

Printing.com plc

Annual Report and Financial Statements

Registered number 03983312

31 March 2010

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Chairman's Statement

Total Retail Sales ("TRS"), the Company's estimate of the value of sales to the end user in the UK & Ireland (via both its Franchise and directly owned outlets), increased 1% to £26.56m (2009 £26.29m). Turnover decreased 0.1% to £14.46m (2009 £14.47m) whilst Profit Before Tax ("PBT") decreased by 17.4% to £1.70m (2009 £2.06m).

The previous year had been characterised by trading during the first half that had proved encouraging, whilst the second half reflected the decline in the economic situation. The trading result for the year under review reflects sustained difficult conditions for the whole of the year.

However, notwithstanding the economic challenges, your Company has remained profitable and cash generative together with modest network expansion.

Cash

Your Company finished the financial year with cash of £2.14m (2009 £3.39m).

During the year, capital investment totalled £1.04m (2009 £0.59m) with the on-going development of the Company's Flyerlink software representing the majority of this investment. In common with the previous year, none of the capital expenditure was financed. The closing cash position reflects the additional payment of a Special Dividend amounting to £0.89m paid on 26 June 2009.

Return of Shareholders Funds

Beginning with the Maiden Dividend in 2005 and including all subsequent Dividends paid up to the Interim for the year under review, the cumulative funds returned to Shareholders is in excess of £6m.

Final Dividend

Your Board is proposing a Final Dividend of 2.10p for the year, to be paid on 21 July 2010 to Shareholders on the register at the close of business on 11 June 2010. This makes a total dividend for the year of 3.15p per ordinary share (2009 3.15p).

People at Printing.com

Printing.com is very much a people business and in these challenging times, I would like to thank our Franchisees and all of the employees in the Printing.com network for their efforts.

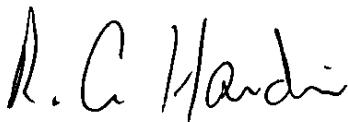
Outlook

In these difficult times, we remain of the belief that our market share is growing but are mindful that this is not presently reflected by a growth in network sales.

Given that the economic climate may not improve in the short term, we believe that with the introduction of our new software 'Templates', the scope exists to address additional market segments. This initiative essentially exploits the same Printing.com infrastructure and we believe will contribute to earnings in the current financial year.

Also, with the advent of this software platform, we believe we will gain additional traction with regards to Printing.com Master Licences for other territories.

Encouragingly the domestic pipeline of prospective Bolt-on Franchises is at its most positive for some time. Accordingly, your Director's believe that, moving forward, the prospects for Printing.com remain positive even if market conditions do not materially improve. However, as and when the economic cycle improves we remain of the view that Printing.com is well placed to exploit the increase in demand.



George Hardie
Chairman
1 June 2010

Chief Executive's Statement

Trading and Estate Development UK & Ireland

	31 March 2010	31 March 2009
Company Owned Stores	8	7
Territory Franchise Stores	28	35
Bolt-on and Boutique Franchises	252	241
Total	288	283

In the year under review trading revenues in the UK increased by 1.8% from £13.34m to £13.58m. Disappointingly, in Ireland the severity of the recession was reflected with revenue falling £0.29m, 40.8%, to £0.42m from £0.71m.

Over the year we are pleased to report that your Company recorded growth in the number of outlets. We are mindful that the network is slightly below the total of 300 previously anticipated, but still believe that any growth, given the economic conditions, bodes well.

Across the network we encounter some instances of Franchise consolidation or indeed 'merger'. For instance this may reflect a Bolt-on Franchisee electing to change their overall strategy or simply where the Bolt-on element no longer 'fits'. In these circumstances we endeavour to redeploy the business to a neighbouring Printing.com outlet or indeed pass it on to a new Bolt-on partner in the area. During the year we have also encountered instances where Territory Franchisees have elected to change to the Bolt-on format.

We are mindful that the network contracted slightly in the second half of the year but do not believe, moving forward, that a downward trend is likely to prove the norm. Indeed, the Company has a stronger pipeline of prospective Bolt-on Franchise partners than of late, and we anticipate the grant of additional licences over the coming months. Whether this will lead to absolute network growth is at present difficult to predict. Overall we remain committed to the quality, not just the quantity, of our outlets.

Printing.com France

We are pleased to report that your Company has established a Printing.com Store in Montpellier, in the Languedoc region. This Store commenced trading shortly after the close of the financial year and will form the base for the further development of Printing.com in France.

Over the course of the year, the French business has more than doubled its 'run rate', albeit from a relatively modest level. It is the intention to introduce an additional facet to the French strategy which the Directors believe will accelerate growth within the French marketplace.

New Zealand Master Licence

Printstop, our New Zealand Master Licence partners, continues to perform strongly in their local market, albeit a market that is relatively small. During the year, Printing.com has assisted in the delivery of certain new sales and marketing strategies. With the New Zealand network now approaching 50 outlets the growth of sales per outlet takes on a greater importance in progressing the Printing.com royalty stream.

US Master Licence

Printing.com US has gained traction, essentially in North Florida and the southern counties of the State of Georgia. To date our US partners have 22 outlets across this region. We are working with our partners to devise strategies to extend the geographic coverage of Printing.com from this initial 'beach head' in the US market.

Other International Opportunities

Your Company remains committed to developing opportunities that enable it to commercially exploit its intellectual property across a broader international market. We remain of the view that, whilst elements of our strategy may need to be adapted to do this, the scope exists to generate meaningful revenues in this way. To this end we are presently engaged in a number of purposeful discussions and advanced negotiations, however subsequently these may or may not progress to fruition.

Chief Executive's Statement *(continued)*

Production Hub

Previously we have stated the view that Hub capacity, measured by TRS, was in excess of £40m, meaning that circa £13m of TRS remained unutilised. Taking into account the increased proportion of discounted orders and the present product 'mix', unutilised capacity is presently lower. However, material capacity still exists without significant investment in additional plant.

The efficiency and reliability of your Company's Manchester Production Hub, measured by numerous performance indicators, is at an all time high. Overall these factors have made an important contribution in the preservation of operational margin.

Moving forward we have further objectives centred on the realisation of additional efficiencies and ongoing improvements.

IT Infrastructure and the Development of Online Channels

The greater part of our capital investment remains the development of the Company's proprietary software, Flyerlink. In last year's Annual Report, we set out the Company's vision for developing online tools that would make the interaction between the Company's outlets and the end client more efficient. This functionality was to include 'templates', allowing simple orders and reorders to be made online. A number of online tools have already been released. The cornerstone of this strategy remains the Template component. We believe that this component is fundamental to the development of the next stage of Printing com's strategy – and is hoped that it will be fully operational by the end of the half year.

Moving forward, we believe that we can best exploit the Printing com opportunity by retaining our established network of dispersed Franchisees and equipping them with advanced online solutions. We believe many existing Printing com clients will ordinarily alternate between online ordering and the traditional channel given the complexity of some design and print projects versus the simplicity of others (e.g. a business card name change). However, in both instances we believe that our Franchisees will be at the fulcrum of maintaining and progressing these important client relationships.

With the advent of the new software component, the scope for an offering particularly suited to the needs of multi-site businesses is opened up. Indeed, day-in-day-out, many major multi-site businesses already place orders with Printing com, albeit on an ad-hoc basis. With the launch of this initiative, Franchisees will be able to vend a new strategic solution extending their market reach.

Websites and Network Partners

These initiatives allow Printing com Franchisees to produce low-cost Website solutions and access via the Printing com system, a range of promotional goods (provided by third party manufacturing partners) including pens and work apparel.

These solutions provide an incremental contribution to your Company's profits which whilst at a relatively modest level (circa £0.5million TRS) provide an additional offering for our Franchisees. It is hoped that, moving forward, these solutions will grow organically and add to the appeal of the Printing com Franchise.

Environment

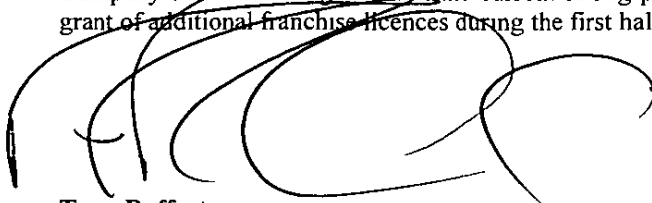
During the year the Company retained 'FSC' accreditation across its entire core stocks and retained its ISO14001 accreditation. In relation to packaging, non biodegradable components were eliminated and the proportion of recycled raw material significantly increased. Improvements to packaging also reduced the carbon footprint relating to distribution.

Of note the Company was awarded a prestigious Green Apple Award, reflecting its commitment to the environment and retained its association with David Bellamy and the Tree Appeal, where the present objective is to plant 100,000 trees.

Chief Executive's Statement *(continued)*

Current Trading

Since our last update, across the UK and Ireland, trading has undulated but overall remains in line with the Company's internal budget. Given the current strong pipeline of prospective Franchisees, we are optimistic of the grant of additional franchise licences during the first half of the current financial year.

A large, stylized handwritten signature in black ink, appearing to read 'Tony Rafferty', is written over the text of the 'Current Trading' section.

Tony Rafferty
Chief Executive
1 June 2010

Financial Review

Total Retail Sales (TRS)

The Group's key metric of Network growth, across the UK and Ireland, is TRS, being the estimated retail price paid by the client for product sourced from the Group's Production Hub. This does not correspond with revenue recognised in the Statement of Comprehensive Income as the Group recognises the price paid by the Franchisee. The performance of Printing com in this challenging period to March 2010 is illustrated by estimated TRS increasing 1% to £26.56m (2009 £26.29m).

Like For Like TRS

This metric reports on the like for like progress of our Territory Franchisees (or equivalent Group owned operations) that have operated for a minimum of three years. Therefore, the earliest figures that could be reported for a Territory Franchise are its third versus second year. In presenting these figures we believe that it is essential to consider both the performance of the Store within the Territory Franchise and the growth in revenues from its associated Bolt-On Franchises. On this basis like for like comparison for the year under review was a decline of 1.26% (growth 2009 10.73%) with 35 (2009 38) Territory Franchises (or Group owned equivalents) contributing to this metric.

Revenue

Although TRS increased overall Company revenue decreased by 0.1% to £14.46m from £14.47m. This was due in the main to a reduction in licence fee income received from the home and international markets. Network sales continued to be dominated by Bolt-on Franchises where 38 new licences were completed and 6 Territory Franchises reverted to Bolt-on status however, this was offset by 33 terminations. The Manchester Territory Franchise was taken back under Company ownership.

Gross Profit

The Group's simple definition of Gross Profit is revenue less direct materials (including the cost of distribution, when made direct to customers).

Gross Profit decreased by 2.6% to £9.49m from £9.74m. In percentage terms it reduced to 65.6% (2009 67.3%) of revenue as the Company continued to follow its strategy of supporting the Franchise network through monthly sales offers.

EBITDA

At £3.11m (2009 £3.27m) EBITDA decreased by 4.9%.

Pre-Tax Profit

The Group recorded a pre tax profit of £1.70m (2009 £2.06m) being 11.8% (2009 14.2%) of Group revenue and 6.4% (2009 7.8%) of TRS.

Staff costs decreased in the year to £3.57m (2009 £3.60m) and fell as a percentage of revenue from 24.9% to 24.8%. However, the increase in the number of Group Stores raised head count, retail staff costs and operational overhead. The depreciation and amortisation charge for the year was £1.36m (2009 £1.33m).

Interest Received and Charged

Interest received of £0.06m (2009 £0.18m) reflects interest on the cash balances held and interest charged to Franchisees on loans to them from Printing com. Interest paid of £0.07m (2009 £0.11m) primarily on lease finance repayments.

Financial Review *(continued)*

Taxation

In the year the standard rate for tax was 28% (2009 28%) The charge for the current year is £0.43m or 25.3% of PBT (2009 £0.60m or 29.2%)

The effective tax rate was reduced through the inclusion of enhanced tax relief on research and development expenditure

Earnings Per Share (EPS)

Basic EPS achieved was 2.87p (2009 3.28p), the weighted average number of shares used was 44,360,807 Diluted EPS achieved was 2.86p (2009 3.27p), the weighted average number of shares used was 44,643,698 The year closed with 44,993,465 ordinary shares in issue, with 613,702 of these held in Treasury by the Group

Cash Flow

At the year end the Group had cash balances of £2.14m (2009 £3.39m) and Net Funds (comprising cash less finance lease creditors) of £1.29m (2009 £1.81m) Operational cash inflow remained strong at £3.42m (2009 £3.52m) The most significant cash outflow being dividends paid of £2.28m (2009 £1.36m)

Capital Expenditure

The total expenditure for the year was £1.04m (2009 £0.59m) The major item was Software development and computing infrastructure £0.44m

Share Capital and Share Options

Employee options over 30,000 shares were exercised during the year and were satisfied from treasury There were no options granted

During the year the Company did not purchase any shares The maximum number of shares held by the Company during the year was 643,702 (1.4% of the total called up share capital) The shares are to be held in treasury by the Company with the intention of satisfying future exercise of share options

Treasury Policies and Financial Risk

Surplus funds are intended to support the Group's short term working capital requirements These funds are invested through the use of short term deposits and the policy is to maximise returns as well as provide the flexibility required to fund on-going operations It is not the Group's policy to enter into financial derivatives for speculative or trading purposes

Interest rate risk, liquidity risk and currency risk

Interest rate risks are limited to the fixed element of finance lease or hire purchase agreements The Group uses leasing or hire purchase at periods of up to 5 years to finance purchases of some of its assets where it is considered to be a more effective use of funds

The Group has no material overseas assets or liabilities and thus any currency movements have no material impact



Alan Q. Roberts
Finance Director
1 June 2010

Directors' report

The Directors present their report and the financial statements of Printing com plc and its subsidiary companies for the financial year ended 31 March 2010

Principal activities and business review

The Group offers a broad range of print products to consumers and small and medium sized business. Service is provided throughout the UK through a chain of high street Stores (some owned but mostly franchised) and franchised Bolt-ons (outlets operated within other businesses)

The Group's printing and ancillary production equipment is centralised at the head office in Trafford Park, Manchester

A review of the Group's business is contained in the Chairman's statement, Chief Executive's Statement and Financial Review on pages 1 to 6

Principal Risks and Uncertainties

The Group operates in an extremely competitive market environment. The key risks and uncertainties facing the business are

- A major catastrophe takes place effecting the Hub or Software hosting
- Although a formal Hub disaster recovery plan exists, and such losses are insured against, there could be a significant impact on network development short/medium term
- The hosting of the Group's Flyerlink® software is compromised, currently dual operational facilities are maintained remotely to protect against this eventuality
- Were Territory Franchises not to perform as expected, despite support structures, this could make their businesses unsustainable and restrict network growth
- Franchises may not be able to pay debts due to the Group as a result of the current economic environment. This is especially relevant to Bolt-on Franchises where the franchise is linked to another business
- Technological advances in systems and/or equipment which negate the Group's competitive advantage

Proposed dividend

The Directors have proposed a final ordinary dividend in respect of the current financial year of £932,000/2 10p per ordinary share (2009 £931,000/2 10p per ordinary share). This has not been included within creditors as it was not approved before the year end.

Dividends paid during the year comprise a special dividend of £887,000/2 0p per share, a final dividend of £931,000/2 10p per share in respect of the previous year ended 31 March 2009, together with an interim dividend in respect of the year ended 31 March 2010 of £466,000/1 05p per share.

Research and development

All research costs are written off as incurred.

Development costs are also charged to profit and loss in the year of expenditure, except when individual projects satisfy the following criteria: the project is clearly defined and related expenditure is separately identifiable, the project is technically feasible and commercially viable, current and future costs will be exceeded by future sales, and adequate resources exist for the project to be completed. In such circumstances the costs are carried forward and amortised over time in all cases over a period not exceeding five years commencing in the year when the Group begins to benefit from the expenditure.

Financial instruments

It is not the Group's policy to enter into financial derivatives for speculative or trading purposes. The financial instruments employed by the Group other than short term debtors and creditors are used to fund its operations and comprise cash, short term deposits and finance leases.

The Group's policy during the financial year ended 31 March 2010 was to place the majority of its cash on short term deposit with its bankers and to finance the purchase of significant fixed assets through finance leases.

Directors' report (continued)

Financial instruments (continued)

The Group's exposure to interest rate risk is limited to finance leases which are typically fixed rate and cash deposits which are typically floating rate

Policy and practice on payment of creditors

The Company's policy, which is also applied by the Group, is to ensure that all suppliers are dealt with in accordance with its standard payment practice whereby all outstanding trade accounts are settled within the settlement terms agreed with the supplier at the time of the supply

At 31 March 2010 the trade creditors for the Group represented 65 days (2009 74 days) and the Company 82 days (2009 67 days) of the amounts invoiced by suppliers

Directors

The following Directors have held office since 1 April 2009

R G Hardie	Non executive Chairman
A Rafferty	Chief Executive
P R Gunning	Operations Director
A Q Roberts	Finance Director
L A Wheatley	Non executive Director

A Q Roberts retires by rotation in accordance with the articles of association and, being eligible, offers himself up for re-election

All the Directors are subject to re-election at intervals of no more than 3 years

Details of Directors' interests in the share capital of the Company as shown in the register, together with details of share options granted and awards made to the Directors, are included in the Report on Directors' Remuneration on pages 14 to 16

From 3 April 2008 the Company has maintained cover for its Directors under a directors' liability insurance policy, as permitted by the Companies Act 2006

Employees

The employment policies of the Group embody the principles of equal opportunity and the Group does not discriminate against anyone on any grounds. The Group ensures that every consideration is given to applications of employment from disabled persons. If an employee became disabled, every effort would be made to offer suitable alternative employment within the Group and assistance with retraining

The Group keeps employees informed by periodic staff meetings and internal announcements and takes account of any comments and feedback provided by employees in the formulation of its policies and procedures

Health and safety

Emphasis is placed upon providing a safe and healthy working environment for employees, customers and suppliers. The Group ensures that regular risk assessments are carried out and that plant and machinery is properly maintained. Working practices are developed to embody safe systems of work and the Group ensures that employees receive ongoing instruction, training and supervision for working and health and safety issues

Social, environmental and ethical issues

The Board considers social, environmental and ethical matters in all aspects of the business of the Group. They and senior management review and assess the significant risks to the Group's short and long term value as impacted upon by social, environmental and ethical issues. The Group comply with environmental laws and regulations and work with suppliers and customers to improve the effectiveness of environmental management

Through the period the Group maintained its ISO14001 environmental accreditation

Directors' report *(continued)*

Political and charitable contributions

Neither the Company nor any of its subsidiaries made any disclosable political or charitable donations or incurred any disclosable political expenditure during the year (2009 £nil)

Annual General Meeting

The Annual General Meeting of the Company will be held on Friday 16 July 2010 at the Company's registered office address

In addition to the ordinary business the Company will also propose a number of resolutions which will be dealt with as special business. Details are contained in the Notice of the Annual General Meeting

In the opinion of the Directors, the passing of these resolutions is in the best interests of the shareholders

Disclosure of information to auditors

The Directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditors are unaware, and each Director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Group's auditors are aware of that information

Auditors

In accordance with Section 489 of the Companies Act 2006, a resolution for the re-appointment of KPMG Audit plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting

By order of the Board



A Q Roberts
Director
1 June 2010

Statement of Directors' responsibilities in respect of the annual report and the financial statements

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 group and parent company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements on the same basis.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company 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 they have been prepared in accordance with IFRSs as adopted by the EU, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business -

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

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

Corporate Governance Statement

Principles of Corporate Governance

The Company's Board of Directors appreciates the value of good corporate governance not only in the areas of accountability and risk management but also as a positive contribution to business prosperity. It believes that corporate governance involves more than a simple "box ticking" approach to establish whether a company has met the requirements of a number of specific rules and regulations. Rather the issue is one of applying corporate governance principles (including those set out in the Corporate Governance Guidelines for AIM companies published by the Quoted Companies' Alliance in February 2008) in a sensible and pragmatic fashion having regard to the individual circumstances of the Group's business. The key objective is to enhance and protect shareholder value.

Board Structure

During the year the Board comprised R G Hardie (Chairman (Non-Executive Director)), A Rafferty (Chief Executive), A Q Roberts (Finance Director), P R Gunning (Operations Director) and L A Wheatley (Non-Executive Director).

The Board is responsible to shareholders for the proper management of the Group. A statement of directors' responsibilities in respect of the accounts is set out on page 10. The Non-executive Directors have a particular responsibility to ensure that the strategies proposed by the Executive Directors are fully considered. The Non-executive Directors are considered by the Board to be independent of management and free of any relationship, which could materially interfere with the exercise of their independent judgement. R G Hardie owns shares in the Group however the Board does not consider this to bias his independence. All Non-executives receive a fixed fee for their services.

To enable the Board to discharge its duties, all Directors have full and timely access to all relevant information and there is a procedure for all Directors, in furtherance of their duties, to take independent professional advice, if necessary, at the expense of the Group. The Board has a formal schedule of matters reserved to it and normally meets 10 times a year. It is responsible for overall Group strategy, approval of major capital expenditure projects and consideration of significant financing matters.

The differing roles of Chairman and Chief Executive are acknowledged and defined in separate statements approved by the Board. The key functions of the Chairman are to conduct Board meetings and meetings of shareholders and to ensure that all Directors are properly briefed in order to take a full and constructive part in Board discussions. The Chief Executive is required to develop and lead business strategies and processes to enable the Company's business to meet the requirements of its shareholders.

Board Committees

The following Committees, which have written terms of reference, deal with specific aspects of the Group's affairs:

- The Remuneration Committee is responsible for making recommendations to the Board on the Company's framework of Executive remuneration and its cost. The Committee determines the contract terms, remuneration and other benefits for each of the Executive Directors, including performance related bonus schemes, pension rights and compensation payments. The Board itself determines the remuneration of the Non-Executive Directors. The Committee comprises R G Hardie and L A Wheatley. It is chaired by R G Hardie and meets at least once a year. The Report on the Directors' Remuneration is set out on pages 14 to 16.
- The Audit Committee comprises R G Hardie and L A Wheatley and is chaired by L A Wheatley. Its prime tasks are to review the scope of external audit, to receive regular reports from the auditors, and to review the half-yearly and annual accounts before they are presented to the Board, focusing in particular on accounting policies and areas of management judgment and estimation. The Committee is responsible for monitoring the controls which are in force to ensure the integrity of the information reported to the shareholders. The Committee acts as a forum for discussion of internal control issues and contributes to the Board's review of the effectiveness of the Group's internal control and risk management systems and processes. It meets at least twice a year including immediately before the submission of the annual and interim financial statements to the Board.

Corporate Governance Statement *(continued)*

The Audit Committee also undertakes a formal assessment of the auditors' independence each year which includes

- A review of the non-audit services provided to the Group and related fees,
- Discussion with the auditors of a written report detailing all relationships with the Company and any other parties that could affect independence or the perception of independence,
- A review of the auditors' own procedures for ensuring the independence of the audit firm and partners and staff involved in the audit, including the regular rotation of the audit partner, and
- Obtaining written confirmation from the auditors that, in their professional judgement, they are independent

An analysis of the fees payable to the external audit firm in respect of both audit and non-audit services during the year is set out in Note 3 to the financial statements

The Audit Committee advises the Board on the appointment of external auditors and on their remuneration for both audit and non-audit work, and discusses the nature and scope of the audit with the external auditors. It reviews and monitors the independence of the auditors especially with regard to non audit work

Any new Non-executive Directors will be asked to join both Committees

No formal Nomination Committee exists in view of the stage of growth of the Group. Instead, appointments to the Board are considered by the Chief Executive and other Executive Directors, and discussed with the Non- executive Directors. Appointments are made after an evaluation of the skills, knowledge and expertise required to ensure that the Board as a whole has the ability to ensure that the Group can continue to compete effectively in its market place

Risk Management and Internal Control

The Board is responsible for establishing and maintaining the Group's system of internal control, which is designed to meet the particular needs of the Group and the risks to which it is exposed. Such a system is designed to manage these risks, to provide reasonable but not absolute assurance against material misstatement or loss and to maintain proper accounting records to ensure the integrity of the financial information used within the business and for external publication

The Board has reviewed the effectiveness of the system of internal control as it operated during the period. The Board has considered whether the Group's internal controls processes would be significantly enhanced by an internal audit function and has taken the view that at the Group's current stage of development, this is not required. The Board will continue to review this matter each year. The key elements of the control system in operation are

- The Board meets regularly with a formal schedule of matters reserved to it for decision and has put in place an organisational structure with clear lines of responsibility defined and with appropriate delegation of authority,
- The Group has an Operations Manual containing written procedures for approval, managing and monitoring of sales, purchases, payroll and capital expenditure
- The Group also has information systems for monitoring its financial performance against approved budgets and forecasts

The Audit Committee receives reports from the external auditors on a regular basis and from executive directors of the Group. The Board receives periodic reports from all Committees

There are no significant issues disclosed in the report and financial statements for the financial year ended 31 March 2010 and up to the date of approval of the report and financial statements that have required the Board to deal with any related material internal control issues

Corporate Governance Statement *(continued)*

Relations with Shareholders

The Board recognises the importance of dialogue with both institutional and private investors. Effective two-way communication with fund managers, institutional investors and analysts is actively pursued and this encompasses issues such as performance, policy and strategy. During the year the Directors have had meetings with analysts and institutions and will continue to do so.

There is also an opportunity, at the Company's Annual General Meeting for individual shareholders to raise general business matters with the full Board and notice of the Company's Annual General Meeting is circulated to all shareholders at least 20 working days before such meeting. The Chairmen of the Audit and Remuneration Committees will be available at the Annual General Meeting to answer questions.

The Annual Report is to be published on the Company's website, www.printing.com which also includes previous financial reports and other announcements made during the year.

Going Concern

The Group has considerable financial resources and the number of franchise outlets continues to grow. This is expected to continue due to the comparatively low level of capital required to set up a franchise under the Printing com business model. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook. After making enquiries the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Cash flow forecasts indicate continuing cash inflows to ensure that sufficient cash is available for future trading and dividends. The group's only external funding is made up of finance leases. Accordingly they continue to adopt the going concern basis in preparing the annual report and financial statements.

Further information regarding the Groups business activities together with the factors likely to affect its future development, performance and position is set out in the business review on pages 1 to 4. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described on pages 5 and 6. In addition note 18 to the financial statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments, and its exposures to credit risk and liquidity risk.

Directors' Remuneration Report

Remuneration Committee

The Company has an established Remuneration Committee which is constituted in accordance with the recommendations of the Combined Code. The members of the Committee are George Hardie and Les Wheatley who are both independent Non-executive Directors, George Hardie chairs the Committee.

In determining the Directors' remuneration for the year, the Committee consulted the Chief Executive, Tony Rafferty, about its proposals. The Committee also sourced reports from the Company's various advisers.

Remuneration Policy

The policy of the Committee is to reward Executive Directors in line with the current remuneration of directors in comparable businesses taking into consideration the advice of independent bodies in order to recruit, motivate and retain high quality executives within a competitive market place.

There are four main elements of the remuneration packages for Executive Directors and senior management:

- Basic annual salary (including Directors' fees) and benefits,
- Annual cash bonus payments which cannot exceed 30% of basic salary, with the exception of the Chief Executive in which case it is 40%,
- Share option incentives, and
- Pension arrangements.

Basic pensionable salary

Basic pensionable salary is reviewed annually in March with increases taking effect from 1 April. In addition to basic salary, the Executive Directors also receive certain benefits in kind, principally a car and private medical insurance.

Annual cash bonus

The Committee establishes the objectives which must be met for each financial year if a cash bonus is to be paid. The purpose of the bonus is to reward Executive Directors and other senior employees for achieving above average performance which also benefits shareholders. The maximum performance related bonus that can be paid is 40% of basic salary. No incentive payments have been made for the financial year ended 31 March 2010.

Share options (audited)

Executive Directors, Peter Gunning and Alan Roberts, have options granted to them under the terms of the Company's Key Employee EMI Share Option Scheme, established 6 August 2004.

The Options impose performance criteria with individual targets for the employee and are subject to 'trigger' price points based on the mid market price of Ordinary Shares over 200 consecutive day periods. At the start of the period there were 600,000 shares under option, during the year no options were exercised, granted or lapsed.

The terms and conditions of the grants are as follows, all options are settled by physical delivery of shares.

Grant date	Executive director	Number of instruments	Exercise price	Vesting conditions	Contractual life of options
6 August 2004	P R Gunning	300,000	32.5p	Personal targets and share price trigger points	6 August 2014
6 August 2004	A Q Roberts	300,000	32.5p	Personal targets and share price trigger points	6 August 2014

The options outstanding at the yearend have an average contractual life of 4.33 years.

The valuation of share based payments under IFRS 2 is undertaken using a Monte Carlo model. The model assumes that the Option price was equal to the market price on the date of grant, the Company's share price volatility is based upon a peer group of businesses, a dividend yield and vesting periods of six years are assumed.

Directors' Remuneration Report (continued)

The model inputs were a share price of 32 5p, an exercise price of 32 5p, expected volatility of 62 37%, expected dividends of 3 01%, a term of 4 years and a risk free rate of 5 01%

Pension arrangements

The Company contributes to individual money purchase schemes for the Executive Directors

Directors' contracts

It is the Company's policy that Executive Directors should have contracts with an indefinite term providing for a maximum of six months' notice, with the exception of the Chief Executive where it is twelve months' There are no special provisions for compensation in the event of loss of office The Remuneration Committee considers the circumstances of early termination and determines compensation payments accordingly

Non-executive directors

The fees of each Non-executive Director are determined by the Board as a whole, excluding the Non-executive being reviewed, having regard to the commitment of time required and the level of fees in similar companies Non-executive Directors do not receive pension contributions

Non-executive Director's contracts are subject to three months written notice

Elements of remuneration (audited)

Year ended 31 March 2010:

	Basic salary £	Fees £	Benefits £	Bonuses £	2010 Total £	2010 Pension £
R G Hardie	-	30,115	-	-	30,115	-
L A Wheatley	-	20,077	-	-	20,077	-
A Rafferty	170,905	-	1,005	-	171,910	20,700
P R Gunning	111,126	-	282	-	111,408	10,350
A Q Roberts	73,747	-	15,017	-	88,764	7,346
	<u>355,778</u>	<u>50,192</u>	<u>16,304</u>	<u>-</u>	<u>422,274</u>	<u>38,396</u>

Year ended 31 March 2009:

	Basic salary £	Fees £	Benefits £	Bonuses £	2009 Total £	2009 Pension £
R G Hardie	-	30,116	-	-	30,116	-
L A Wheatley	-	20,077	-	-	20,077	-
A Rafferty	185,017	-	768	30,000	215,785	26,225
P R Gunning	128,036	-	215	22,000	150,252	10,292
A Q Roberts	80,424	-	15,650	15,000	111,074	7,305
	<u>393,477</u>	<u>50,193</u>	<u>16,633</u>	<u>67,000</u>	<u>527,303</u>	<u>43,822</u>

Directors' Remuneration Report (continued)

Directors' interests

At 31 March 2010, the Directors had the following beneficial interests in the Company's shares and options to subscribe for shares

	Ordinary shares of 1p each			Exercise Price	Share options	
	31 March 2010	31 March 2009			31 March 2010	31 March 2009
R G Hardie	1,674,574	1,596,149		-	-	-
A Rafferty	9,162,222	9,162,222		-	-	-
P R Gunning	684,646	684,646	a)	32 5p	300,000	300,000
A Q Roberts	320,000	320,000	a)	32 5p	300,000	300,000
L A Wheatley	-	-		-	-	-

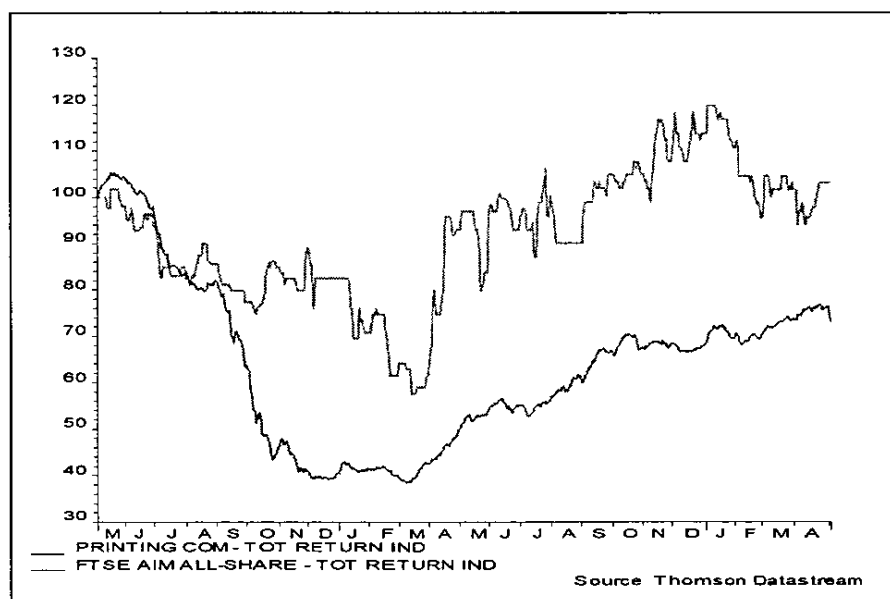
The options granted under a) have been granted under the Company's EMI scheme. These options are subject to performance criteria relating to earnings per share and are exercisable in tranches of 75,000 ordinary shares.

No Directors, including family interests, had any interests in the deferred share capital of the Company.

From the end of the year until 1 June 2010 there have been no changes in the above interests.

Performance graph

The Group's share price performance for the period under review charted with the AIM all share is shown below. The market prices of shares at 31 March 2010 was 34.00pence (2009 23.50pence). The range during 2010 was 23.50pence to 39.50pence.





KPMG Audit Plc

St James' Square
Manchester
M2 6DS
United Kingdom

Independent auditors' report to the members of Printing.com plc

We have audited the financial statements of Printing.com plc for the year ended 31 March 2010 set out on pages 19 to 50. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 explained more fully in the Directors' Responsibilities Statement set out on page 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKNP.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2010 and of the group's profit for the year then ended,
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU,
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

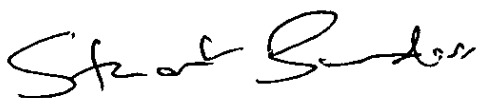
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report to the members of Printing.com plc (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



S Burdass (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
St James Square
Manchester
M2 6DS

1 June 2010

Consolidated Statement of Comprehensive Income
for the year ended 31 March 2010

	<i>Note</i>	2010 £000	2009 £000
Revenue	2	14,456	14,468
Changes in inventory of finished goods and work in progress		31	1
Raw materials and consumables used		(5,002)	(4,727)
Gross profit		9,485	9,742
Staff costs	4	(3,571)	(3,598)
Other operating charges		(2,809)	(2,877)
Depreciation and amortisation		(1,361)	(1,334)
Total expenses		(7,741)	(7,809)
Operating profit	3,4	1,744	1,933
Financial income	5	55	238
Financial expenses	5	(95)	(108)
Net financing (expense)/income		(40)	130
Profit before tax		1,704	2,063
Taxation	6	(429)	(603)
Profit for the year		1,275	1,460
Other comprehensive income for the year		-	-
Total comprehensive income for the year		1,275	1,460
Basic earnings per share	7	2.87p	3.28p
Diluted earnings per share	7	2.86p	3.27p

Consolidated Statement of Changes in Shareholder Equity

Group – year ended 31 March 2009

	Share Capital £000	Share premium £000	Merger reserve £000	Translation reserve £000	Retained earnings £000	Total £000
Opening shareholders' funds at 1 April 2008	450	3,871	211	-	2,626	7,158
Profit and total comprehensive income for the year	-	-	-	-	1,460	1,460
Dividends paid	-	-	-	-	(1,364)	(1,364)
<i>Attributable to equity holders of the company</i>						
Equity settled share based payments	-	-	-	-	-	-
Own shares acquired	-	-	-	-	(263)	(263)
Shares issued & released from Treasury	-	10	-	-	65	75
Total movement in shareholders' funds	-	10	-	-	(102)	(92)
Closing shareholders' funds at 31 March 2009	450	3,881	211	-	2,524	7,066

Group – year ended 31 March 2010

Opening shareholders' funds at 1 April 2009	450	3,881	211	-	2,524	7,066
Profit and total comprehensive income for the year	-	-	-	-	1,275	1,275
Dividends paid	-	-	-	-	(2,284)	(2,284)
<i>Attributable to equity holders of the company</i>						
Equity settled share based payments	-	-	-	-	-	-
Own shares acquired	-	-	-	-	-	-
Shares released from Treasury	-	-	-	-	10	10
Total movement in shareholders' funds	-	-	-	-	(999)	(999)
Closing shareholders' funds at 31 March 2010	450	3,881	211	-	1,525	6,067

Statement of Changes in Shareholder Equity (continued)

Company – year ended 31 March 2009

	Share capital £000	Share premium £000	Retained earnings £000	Total £000
Profit and total comprehensive income for the year	-	-	1,879	1,879
<i>Attributable to equity holders of the company</i>				
Equity settled share based payments	-	-	-	-
Own shares acquired	-	-	(263)	(263)
Issue of new shares	-	10	65	75
Dividends	-	-	(1,364)	(1,364)
Total movement in shareholders' funds	-	10	317	327
Opening shareholders' funds at 1 April 2008	450	3,871	1,503	5,824
Closing shareholders' funds at 31 March 2009	450	3,881	1,820	6,151

Company – year ended 31 March 2010

	Share capital £000	Share premium £000	Retained earnings £000	Total £000
Profit and total comprehensive income for the year	-	-	1,606	1,606
<i>Attributable to equity holders of the company</i>				
Equity settled share based payments	-	-	-	-
Own shares acquired	-	-	-	-
Shares released from treasury	-	-	10	10
Dividends paid	-	-	(2,284)	(2,284)
Total movement in shareholders' funds	-	-	(668)	(668)
Opening shareholders' funds at 1 April 2009	450	3,881	1,820	6,151
Closing shareholders' funds at 31 March 2010	450	3,881	1,152	5,483

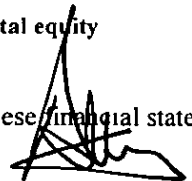
The notes on pages 24 to 51 form part of these financial statements

Consolidated and Company Statement of Financial Position

At 31 March 2010

	Note	Group 2010 £000	2009 £000	Company 2010 £000	2009 £000
Non-current assets					
Property, plant and equipment	8	3,672	4,328	-	-
Investments in subsidiaries	9	-	-	574	574
Intangible assets	9	1,614	1,283	-	-
Deferred tax assets	10	3	2	-	-
Other receivables	12	103	253	1,000	1,000
Total non-current assets		5,392	5,866	1,574	1,574
Current assets					
Inventories	11	141	110	-	-
Trade and other receivables	12	3,239	3,313	3,919	3,517
Cash and cash equivalents	13	2,138	3,391	37	1,091
Total current assets		5,518	6,814	3,956	4,608
Total assets		10,910	12,680	5,530	6,182
Current liabilities					
Other interest-bearing loans and borrowings	14	(653)	(689)	-	-
Trade and other payables	15	(2,118)	(1,887)	(29)	(22)
Current tax payable	6	(221)	(370)	-	-
Accruals and deferred income	15	(993)	(1,057)	(18)	(9)
Other liabilities	15	(145)	(165)	-	-
Total current liabilities		(4,130)	(4,168)	(47)	(31)
Non-current liabilities					
Other interest-bearing loans and borrowings	14	(200)	(889)	-	-
Deferred tax liabilities	10	(513)	(557)	-	-
Total non-current liabilities		(713)	(1,446)	-	-
Total liabilities		(4,843)	(5,614)	(47)	(31)
Net assets		6,067	7,066	5,483	6,151
Equity attributable to equity holders of the parent					
Share capital	17	450	450	450	450
Share premium		3,881	3,881	3,881	3,881
Merger reserve		211	211	-	-
Translation reserve		-	-	-	-
Retained earnings		1,525	2,524	1,152	1,820
Total equity		6,067	7,066	5,483	6,151

These financial statements were approved by the board of directors on 1 June 2010 and were signed on its behalf by


A Q Roberts
Director

Consolidated and Company Statement of Cash Flows
for year ended 31 March 2010

	<i>Note</i>	Group		Company	
		2010	2009	2010	2009
		£000	£000	£000	£000
Cash flows from operating activities					
Profit for the year		1,275	1,460	1,606	1,879
<i>Adjustments for</i>					
Depreciation, amortisation and impairment		1,361	1,334	-	-
Net finance expense / (income)		40	(130)	(1,301)	(2,036)
Gain on sale of property, plant and equipment		-	2	-	-
Equity settled share-based payment transactions		-	-	-	-
Foreign exchange (loss)/gains		(28)	61	-	-
Tax expense / (income)		429	603	-	(43)
Operating cash flow before changes in working capital and provisions		3,077	3,330	305	(200)
Change in trade and other receivables		224	114	(402)	(98)
Change in inventories		(31)	(1)	-	-
Change in trade and other payables		147	76	16	7
Cash generated from / (used in) Operations		3,417	3,519	(81)	(291)
Interest paid		(67)	(108)	-	-
Income tax paid		(624)	(715)	-	-
Net cash inflow/(outflow) from operating activities		2,726	2,804	(81)	(291)
Cash flows from investing activities					
Proceeds from sale of plant and equipment		-	9	-	-
Interest received		55	177	1	36
Acquisition of plant and equipment	8	(268)	(70)	-	-
Development expenditure	9	(767)	(522)	-	-
Dividends received		-	-	1,300	2,000
Net cash (used in) / generated by investing activities		(980)	(406)	1,301	2 036
Cash flows from financing activities					
Proceeds from the issue of share capital	17	10	65	10	75
Repurchase of own shares	17	-	(263)	-	(263)
Payment of finance lease liabilities		(725)	(839)	-	-
Dividends paid	17	(2,284)	(1,364)	(2,284)	(1,364)
Net cash used in financing activities		(2,999)	(2 509)	(2,274)	(1,552)
Net (decrease)/increase in cash and cash equivalents		(1,253)	(111)	(1,054)	193
Exchange losses on cash and cash equivalents		-	-	-	-
Cash and cash equivalents at start of year		3,391	3,502	1,091	898
Cash and cash equivalents at 31 March	13	2,138	3,391	37	1,091

Notes

(forming part of the financial statements)

1 Accounting policies

Basis of preparation

Printing com plc (the "Company") is a company incorporated and domiciled in the UK

The Group financial statements consolidate those of the Company and its subsidiaries (together referred to as the "Group"). The parent company financial statements present information about the Company as a separate entity and not about its Group

The Group has considerable financial resources and the number of franchise outlets continues to grow. This is expected to continue due to the comparatively low level of capital required to set up a franchise under the Printing com business model. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook. After making enquiries the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Cash flow forecasts indicate continuing cash inflows to ensure that sufficient cash is available for future trading and dividends. The group's only external funding is made up of finance leases. Accordingly they continue to adopt the going concern basis in preparing the annual report and financial statements.

Further information regarding the Groups business activities together with the factors likely to affect its future development, performance and position is set out in the business review on pages 1 to 4. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described on pages 5 & 6. In addition note 18 to the financial statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposures to credit risk and liquidity risk.

Change in accounting policy

In these financial statements the following Adopted IFRSs which are effective for the first time, have had a material affect on the presentation and disclosure of the financial statements and comparatives have been restated accordingly.

Amendments to IAS 1 'Presentation of financial statements' – This standard introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income, or in an income statement and a separate statement of comprehensive income. The group has elected to present all income and expense in the Consolidated statement of comprehensive income. Other primary statements have also been re-named in line with the standard.

IFRS 8 'Operating segments' – This introduces the "management approach" to segment reporting which is based on the internal reports reviewed by the group's Chief Operating Decision Maker in order to assess each segments performance and allocate resources to them. The prior year disclosures have been restated in line with the standard (see note 2).

Statement of Compliance

Both the parent company financial statements and the Group financial statements have been prepared by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"). On publishing the parent company financial statements here together with the Group financial statements, the Company is taking advantage of the exemption in s408 of the Companies Act 2006 not to present its individual Statement of Comprehensive Income statement and related notes that form a part of these approved financial statements.

The financial statements were approved by the Board of Directors on 1 June 2010.

The financial statements have been drawn up for the year ended 31 March 2010 and all references to financial year refer to this period. The comparative financial information presented represents the year ended 31 March 2009.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these consolidated financial statements. The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments.

Notes (continued)

1 Accounting policies (continued)

Basis of consolidation

The Group financial statements comprise the financial statements of the Company and all of its subsidiaries made up to the financial year end. Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Accounting policies are consistently applied throughout the Group. Intercompany balances and transactions have been eliminated. Profits from inter company sales, to the extent that they are not yet realised outside the Group, have also been eliminated.

Use of estimates and judgements

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described below and discussed in note 23.

Note 9 Intangibles

Note 12 Trade and other receivables

Note 16 Share option schemes

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short term highly liquid investments.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and impairments.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under finance leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. Lease payments are accounted for as described below.

Depreciation is charged to profit and loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

Depreciation

Fixtures and fittings	-	20% - 33% straight line
Plant and equipment	-	10% - 30% straight line
Domain name	-	5% straight line
Leasehold improvements	-	over remaining lease life

Investments

Investments in subsidiaries are stated at cost. Where in the opinion of the Directors an impairment of the investment has arisen, provisions are made in accordance with IAS 36 'Impairment of Assets'.

Notes (continued)

1 Accounting policies (continued)

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and is valued at purchased cost. Net realisable value is based on estimated selling price less additional costs to completion and necessary costs to make the sale.

Intangible assets

Research and development costs

All research costs are written off as incurred.

Development costs are also charged to the profit and loss account in the year of expenditure, except when individual projects satisfy the following criteria: the project is clearly defined and related expenditure is separately identifiable, the project is technically feasible and commercially viable, current and future costs will be exceeded by future sales, and adequate resources exist for the project to be completed. In such circumstances the costs are carried forward and amortised over time in all cases over a period not exceeding five years commencing in the year when the Group begins to benefit from the expenditure.

Amortisation on patents, trademarks and development costs is charged to profit and loss on a straight-line basis over the useful economic life of the asset.

Patents and trademarks - 20 years

Capitalised development costs - 5 years

Impairment reviews of the carrying value of development expenditure are undertaken annually.

Software

External expenditure on computer systems and software is stated at cost less accumulated amortisation and impairment losses. Amortisation is on a straight-line basis over the useful economic life of the asset, which is expected to be no more than five years.

Customer lists

Intangible assets include customer lists purchased on the buy-back of Stores from existing franchisees. Customer lists are valued at cost less accumulated amortisation and impairment losses. Amortisation is on a straight line basis over a 3 year period (2009 three years).

Revenue

Revenue represents the invoiced amount, net of Value Added Tax, of goods sold and services provided to customers outside the Group and is recognised as follows -

- For printing services revenue is recognised on completion of the print run at the fair value of the consideration receivable net of any discounts or commissions as the risks and rewards of the inventory pass to the Franchisee upon completion of printing. Revenue recognised relates only to amounts invoiced to franchisees rather than the full amount paid by the end customer.

Notes (continued)

1 Accounting policies (continued)

Revenue (continued)

- Licence fees are receivable as an initial fee raised at the start of the franchise agreement and a secondary fee payable annually on the anniversary of the agreement

Initial fees relate to specific services provided at the start of the franchise agreement (training and set-up) as well as the right to ongoing use in the initial period of the Printing com brand and network and for territory franchisees their entitlement to the territory. Revenue in relation to the services provided at the start of the franchise agreement is recognised on completion of the services as detailed in the franchise agreement and represents the fair value of the services provided. The element of the fee in relation to ongoing use of the Printing com brand and network is spread over the period to the anniversary of the licence agreement (normally a twelve month period) representing the period over which the rights are made available.

Secondary fees primarily relate to the ongoing use for the renewal period of the Printing com brand and network and for territory franchisees preserving their entitlement to the territory. The element of the fee in relation to ongoing use of the Printing com brand and network and entitlement to the territory is spread over the period to the next anniversary date of the licence agreement (normally a twelve month period) representing the period over which the rights are made available.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in profit and loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years. Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying value amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

Interest bearing borrowings

Interest bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

Impairment of assets

The carrying amounts of the Group's assets other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit and loss.

Intangible assets that are not yet available for use were tested for impairment as at 1 April 2008, the date of transition to adopted IFRS's, even though no indication of impairment existed.

Notes (continued)

1 Accounting policies (continued)

Calculation of recoverable amount

The recoverable amount of the Group's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Operating lease payments

Payments made under operating leases are recognised in profit and loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit and loss as an integral part of the total lease expense over the term of the lease.

Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Financing costs

Interest income and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in profit and loss on the date the entity's right to receive payments is established.

Employee benefits

Defined contribution plan

The Group operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the Group. The annual contributions payable are charged to profit and loss.

Share based payments

The share option programme allows Group employees to acquire shares in the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option valuation model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is due only to share prices not achieving the threshold for vesting.

The fair value of share options granted to employees of subsidiary companies is recorded as an increase in the investment carrying value in that subsidiary company.

Notes (continued)

1 Accounting policies (continued)

Financial instruments

Financial instruments issued by the Group are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions

- (a) they include no contractual obligations upon the Company (or Group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company (or Group), and
- (b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Where a financial instrument that contains both equity and financial liability components exists these components are separated and accounted for individually under the above policy. The finance cost on the financial liability component is correspondingly higher over the life of the instrument.

Finance payments associated with financial liabilities are dealt with as part of finance expenses. Finance payments associated with financial instruments that are classified in equity are dividends and are recorded directly in equity.

The Group does not hold or issue derivative financial instruments for trading purposes.

Foreign currencies

Foreign currency transactions are recorded at the exchange rate prevailing at the date of the transaction. At each Balance Sheet date, monetary assets and liabilities denominated in foreign currencies are retranslated at the

exchange rate prevailing at the Balance Sheet date. Translation differences on monetary items are taken to profit and loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in foreign currency are translated using the exchange rate at the date of transaction.

The financial statements of overseas subsidiaries are translated into sterling at the exchange rate ruling at the Balance Sheet date, income and expenses are translated at exchange rates at the date of transaction. The resulting surpluses and deficits are taken directly to the cumulative translation differences reserve and are reported in the consolidated statement of changes in shareholders' equity.

On disposal of a foreign subsidiary any cumulative exchange differences held in shareholders' equity are transferred to the Consolidated Statement of Comprehensive Income.

Trade and other receivables

Trade and other receivables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Trade and other payables

Trade and other payables are recognised initially at fair value. Subsequent to initial recognition they are measured at amortised cost using the effective interest method.

Notes (continued)

1 Accounting policies (continued)

New standards and interpretations that have been endorsed, but which are not yet effective and not early adopted:

The following Adopted IFRSs that have been endorsed were available for early application but have not been applied by the Company in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated.

IFRS 3 'Business Combinations' (Revised) – is effective for reporting periods beginning on or after 1 July 2009 and applies prospectively. Key changes are that transaction costs are expensed other than debt/equity income costs (previously all costs were capitalised), goodwill is fixed at the date of acquisition, subsequent adjustments go through the income statement, contingent payments which require future services (such as an earn out) that are forfeited if employment ceases are treated, in full, as post acquisition remuneration.

IAS 27 'Consolidated and Separate Financial Statements' (Amended) – is effective for reporting periods beginning on or after 1 July 2009 and applies prospectively. The standard deals with changes to the accounting for non-controlling (minority) interests and deals primarily with the accounting for changes in ownership interests in subsidiaries after control is obtained, the accounting for the loss of control of subsidiaries, and the allocation of profit or loss to controlling and non-controlling interests in a subsidiary.

The Group continues to monitor the potential impact of other new standards and interpretations which may be endorsed by the European Union and require adoption by the Group in future reporting periods.

2 Segmental information

In adopting IFRS 8 – Operating Segments for the first time, the group has disclosed two reportable segments, being printing services and franchise income. This disclosure correlates with the information which is presented to the Chief Operating Decision Maker, the Chief Executive, who reviews revenue (which is considered to be the primary growth indicator ahead of TRS) by segment. The group's costs, finance income, tax charges, net assets and capital expenditure are only reviewed by the Chief Operating Decision Maker at a consolidated level and therefore have not been allocated between segments in the analysis below.

Of the group revenue of £14,456,000, £13,580,000 was generated in the UK (2009 £13,372,000). Revenue generated outside the UK is primarily attributable to the Republic of Ireland (£424,000, 2009 £708,000) and France (£326,000, 2009 £81,000). No single customer provided the group with over 10% of its revenue.

Notes (continued)

2 Segmental information (continued)

Analysis by type

	Printing services £000	Franchise Income £000	Total £000
Period ended 31 March 2010			
Segment revenues	13,458	998	14,456
Operating Expenses			12,712
Results from operating activities			1,744
Net finance costs			(40)
Profit before tax			1,704
Tax			(429)
Profit for the period			1,275
Assets			
Unallocated assets			6,067
	Printing services £000	Franchise Income £000	Total £000
Period ended 31 March 2009			
Segment revenues	13,275	1,193	14,468
Operating Expenses			12,535
Results from operating activities			1,933
Net finance income			130
Profit before tax			2,063
Tax			(603)
Profit for the period			1,460
Assets			
Unallocated assets			7,066

Notes (continued)

3 Profit before taxation and auditors' remuneration

Included in profit/loss are the following:

	2010 £000	2009 £000
Operating lease rentals	351	317
Amortisation of intangible assets	437	378
Depreciation	924	956
(Loss)/Profit on foreign currency transactions	(28)	61

Auditors' remuneration:

	2010 £000	2009 £000
Audit of these financial statements	34	28
Amounts receivable by auditors and their associates in respect of		
Audit of financial statements of subsidiaries pursuant to legislation	8	8
Other services relating to taxation	44	31

Amounts paid to the Group's auditor in respect of services to the Company, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis

4 Staff numbers and costs

The average number of persons employed by the Group (including Directors) during the year, analysed by category, was as follows

	Number of employees			
	Group		Company	
	2010	2009	2010	2009
Administration	15	15	2	2
Sales and distribution	39	34	-	-
Production	62	64	-	-
	<u>116</u>	<u>113</u>	<u>2</u>	<u>2</u>

The aggregate payroll costs of all employees, including Directors, were as follows

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
Wages and salaries	3,150	3,192	50	52
Share based payments (see note 16)	-	-	-	-
Social security costs	340	329	5	5
Other pension costs	81	77	-	-
	<u>3,571</u>	<u>3,598</u>	<u>55</u>	<u>57</u>

Notes (continued)

4 Staff numbers and costs (continued)

Key management remuneration:

	2010	2009
	£000	£000
Key managements' emoluments	422	527
Share based payments (see note 17)	-	-
Company contributions to money purchase pension plans	38	44
Amounts paid to third parties in respect of managers' services	-	-
	<u>460</u>	<u>571</u>

The Group considers the key management to be the Directors of the Group, information covering Directors' remuneration is set out in full in the Directors Remuneration Report on pages 14 to 16

The aggregate of emoluments for the highest paid Director was £172,000 (2009 £216,000), and Company pension contributions of £21,000 (2009 £26,000) were made to a money purchase scheme on their behalf

Directors for whom retirement benefits are accruing under money purchase schemes amounted to 3 (2009 3)

5 Finance income and expense

	2010	2009
	£000	£000
Bank interest income	4	74
Other interest	51	103
	<u>55</u>	<u>177</u>
Net foreign exchange gain	-	61
	<u>55</u>	<u>238</u>
Financial income	<u>55</u>	<u>238</u>
Interest expense on financial liabilities	67	108
Net foreign exchange loss	28	-
	<u>95</u>	<u>108</u>
Financial expenses	<u>95</u>	<u>108</u>

Other interest relates to interest received on loans and overdue balances from franchisees

Notes (continued)

6 Taxation

Recognised in profit and loss

	2010 £000	2009 £000
Current tax expense		
Current year	682	742
Foreign tax	11	8
Adjustments for prior years	(219)	(42)
	<u>474</u>	<u>708</u>
Deferred tax expense		
Origination and reversal of temporary differences(see note 10)	(154)	(108)
Adjustment in respect of prior year for intangibles	110	-
Other adjustments for prior years	(1)	3
	<u>(45)</u>	<u>(105)</u>
Total tax in profit and loss	<u>429</u>	<u>603</u>

The adjustment in the tax expense for prior years is primarily due to R&D tax reclaims. These amounts are only recognised by the group when the claims have been completed and cash received. The amounts reclaimed differ from the development costs capitalised under IAS and therefore the difference is not recognised as part of the tax base of these assets.

Reconciliation of effective tax rate

	2010 £000	2009 £000
Profit for the period	1,704	2,063
Total tax expense	(429)	(603)
	<u>1,275</u>	<u>1,460</u>
Profit after taxation		
Tax using the UK corporation tax rate of 28% (2009 28%)	477	578
Permanent differences	45	41
Overseas tax losses not recognised	17	-
Effect of equity settled share based payments	-	-
Deferred tax on shares	-	23
Adjustments in respect of prior periods – current tax	(219)	(42)
Adjustments in respect of prior periods – deferred tax	109	3
Movement due to change in tax rate	-	-
	<u>429</u>	<u>603</u>
Total tax expense		

The Group Tax Creditor amounts to £221,000 (2009 £370,000)

Notes (continued)

7 Earnings per share

The calculations of earnings per share are based on the following profits and numbers of shares

	2010 £000	2009 £000
Profit after taxation for the financial year	1,275	1,460
Weighted average number of shares		
	2010 Number of Shares	2009 Number of shares
For basic earnings per ordinary share	44,360,807	44,485,293
Exercise of share options	282,891	216,330
For diluted earnings per ordinary share	44,643,698	44,701,623

8 Property, plant and equipment – Group

	Land and buildings £000	Plant and equipment £000	Motor Vehicle s £000	Fixtures and Fittings £000	Total £000
Cost					
Balance at 3 April 2008	574	7,323	-	580	8,477
Additions	-	(37)	-	107	70
Disposals	(15)	(56)	-	-	(71)
Effect of movement in foreign exchange	-	-	-	4	4
Balance at 31 March 2009	559	7,230	-	691	8,480
Balance at 1 April 2009	559	7,230	-	691	8,480
Additions	34	98	33	103	268
Disposals	-	(171)	-	(66)	(237)
Effect of movements in foreign exchange	-	-	-	-	-
Balance at 31 March 2010	593	7,157	33	728	8,511
Depreciation and impairment					
Balance at 3 April 2008	252	2,628	-	380	3,260
Depreciation charge for the year	57	795	-	104	956
Disposals	(15)	(49)	-	-	(64)
Balance at 31 March 2009	294	3,374	-	484	4,152
Balance at 1 April 2009	294	3,374	-	484	4,152
Depreciation charge for the year	58	763	5	98	924
Disposals	-	(171)	-	(66)	(237)
Balance at 31 March 2010	352	3,966	5	516	4,839

Notes (continued)

8 Property, plant and equipment – Group (continued)

Net book value					
At 1 April 2008	322	4,695	-	200	5,217
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 March and 1 April 2009	265	3,856	-	207	4,328
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 March 2010	241	3,191	28	212	3,672
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Leased plant, machinery and fixture & fittings

At 31 March 2010 the net carrying amount of leased plant, machinery and fixture & fittings was £1,770,000(2009 £2,498,000) The lease obligations are secured by the leased equipment

9 Intangible assets and investments

Group

	Domain name £000	Software £000	Development costs £000	Customer Lists £000	Other £000	Total £000
Cost						
Balance at 1 April 2008	337	1,410	260	146	9	2,162
Acquisitions – internally developed	-	-	79	-	-	79
Acquisitions – externally purchased	-	225	-	213	5	443
Disposals	-	(238)	-	-	-	(238)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance at 31 March 2009	337	1,397	339	359	14	2,446
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance at 1 April 2009	337	1,397	339	359	14	2,446
Acquisitions – internally developed	-	-	118	-	-	118
Acquisitions – externally purchased	-	268	-	376	5	649
Disposals	-	(303)	-	-	-	(303)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance at 31 March 2010	337	1,362	457	735	19	2,910
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Amortisation and impairment						
Balance at 3 April 2008	133	839	22	29	-	1,023
Amortisation for the year	16	232	63	66	1	378
Disposals	-	(238)	-	-	-	(238)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance at 31 March 2009	149	833	85	95	1	1,163
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance at 1 April 2009	149	833	85	95	1	1,163
Amortisation for the year	17	248	73	98	1	437
Disposals	-	(303)	-	-	-	(303)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Balance at 31 March 2010	166	778	158	193	2	1,297
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Notes (continued)

9 Intangible assets and investments (continued)

Net book value						
At 1 April 2008	204	571	238	117	9	1,139
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 March and 1 April 2009	188	564	254	264	13	1,283
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 March 2010	171	584	299	542	17	1,614
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Amortisation and impairment charge

The amortisation charge of £437,000 (2009 £378,000) is recognised in profit and loss within depreciation and amortisation expenses. An impairment charge of nil (2009 £nil) was recognised during the year.

Impairment testing

Customer lists in intangible assets relate to the value placed upon customer lists of Stores. Applying IAS36 these intangible assets are being amortised over three years respectively and are tested annually on a store by store basis for impairment.

Acquisition of businesses

During the year the group acquired the trade and assets of a number of franchises. As these acquisitions are not individually material disclosure has been made on a consolidated basis. Total consideration of £376,000 was paid in respect of the franchises, settled by outstanding amounts due to the group.

Effect of acquisition

The acquisition had the following effect on the company's assets and liabilities:

	Pre- acquisition £000	Fair value adjustments £000	Recognised on acquisition £000
<i>Acquiree's net assets at the acquisition date</i>			
Property, plant and equipment	-	-	-
Intangible assets	-	376	376
Trade and other receivables	-	-	-
Cash and cash equivalents	-	-	-
Trade and other payables	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Net identifiable assets	-	376	376
	<u> </u>	<u> </u>	<u> </u>
Consideration paid (settlement of outstanding amounts due to the group)			(376)
			<u> </u>
Net cash outflow			-
			<u> </u>

The intangible assets attached to the acquisition are the customer lists described above.

Notes (continued)

Intangible assets and investments (continued)

Company

	Shares in subsidiary undertakings £000	Total £000
Cost		
Balance at 3 April 2008	503	503
Share based payment adjustment	71	71
Balance at 31 March 2009	574	574
Balance at 1 April 2009	574	574
Share based payment adjustment	-	-
Balance at 31 March 2010	574	574

The Company owns the whole of the issued ordinary share capital of the following undertakings

Subsidiary undertaking	Nature of business
Printing com Europe Limited	Printing
Printing com (UK Franchise) Limited	Franchise contracts
Printing com Franchise Limited	Franchise contracts
Printing com France SA	Franchise contracts

10 Deferred tax assets and liabilities – Group

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following

	Assets		Liabilities	
	2010 £000	2009 £000	2010 £000	2009 £000
Property, plant and equipment	-	-	513	557
Other	(3)	(2)	-	-
Employee benefits	-	-	-	-
Tax (assets)/liabilities	(3)	(2)	513	557

Notes (continued)

10 Deferred tax assets and liabilities (continued)

Movement in deferred tax during the year

	31 March 2009 £000	Adjustment for prior years £000	Recognised in income £000	31 March 2010 £000
Property, plant and equipment	557	109	(153)	513
Employee benefits	-	-	-	-
Provisions	-	-	-	-
Other timing differences	(2)	-	(1)	(3)
	<u>555</u>	<u>109</u>	<u>(154)</u>	<u>510</u>

Movement in deferred tax during the prior year

	3 April 2008 £000	Adjustment for prior years £000	Recognised in income £000	31 March 2009 £000
Property, plant and equipment	685	3	(131)	557
Employee benefits	(23)	-	23	-
Provisions	-	-	-	-
Other timing differences	(2)	-	-	(2)
	<u>660</u>	<u>3</u>	<u>(108)</u>	<u>555</u>

Company

The Company had no deferred tax assets or liabilities as at 31 March 2010 (2009 £nil)

11 Inventories

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
Raw materials and consumables	138	107	-	-
Work in progress	3	3	-	-
	<u>141</u>	<u>110</u>	<u>-</u>	<u>-</u>

Raw materials, consumables and changes in work in progress recognised as cost of sales in the year amounted to £31,000 (2009 £1,000) There were no inventory write-offs in the year (2009 nil)

Notes (continued)

12 Trade and other receivables

	Group		Company	
	2010	2009	2010	2009
	£000	£000	£000	£000
Other receivables due from subsidiary companies	-	-	3,912	3,502
Trade receivables and prepayments	3,157	3,083	-	-
Interest receivable	6	19	-	-
Other receivables	76	211	7	15
	<u>3,239</u>	<u>3,313</u>	<u>3,919</u>	<u>3,517</u>

At 31 March 2010 trade receivables are shown net of an allowance for doubtful debts of £336,000 (2009 £349,000)

Other receivables represent loans receivable from franchisees and are stated net of an impairment provision of £2,000 (2009 £40,000)

An analysis of impairment losses recognised in the year is given in note 18

Trade and other receivables denominated in currencies other than sterling comprise £335,000 (2009 £268,000) of trade receivables and £nil (2009 £6,000) of other receivables denominated in Euro

Non-current assets included the following amounts falling due after more than one year

	Group		Company	
	2010	2009	2010	2009
	£000	£000	£000	£000
Other receivables due from subsidiary companies	-	-	1,000	1,000
Other receivables	103	253	-	-
	<u>103</u>	<u>253</u>	<u>-</u>	<u>-</u>

13 Cash and cash equivalents

	Group		Company	
	2010	2009	2010	2009
	£000	£000	£000	£000
Cash and cash equivalents	2,138	3,391	37	1,091
	<u>2,138</u>	<u>3,391</u>	<u>37</u>	<u>1,091</u>

Cash denominated in currencies other than Sterling comprise £116,000 (2009 £187,000) denominated in Euro

14 Other interest-bearing liabilities

This note provides information about the contractual terms of the Group and Company's interest-bearing liabilities. For more information about the Group and Company's exposure to interest rate and foreign currency risk, see note 18

	Group		Company	
	2010	2009	2010	2009
	£000	£000	£000	£000
Non current liabilities				
Finance lease liabilities	200	889	-	-
	<u>200</u>	<u>889</u>	<u>-</u>	<u>-</u>
Current liabilities				
Current portion of finance lease liabilities	653	689	-	-
	<u>653</u>	<u>689</u>	<u>-</u>	<u>-</u>

Notes (continued)

14 Other interest-bearing liabilities (continued)

Finance lease liabilities

	Minimum lease payments 2010 £000	Interest 2010 £000	Principal 2010 £000	Minimum lease payments 2009 £000	Interest 2009 £000	Principal 2009 £000
Group						
Less than one year	683	30	653	756	67	689
Between one and five years	202	2	200	922	33	889
	<u>885</u>	<u>32</u>	<u>853</u>	<u>1,678</u>	<u>100</u>	<u>1,578</u>

All finance lease liabilities are denominated in sterling. Obligations under finance leases and hire purchase contracts are secured on the related assets, ownership in full of those assets passes to the Group on completion of the leases.

15 Trade and other payables

	Group		Company	
	2010 £000	2009 £000	2010 £000	2009 £000
Other trade payables	2,118	1,887	29	22
Accruals and deferred income	993	1,057	18	9
Other liabilities	145	165	-	-
	<u>3,256</u>	<u>3,109</u>	<u>47</u>	<u>31</u>

Other trade payables denominated in currencies other than Sterling comprise £7,000 (2009 £20,000) denominated in Euro.

16 Employee benefits

Defined contribution pension plans

The Group operates a number of defined contribution pension plans. The total expense relating to these plans in the current year was £81,000 (2009 £77,000).

Share-based payments – Group employees

The Group established an EMI Share Option Scheme on 6 August 2004, the Options impose performance criteria with individual targets for the employee and are subject to 'trigger' price points based on the mid market price of Ordinary Shares over 200 consecutive day periods. At the start of the period there were 2,200,000 shares under option, during the year 30,000 options were exercised. The weighted average share price at the date of exercise of share options exercised during the year was 31 13p (2009 no options exercised).

The terms and conditions of the grants are as follows, whereby all options are settled by physical delivery of shares.

Grant date/employees entitled	Number of instruments	Vesting	Contractual life of options
6 August 2006	2,415,000	Personal targets and share price trigger points	6 August 2014

Notes (continued)

16 Employee benefits (continued)

The options outstanding at the year end have an exercise price of 32.5p and an average contractual life of 5.33 years

The number and weighted average exercise prices of employee share options are as follows

	Weighted average exercise price 2010	Number of options 2010	Weighted average exercise price 2009	Number of Options 2009
Outstanding at the beginning of the period	32.5p	2,200,000	32.5p	2,415,000
Forfeited during the period	32.5p	(162,500)	32.5p	(215,000)
Exercised during the period	32.5p	(30,000)	-	-
Granted during the period	-	-	-	-
Lapsed during the period	-	-	-	-
Outstanding at the end of the period	32.5p	2,007,500	32.5p	2,200,000

The valuation of share based payments under IFRS 2 is undertaken using a Monte Carlo model. The model assumes that the Option price was equal to the market price on the date of grant, the Company's share price volatility is based upon a peer group of businesses, a dividend yield and vesting periods of six years are assumed.

The model inputs were a share price of 32.5p, an exercise price of 32.5p, expected volatility of 62.37%, expected dividends of 3.01%, a term of 4 years and a risk free rate of 5.01%. The calculated fair value of these options at the date of grant is £0.1232.

The total expense recognised for the period arising from share based payments in respect of employees was £nil(2009 £nil).

Share-based incentives – Third parties

The Company established share option schemes for Franchisees to incentivise them to drive the Printing com business forward and to align their interests with the Company and its Shareholders. Options were granted to Franchisees when they entered their Territory Franchise Agreements. Once granted the Options only vest in tranches when pre-defined challenging revenue targets are met. Subsequently, vested options may only be exercised when the market price of Ordinary Shares has exceeded certain levels for a period of not less than 200 days.

No options were exercised during the year. The weighted average share price at the date of exercise of share options exercised during the prior year was 49.88p.

The number and weighted average exercise prices of share options issued to third parties, principally Franchisees, are as follows:

	Weighted average exercise price 2010	Number of options 2010	Weighted average exercise price 2009	Number of Options 2009
Outstanding at the beginning of the period	41.86p	2,060,000	37.97p	2,865,000
Forfeited during the period	40.17p	(150,000)	32.46p	(430,000)
Exercised during the period	-	-	20.00p	(325,000)
Granted during the period	-	-	-	-
Lapsed during the period	-	-	62.50p	(50,000)
Outstanding at the end of the period	41.43p	1,910,000	41.86p	2,060,000

The valuation of share based payments for third parties under IFRS 2 is undertaken using the Monte Carlo model used for the employee EMI option scheme. The model assumes that the Option price was equal to the market price on the date of grant, the Company's share price volatility is based upon a peer group of businesses, a dividend yield and vesting periods of six years are assumed.

There are currently two option schemes.

Notes (continued)

16 Employee benefits (continued)

July 2004 the model inputs were a share price and exercise price of 28 5p, expected volatility of 65 61%, expected dividends of 3 01%, a term of 6 years and a risk free rate of 5 16% The calculated fair value of these options at the date of grant is £0 1199

October 2006 the model inputs were a share price and exercise price of 62 5p, expected volatility of 60 51%, expected dividends of 3 01%, a term of 6 years and a risk free rate of 4 40% The calculated fair value of these options at the date of grant is £0 2499

The total expenses recognised for the period arising from share based payments in respect of franchisees was £nil (2009 £nil)

17 Share capital

Share capital - Group and Company

	Ordinary shares 2010	2009
In thousands of shares		
On issue at 31 March 2009	44,993	44,993
Issued for cash	-	-
On issue at 31 March 2010 – fully paid	44,993	44,993
Shares held in Treasury by the Company	(614)	(644)
Shares on the market	44,379	44,349
	£000	£000
<i>Allotted, called up and fully paid</i>		
44,993,465 (2009 44,993,465) ordinary shares of £0 01 each	450	450
63 deferred shares of £0 10 each	-	-
	450	450

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company

The holders of deferred shares shall not be entitled to any participation in the profits or the assets of the Company and the deferred shares do not carry any voting rights

During the year the Company did not purchase any ordinary shares in the prior year it purchased 768,702 £0 01 ordinary shares, to be held in Treasury, for a consideration of £263,000 an average of 34 14p per share

During the year the Company issued 30,000 ordinary shares from Treasury for a consideration of £10,000 for an employee option exercised at a price of 32 5p

The total cost of treasury shares held at 31 March 2010 was £205,000 (2009 £280,000)

Notes (continued)

17 Share capital (continued)

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity which was 0.29 (2009 0.27) at the year end. The Board of Directors also monitors the level of dividends to ordinary shareholders.

At present employees hold 28.81 percent of ordinary shares, assuming that all outstanding share options are exercised.

There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Dividends

	2010 £000	2009 £000
Final dividends paid in respect of prior year but not recognised as liabilities in that year	931	896
Interim dividends paid in respect of the current year	466	468
Special Dividend declared in the prior year	887	-
Total dividend paid in the year	2,284	1,364

After the balance sheet date dividends of £932,000/2.10p per qualifying ordinary share (2009 £931,000/2.10p per qualifying ordinary share) were proposed by the Directors. The dividends have not been provided for.

18 Financial instruments

An explanation of the Group's objectives, policies and strategies for the role of derivatives and other financial instruments can be found on page 7. It is not the Group's policy to enter into financial derivatives for speculative or trading purposes. The financial instruments employed by the Group other than short term debtors and creditors are used to fund its operations and comprise cash, short term deposits and finance leases.

The Group's policy during the financial year ended 31 March 2010 and 31 March 2009 was to place the majority of its cash on short term deposit with its bankers and to finance the purchase of significant fixed assets through finance leases.

Credit risk

Group

The Group's credit risk is primarily attributable to trade and other receivables both current and non-current. Trade receivables are included in the balance sheet net of doubtful receivables, estimated by the Group's management. The maximum credit risk in respect of the group's and company's financial assets at the year end is represented by the balance outstanding on trade receivables and other receivables due from franchisees as shown below.

During the year the group have used the Pay As You Go (PAYG) model to manage debtors. This model ensures that total debts do not increase while continuing to serve the customer base. Interest of between 3.5% and 5.5% was charged on PAYG debts during the year. Repayment plans have been entered into separately for certain PAYG debtors and make up £771,000 of total gross debtors. The group retains the right to re-call debts ahead of the payment plans agreed.

Notes (continued)

18 Financial instruments (continued)

Credit risk (continued)

Group (continued)

The ageing of trade receivables and other receivables (not including prepayments) due from franchisees at the reporting date was

	31 March 2010		31 March 2009	
	Total £000	Impairment £000	Gross £000	Impairment £000
Not past due	2,045	-	2,185	-
Past due 0 – 30 days	470	-	426	-
Past due 31 – 90 days	385	-	290	-
Past due 90 days and over	578	(338)	834	(389)
	<u>3,478</u>	<u>(338)</u>	<u>3,735</u>	<u>(389)</u>

Impairment

	£000
Balance at 3 April 2008	161
Impairment loss recognised	(185)
Increase in impairment allowance	413
	<u>389</u>
Balance at 31 March 2009	389
	<u>(154)</u>
Impairment loss recognised	103
Increase in impairment allowance	
	<u>338</u>
Balance at 31 March 2010	338

Of the total impairment provision £127,000 relates to franchises that have ceased trading

Company

The Company did not have either trade receivables at the year end

Interest rate risk

Group

The Group's exposure to interest rate risk is limited to finance leases which are typically fixed rate and cash deposits which are typically floating rate. The disclosures below with the exception of currency exposure, exclude short-term debtors and creditors

Notes (continued)

18 Financial instruments (continued)

Liquidity risk

The following are the contractual maturities of financial liabilities including estimated interest payments and excluding the impact of netting agreements

31 March 2010

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
	£'000	£'000	£'000	£000	£000	£000	£000
Finance lease liabilities	853	885	342	341	202	-	-
Trade and other payables	3,067	3,067	3,067	-	-	-	-
	<u>3,920</u>	<u>3,952</u>	<u>3,409</u>	<u>341</u>	<u>202</u>	<u>-</u>	<u>-</u>

31 March 2009

	Carrying amount	Contractual cash flows	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
	£'000	£'000	£'000	£000	£000	£000	£000
Finance lease liabilities	1,578	1,678	361	396	719	202	-
Trade and other payables	2,811	2,811	2,811	-	-	-	-
	<u>4,389</u>	<u>4,489</u>	<u>3,172</u>	<u>396</u>	<u>719</u>	<u>202</u>	<u>-</u>

Notes (continued)

18 Financial instruments (continued)

Effective interest rates and repricing analysis – Group

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they mature or, if earlier, are repriced

	Effective interest rate %	2010				2009						
		Total £000	0 – <1years £000	1 to <2years £000	2 to <5years £000	5years and over £000	Effective interest rate %	Total £000	<1years £000	0 to <1years £000	1 to <2years £000	2 to 5years and over £000
Cash and cash equivalents	2.17%	2,028	2,028	-	-	-	3.36%	3,131	3,131	-	-	-
Finance lease liabilities*	5.80%	853	652	201	-	-	5.96%	1,578	689	688	201	-
		2,881	2,680	201	-	-		4,709	3,820	688	201	-

* These liabilities bear interest at a fixed rate

Effective interest rates and repricing analysis – Company

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they mature or, if earlier, are repriced

	Effective interest rate %	2010				2009					
		Total £000	5 years and over			Total £000	5 years and over				
			0 – <1years £000	1 to <2years £000	2 to <5years £000		<1years £000	1 to <2years £000	2 to <5years £000		
Cash and cash equivalents	0.30%	37	37	-	-	3.77%	1,091	1,091	-	-	-

Notes (continued)

18 Financial instruments (continued)

Interest rate risk(cont).

Assets on which interest was earned were as follows at the year end

	Group Carrying amount		Company Carrying amount	
	2010 £000	2009 £000	2010 £000	2009 £000
Variable rate instruments				
Cash	2,028	3,131	37	1,091
Other receivables from franchises	181	504	-	-
	<u>2,209</u>	<u>3,635</u>	<u>37</u>	<u>1,091</u>

Sensitivity analysis

A change in 100 basis points in interest rates at the reporting date would have increased/(decreased) profit on variable rate instruments with an equal adjustment to equity, given all factors remained constant, as follows

	100 point increase		100 point decrease	
	2010 £000	2009 £000	2010 £000	2009 £000
Group	22	36	(22)	(36)
Company	-	11	-	(11)

Foreign currency risk

Group

The Group transacts some business in foreign currency, principally Euro, and therefore incurs some transaction risk. The risk does not warrant hedging activity by the Group to defend against the impact of exchange rate movements.

The Group's exposure to foreign currency risk denominated in GBP was as follows -

	31 March 2010		31 March 2009	
	Euro £000	GBP £000	Euro £000	GBP £000
Trade receivables	335	3,158	268	3,164
Cash and cash equivalents	116	2,022	187	3,204
Trade payables	(7)	(2,111)	(20)	(1,867)
	<u>444</u>	<u>3,069</u>	<u>435</u>	<u>4,501</u>

Sensitivity analysis

In managing interest rate and currency risks the Company and Group aims to reduce the impact of short-term fluctuations on the Company and Group's earnings.

At 31 March 2010, it is estimated that a general increase of one percentage point in the value of the Euro would increase the Group's profit before tax by approximately £5,000 (2009 £5,000) with an equal adjustment to equity.

Notes (continued)

18 Financial instruments (continued)

Fair values

The fair values together with the carrying amounts shown in the balance sheet are as follows

	Carrying amount	Fair value	Carrying amount	Fair value
	2010	2010	2009	2009
	£000	£000	£000	£000
Trade receivables	3,157	3,157	3,083	3 083
Other receivables from franchises	179	179	464	464
Cash	2,138	2,138	3,391	3 391
Trade payables	(2,118)	(2,118)	(1,887)	(1,887)
Finance lease liability	(853)	(914)	(1,578)	(1,742)
Net exposure	2,503	2,442	3,473	3,309

Determination of fair values

Fair values have been determined for measurement and/or disclosure purposes based on the following methods

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date

Trade payables

The fair value of trade and other payables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date

Finance lease liability

The fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. The market rate of interest for finance leases is determined by reference to similar lease agreements.

19 Operating leases

Non-cancellable operating lease rentals are payable as follows

	Group		Company	
	2010	2009	2010	2009
	£000	£000	£000	£000
Plant and machinery				
Less than one year	11	5	-	-
Between one and five years	13	1	-	-
Land and buildings				
Less than one year	285	307	-	-
Between one and five years	802	884	-	-
More than five years	119	190	-	-
	1,230	1,387	-	-

The most significant lease in Land and buildings is that of the Manchester Production Hub and Head office

Notes (continued)

19 Operating leases (continued)

Group

During the year £350,000 (2009 £317,000) was recognised as an expense in profit and loss in respect of operating leases

20 Capital commitments

Group and Company

The Group and Company have no commitments to incur capital expenditure at the year end (2009 £nil)

21 Contingencies

Neither the Group or the Company had contingencies at the year end (2009 £nil)

22 Related parties

The Company receives dividends from its subsidiary Printing com Europe limited In the year ended 31 March 2010 a £1,300,000 dividend was received (2009 £2,000,000) Total sales to subsidiary undertakings were £nil (2009 £nil) and total expenses incurred from subsidiary undertakings were £nil (2009 £nil) The amounts outstanding at the year-end from subsidiary undertakings are shown in note 12

Transactions with key management personnel

Directors of the Company control 26.52 per cent of the voting shares of the Company

The compensation of the Directors, who are the key management personnel, is disclosed in the Directors Remuneration Report see pages 14 to 16 and note 4

23 Accounting estimates and judgements

Recoverability of receivables

The Group review outstanding loan balances and overdue trade debtors on a regular basis and make provisions against those balances considered most at risk In estimating the bad debt provision management will consider the level of debt over 90 days overdue, agreement and compliance with payment plans and the ability to offset the risk against related payables and the territory franchise

Intangibles – capitalisation of software and development costs

The Board hold that the Group's key differentiator is its proprietary software Flyerlink and that it is essential to continue investing in this asset Development projects are agreed with a user forum to improve functionality for the UK Franchise Network Separate projects are defined for international expansion and for new initiatives such as that of the Network Partners Development costs are capitalised where a project has been defined, tested and successfully implemented Programming is carried out by third parties who work to a detailed specification and schedule The Group's policy is to amortise these costs over 5 years whilst the software in question remains in use

Share based payments

The Group operate schemes for both Employees and Franchisees During the year no new options were granted and the assumptions applied in the Monte Carlo model used in 2009 were maintained A detailed assessment of option holders ability to meet non-market based considerations is performed at each balance sheet date See note 16 for further details