

The company made an allotment of 10,000 Ordinary £1 shares on incorporation. A further 827 Ordinary £1 Shares were issued as consideration for the acquisition of the issued share capital of altodigital (Holdings) Limited on 2 November 2007 (see note 20).

altodigital Networks Limited

Notes to the Financial Statements (continued)

For the period ended 31 March 2008

15 Reserves

| The group | Merger relief reserve £ | Profit & loss account £ |
|--|--|--|
| Arising on acquisition of subsidiaries (see note 20) | 9,599,173 | - |
| Retained loss for the period | - | (38,063) |
| At 31 March 2008 | 9,599,173 | (38,063) |

| The company | Profit & loss account £ |
|--------------------------------|--|
| Retained profit for the period | 29,258 |
| At 31 March 2008 | 29,258 |

16 Reconciliation of movements in shareholder's funds

| The group | 2008 £ |
|--------------------------------------|-------------------|
| Issue of shares | 10,827 |
| Merger relief reserve (see note 20) | 9,599,173 |
| Loss for the financial period | (38,063) |
| Shareholder's funds at 31 March 2008 | 9,571,937 |

17 Net cash inflow from operating activities

| | 2008 £ |
|---|-------------------|
| Operating profit | 247,923 |
| Depreciation | 59,580 |
| Goodwill amortisation | 333,425 |
| Change in stocks | (264,578) |
| Change in debtors | 611,845 |
| Change in creditors | 357,741 |
| Net cash inflow from operating activities | 1,345,936 |

altodigital Networks Limited

Notes to the Financial Statements (continued)

For the period ended 31 March 2008

18 Reconciliation of net cash flow to movement in net debt

| | 2008 £ |
|--|-------------------------|
| Increase in cash in the period | 710,923 |
| Cash inflow from financing | (2,055,996) |
| Change in net debt resulting from cash flows | (1,345,073) |
| Net debt acquired (see note 20) | (1,824,494) |
| Net debt at 31 March 2008 | (3,169,567) |

19 Analysis of changes in net debt

| | Acquired 2007 £ | Cash flow £ | At 31 March 2008 £ |
|--------------------------|-----------------------|----------------|--------------------------|
| Cash at bank and in hand | - | 579,202 | 579,202 |
| Bank overdraft | (131,721) | 131,721 | - |
| Bank debt | (631,504) | (2,243,496) | (2,875,000) |
| Other debt | (1,061,269) | 187,500 | (873,769) |
| Net debt | (1,824,494) | (1,345,073) | (3,169,567) |

altodigital Networks Limited

Notes to the Financial Statements (continued)

For the period ended 31 March 2008

20 Acquisitions

On 2 November 2007 the company acquired altodigital Holdings Limited (formerly altodigital Networks Limited) and various subsidiary undertakings. The total consideration for the subsidiaries acquired including related costs was £12,085,990. Goodwill arising on the acquisition of these subsidiary undertakings of £15,058,222 has been capitalised.

The summarised profit and loss accounts of the companies acquired is as follows:

| | Year to 31 March 2007 £ | Period to 2 November 2007 £ |
|--|--|--|
| Turnover | 25,690,199 | 16,186,962 |
| Operating profit | | |
| Before goodwill amortisation and non recurring items | 1,240,180 | 961,050 |
| Goodwill amortisation | (491,702) | (335,722) |
| Non recurring items | (74,000) | (167,086) |
| | <u>674,478</u> | <u>458,242</u> |
| Exceptional items | 300,000 | - |
| Interest | (196,622) | (85,144) |
| | <u>777,856</u> | <u>373,098</u> |
| Taxation | (286,000) | (213,258) |
| | <u>491,856</u> | <u>159,840</u> |

altodigital Networks Limited

Notes to the Financial Statements (continued)

For the period ended 31 March 2008

20 Acquisitions (continued)

The net assets acquired are as follows:

| | Book values | Fair value adjustments | Fair values |
|---|-------------|------------------------|-------------|
| Fixed assets | | | |
| Tangible assets | 623,378 | - | 623,378 |
| Intangible assets | 7,160,423 | (7,160,423) | - |
| Current assets | | | |
| Stock | 1,534,642 | - | 1,534,642 |
| Debtors | 5,089,860 | - | 5,089,860 |
| Deferred tax | 108,000 | - | 108,000 |
| Creditors | | | |
| Trade and other creditors | (8,023,307) | - | (8,023,307) |
| Bank overdrafts | (131,721) | - | (131,721) |
| Corporation tax | (480,311) | - | (480,311) |
| Bank debt | (631,504) | - | (631,504) |
| Other debts | (1,061,269) | - | (1,061,269) |
| Net liabilities | 4,188,191 | (7,160,423) | (2,972,232) |
| Goodwill on acquisition (see note 6) | | | 15,058,222 |
| | | | 12,085,990 |
| Consideration | | | |
| Cash | | | 2,000,000 |
| Deferred consideration | | | 400,000 |
| Expenses | | | 85,990 |
| Fair value of 827 Ordinary £1 shares issued | | | 9,600,000 |
| | | | 12,085,990 |

The group also made two trade acquisitions during the period. No assets were acquired with these acquisitions. The aggregate costs of these acquisitions was £219,564 and has been taken to goodwill (see note 6).

21 Pensions**Defined contribution schemes**

The group operates several defined contribution pension schemes for the benefit of certain employees. The assets of the schemes are administered by trustees in funds independent from those of the group.

altodigital Networks Limited

Notes to the Financial Statements (continued)

For the period ended 31 March 2008

22 Leasing commitments

The group has commitments to make operating lease payments in the next year as follows:

| | 2008 | |
|----------------------------|---------------------------------|--------------------|
| The group | Land and buildings £ | Other £ |
| On leases expiring: | | |
| In one year or less | 4,888 | 48,396 |
| Between one and five years | 157,500 | 357,269 |
| Over five years | 298,120 | - |
| | <u>460,508</u> | <u>405,665</u> |

23 Related party transactions

A subsidiary company rents premises at 294-304 St James' Road, London and Cherry Court Way, Leighton Buzzard from a business partly owned by director J H Abrahart. Rent paid during the period was £234,249 (2007: £202,289).

A subsidiary company has invoiced its sister company altodigital Inc in the USA (both companies are owned by J H Abrahart) for management charges amounting to £29,440. This amount is outstanding at 31 March 2008.

Amounts due to J H Abrahart by the group at 31 March 2008 were £390,00. The terms of this loan is set out in note 13. Share capital of £10,000 remains unpaid by J H Abrahart at the period end.

Building maintenance and redecoration work was carried out by a company owned by S Abrahart, brother of J H Abrahart for a subsidiary company. Costs in the period amounted to £300.

24 Ultimate Controlling Related Party

J H Abrahart is the company's ultimate controlling related party by virtue of his majority shareholding in the company.