ANNUAL REPORT & ACCOUNTS 2013

printing.com® plc

CONTENTS

FINANCIAL SUMMARY

	2013		2012		2011	
	£000	%	£000	%	£000	%
Group Turnover	**20,664**		21,768		17,016	
Annual Growth	**(5.1)%**		27.9%		17.7%	
Gross Profit	**11,211**	**54.3%**	11,634	53.4%	9,942	58.4%
EBITDA	**2,809**	**13.6%**	3,434	17.8%	2,861	17.8%
Operating Profit Before Exceptionals	**1,111**	**5.4%**	1,300	8.6%	1,462	8.6%
Annual Growth	**(14.54)%**		(11.1)%		(16.2)%	
Profit Before Tax	**891**		1,258		1,311	
Annual Growth	**(29.17)%**		(4.0)%		(23.1)%	
Taxation	**(86)**		(158)		(385)	
Tax Rate	**9.7%**		12.6%		29.4%	
Profit on Ordinary Activities After Tax	**805**		1,100		926	
Dividend declared on equity shares	**1,213**		1,213		1,479	
Earnings per ordinary share - basic	**1.69p**		2.33p		2.04p	
Earnings per ordinary share - diluted	**1.69p**		2.32p		2.02p	
Interim Dividend per ordinary share	**1.05p**		1.05p		1.05p	
Final Dividend per ordinary share	**1.50p**		1.50p		2.10p	
Total Dividend per ordinary share	**2.55p**		2.55p		3.15p	
	£000		£000		£000	
Net Funds	**1,394**		1,771		1,217	
Group Revenues						
UK & Ireland	**12,549**	**60.7%**	13,781	63.3%	13,738	80.7%
Europe	**7,893**	**38.2%**	7,794	35.8%	3,095	18.2%
Rest of the World	**222**	**1.1%**	193	0.9%	183	1.1%
Total Group Revenue	**20,664**	**100.0%**	21,768	100.0%	17,016	100.0%

REVENUE STREAMS

Online Channels
Order online, pay online.

Revenue Generated:
• Print Revenue

flyerzone.co.uk
flyzerzone.ie
flyerzone.nl
flyerzone.fr

drukland.nl
drukland.be

Franchise Partners
Design studios featuring the printing.com brand selling face to face and offering print management online.

Revenue Generated:
• Licence Fees
• Print Revenue
• Master Franchise Revenue

Franchises
printing.com/uk
printing.com/fr
printing.com/ie
Master Licenses
us.printing.com
nz.printing.com

branddemand.com
Available in UK, The Netherlands,
New Zealand, Ireland and The United States

W3P Partners
Saas cloud based software for designers and printers offering web-2-print and other online tools.

Revenue Generated:
• Subscription Fees
• Print Revenue

w3p.com

w3shop.com

Software Solutions
A SaaS offering crowdsourced templated graphic design to other online printers via an application programming interface (API).

Revenue Generated:
• Subscription Fees
• Template Fees

templatecloud.com

Printing.com's revenue streams

CHAIRMAN'S STATEMENT

The key development within the year under review was the successful launch of the Company's new 'Software as a Service' (SaaS), W3P.com and Templatecloud.com offerings. This type of service is also referred to as 'Cloud Computing'.

These SaaS offerings leverage the Group's software and other intellectual property and thereby significantly have reduced development costs to date. Notwithstanding this, establishing these SaaS offerings has incurred material operational costs during the year under review impacting on Company earnings.

However, moving forward we believe that these new SaaS offerings will open up material new opportunities for the Group.

Les Wheatley – Chairman

RESULTS

During the year, printing volumes contracted, resulting in a decrease in turnover of 5.1% to £20.66m (*2012: £21.77m*). This decrease, together with the subsidy of the new SaaS initiatives, resulted in EBITDA before exceptional costs contracting by 18.1% to £2.81m from £3.43m last year. Operating profit, before exceptional costs, decreased by 14.6% to £1.11m (*2012: £1.30m*).

The exceptional cost of £0.18m, incurred in the period, was principally the severance payment made to the outgoing Director of the Group's Dutch subsidiary. Profit before tax reflected this and contracted by 29.4% to £0.89m (*2012: £1.26m*)

TemplateCloud API integration on partner website needaprint.ie

CASH

The Company had net cash of £1.42m (*2012: £1.87m*) at the year end.

During the year, the Group repaid £0.08m of debt and finished the year with negligible legacy debt of £0.02m. Capital investment totalled £1.56m (*2012: £1.38m*), funded through operational cash flows. This principally reflected the ongoing investment in the Group's new SaaS offerings.

CAPITAL REDUCTION

Having gained Shareholder support at the last AGM the Company received Court approval to the capital reorganisation on 8 August 2012 increasing distributable reserves in the Company by £4.08m through the cancellation of the share premium account.

DIVIDEND

When updating the market on 20 February 2013, the Board reported its intention to recommend the payment of a final dividend at the same level as the previous year, having taken into account not just the Company's earnings but the near absence of debt together with the underlying cash generation. This remains the Boards position and it recommends a final dividend of 1.50p to be paid on 2 August 2013 to Shareholders on the register at the close of business on 5 July 2013. This would make a total dividend for the year of 2.55p (*2012: 2.55p*).

Moving forward, the Board believes that until the scalability and cash requirements of the new initiatives are established, a dividend policy requiring that proposed dividends are covered by earnings should be adopted.

PEOPLE AT PRINTING.COM

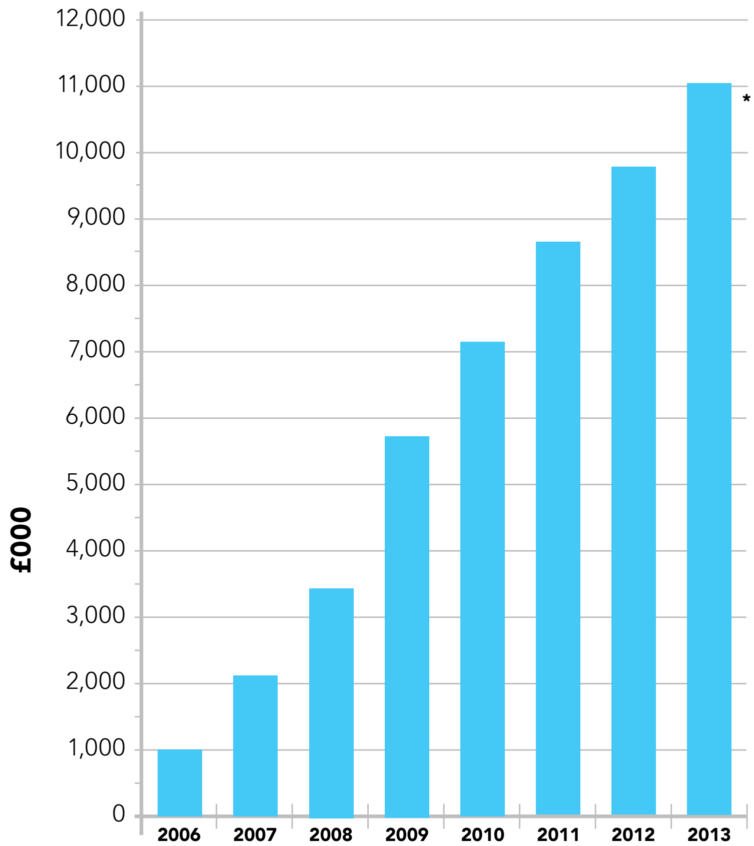
With the advent of the new SaaS offerings, the endeavours of our employees and partners are becoming more diverse and demanding, and I accordingly thank them one and all for their respective efforts.

CHANGE OF NAME

The Company's name previously represented the single focus of our business activities, today the Group and its offering are more diverse. In particular, the Printing.com plc name causes confusion and misunderstanding when marketing the TemplateCloud and W3P SaaS offerings.

It is therefore our intention to table a resolution at the AGM to change the Company's name from Printing.com plc to Grafenia plc to reflect the broad 'graphic nature' of the Group's activities.

CUMULATIVE RETURN TO SHAREHOLDERS



* Including proposed final dividend

The Manchester Production Hub

OUTLOOK

The Company embarks on its new SaaS initiatives with significant net cash and strong underlying cash generation.

In the short term, we believe that the majority of the Group's earnings will continue to be generated from the sale of printing. The print market remains competitive, but we believe the Group's channels Flyerzone, BrandDemand and Drukland together with the augmented Printing.com formula position the Group well to compete.

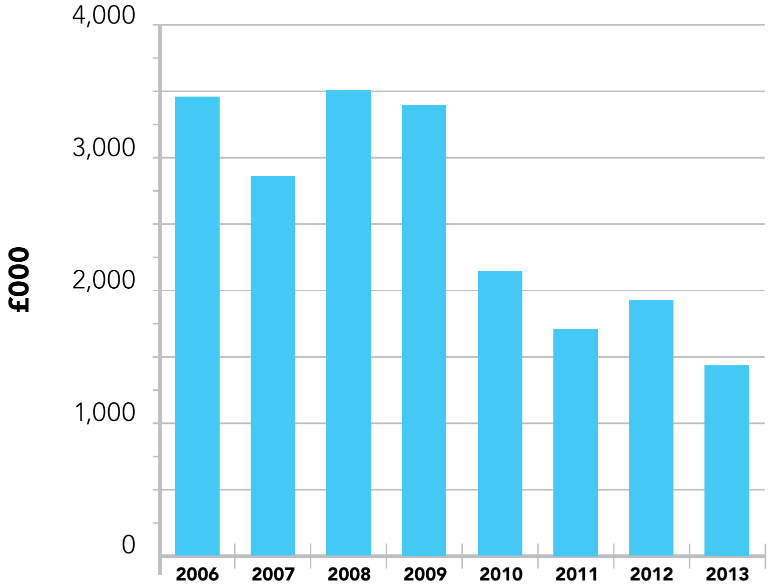
We are now at the juncture where we believe the new SaaS formulas, W3P and Templatecloud.com, will gain momentum and by the end of the current year make a positive contribution to earnings on a monthly basis.

Various elements of the new SaaS offerings have already been 'internationalised' and readied for use in multiple languages. This reflects our belief that we can commercially exploit the SaaS technology in other territories via agents, master license owners and the like.

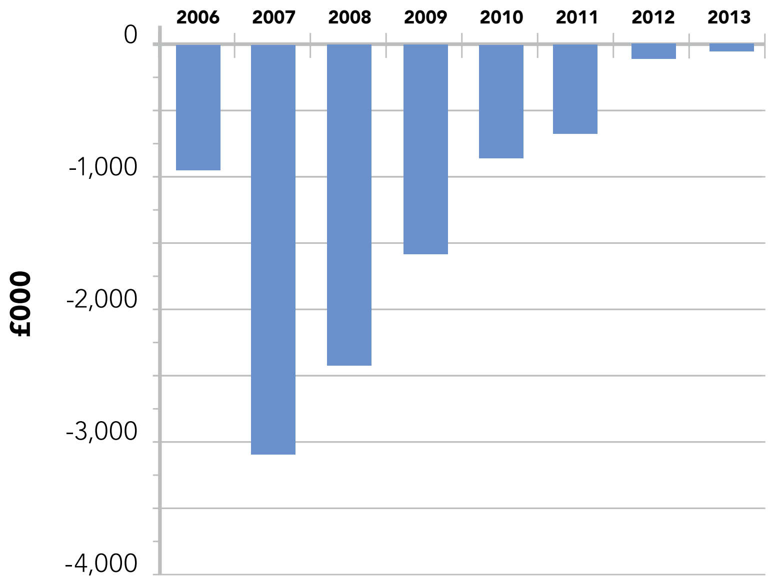
Given the early stage of exploiting the SaaS offerings it is appropriate that we remain cautious about the scope for earnings growth during the current financial year. However, moving forward we believe that the Group has a clearly defined strategy and significant opportunities for growth.

Les Wheatley
Chairman
10 June 2013

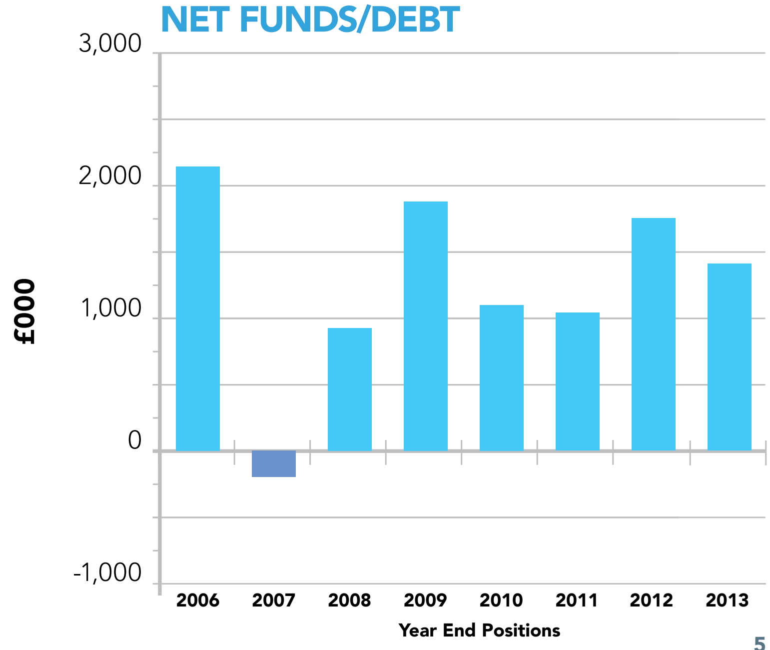
CASH



DEBT



NET FUNDS/DEBT



① Flyerzone.co.uk Home Page.

② Designs listed by business type.

③ End client edits their design using Fotolia library.

③ End client configures printing.

⑤ End client pays securely online.

⑥ Printed, finished, boxed and shipped.

Flyerzone.co.uk Editing and Ordering Process

CHIEF EXECUTIVE'S STATEMENT

OVERVIEW OF STRATEGY

The sale of printing through the Printing.com franchise network and online via Flyerzone, Drukland, BrandDemand remains important to the Group. Indeed, in the short term, this activity is likely to continue to generate the majority of Group's earnings and is strongly cash generative.

Worldwide, there are more printing companies wanting to sell online and needing the necessary systems to do so. This provides an opportunity to leverage the Group's software and make it available to companies wishing to sell online via a new SaaS formula. The SaaS revenue model is based on 'pay-per-month', 'pay-per-click' and 'pay-per-design'.

We are now at the point where our new SaaS initiatives, W3P® and Templatecloud.com have moved from development to deployment.

Moving forward, the Group will have three distinct revenue streams; printing services via its franchised and online channels, secondly W3P.com a SaaS based platform for the graphic arts sector and finally TemplateCloud.com, a SaaS based offering selling 'templated' graphic design.

REVIEW OF TRADING – UK&IE

Sales across the Printing.com network were £12.55m (*2012: £13.78m*) the reduction reflecting a competitive marketplace and increased online competition.

To arrest this decline, we have configured W3P® so that partners can order printing via the system. Indeed, to date a number of Printing.com Franchisees have converted to the W3P® format yet continue to utilise the Group's printing facilities. Collectively this enables the Group to broaden its 'reseller' base and increase the lifetime value of its partners.

REVIEW OF TRADING - FRANCE

Sales from France across all channels progressed marginally to £0.57m (*2012: £0.54m*).

REVIEW OF TRADING - BELGIUM

Trading across the Group's Drukland.be channel exhibited encouraging progress to £1.21m (*2012: £0.80m*). In the period Drukland.be added the Group's TemplateCloud® platform which contributed to sales.

REVIEW OF TRADING - NETHERLANDS

Sales from the Group's Dutch channels, Flyerzone.nl and Drukland.nl contracted by 5.3% to £6.12m (*2012: £6.46m*), reflecting increased competition.

However, taking out the effect of exchange rate variations; the underlying contraction, measured in Euro sales, was just 2.3%.

TemplateCloud® content was added during the second half to Drukland.nl and will follow shortly onto Flyerzone.nl when its website is upgraded.

Tony Rafferty – Chief Executive

printing.com Edinburgh

Template designs are crowdsourced from graphic designers

Our channels

TemplateCloud designs are sold via our own channels and independent partners

Templates are translated for use in several countries

Partner websites

BRANDDEMAND

BrandDemand is an alternative brand used by the Company's Printing.com franchisees when offering a print management service. Its revenue for the year increased to £0.58m (*2012: £0.29m*). This reflected the addition of many new clients and the maturing of other accounts.

Moving forward we expect additional growth for BrandDemand UK. The formula has also been recently launched in the Netherlands.

TemplateCloud international launch at Graph Expo, Chicago

FLYERZONE UK

Flyerzone.co.uk is a low-cost, online only service targeting SOHO clients. Clients progress their orders by uploading a PDF file or by choosing a design Template from the Company's TemplateCloud® system, which is featured on the site.

During the year revenues grew to £0.68m (*2012: £0.09m*). The run rate for March 2013 was circa £0.11m reflecting the ongoing growth.

Establishing Flyerzone has to date required significant marketing investment thereby requiring subsidy from the Group's other activities. Our objective for Flyerzone UK is that it makes a positive contribution, on a monthly basis, by the close of the current financial year.

TEMPLATECLOUD.COM

In the Interim Report we highlighted that the TemplateCloud® formula was being positioned as a stand alone SaaS offering and a revenue stream in its own right rather than as an element of the Group's own channels.

The concept of TemplateCloud® is to 'crowdsource' graphic design from freelance contributors. The TemplateCloud® software converts the 'graphic designer's work' from an industry standard file format into a proprietary format capable of being edited via a web browser.

Updated BrandDemand logo and collateral

Templates cover the promotional needs of a vast array of SOHO types. The English library now contains in excess of 11,000 templates. The content has been translated into French, Dutch, Spanish, Italian, Portuguese, Swedish and German along with US Imperial sizes.

The first such agreement is now in place via a partnership with Needaprint.co.uk and Needaprint.ie.

Terms have been agreed with a number of other online printers, in various territories, to add this functionality.

Moving forward we believe that TemplateCloud® will be added to a material number of online printers thereby leveraging the Group's intellectual property.

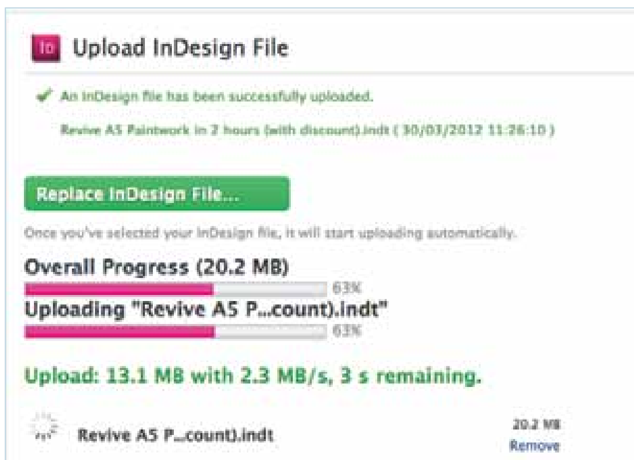
web-2-print software for designers and printers

w3p was developed by leveraging the legacy printing.com flyerlink® platform

Enhanced client editor experience

NO UP-FRONT FEES
FROM ONLY
£199
per month

W3P is offered at a low entry price with pay-per-click charges



Template 'build' direct from an industry standard file format in under 10 minutes

W3P web-2-print software

W3P

W3P® is the Company's new SaaS based formula for graphic designers, printers and the like. The system provides online ordering, proofing, studio management, in-house and third party production. It also includes the Company's template technology providing web-to-print functionality.

The foundation of W3P® is the Company's established Flyerlink® software, developed originally for use by Printing.com Franchisees. This has enabled the powerful and sophisticated W3P® platform to be developed at a significantly lower cost and more expeditiously than would otherwise have been the case.

W3P® partners pay a license fee of £99 - £199 per month depending on the chosen functionality. Above a certain threshold partners also pay micro fees, typically £2 or £3 per order.

During the final quarter of the year 11 of these agreements were completed – post the year end the user base has continued to grow.

The W3P® platform is now being readied for use across many EU countries, the US and Australia. During the current year we looked to put in place agents to promote W3P® in these other territories and anticipate that this will gain momentum.

BOARD CHANGES

Following taking up a new position in Canada, Dr. Christian Deckart has announced his intention to step down from his role as a Non-Executive Director at the Group's AGM on 19 July 2013. On behalf of the Board I would like to express our thanks to Christian for his hard work and contribution to the development of the Group.

Number of live templates available internationally

Sold: **48** Times
Design fee: £1920.25

Sold: **39** Times
Design fee: £334.89

Sold: **68** Times
Design fee: £4543.22

Sold: **37** Times
Design fee: £1291.20

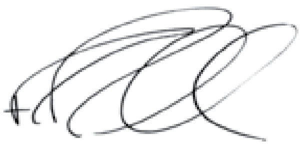
Sold: **23** Times
Design fee: £1357.83

Sold: **31** Times
Design fee: £1697.28

CURRENT TRADING

Across our core markets the sale of printing remains broadly in line with the Company's internal budget and the prior year. The pipeline for new W3P® partners remains encouraging and we believe this bodes well for the grant of additional licenses moving forward.

We are also engaged in meaningful discussions with a number of international partners who could, promote the W3P® and TemplateCloud® offerings in their respective countries.



Tony Rafferty
Chief Executive
10 June 2013

W3P daily webinar training – direct to your desk

New products like Opuleaf Foil Business Cards and Showcards add to the appeal of the printing.com franchise and help retain partners

FINANCIAL REVIEW

Alan Roberts – Finance Director

REVENUE

Group revenues decreased by 5.1% to £20.66m (*2012: £21.77m*). Revenue from the Eurozone was 38.1% of the total (*2012: 35.8%*).

EBITDA for the Group, before exceptional costs, decreased by 18.1% to £2.81m (*2012: £3.43m*).

Pre Tax Profit, before exceptional costs, decreased to £1.11m (*2012: £1.30m*). Exceptional costs of £0.18m were incurred in the period, principally being the severance payment made to Hans Scheffer, the MD of the Group's Dutch subsidiary, reducing Pre Tax Profit to £0.89m (*2012: £1.26m*)

GROSS PROFIT

The Group's simple definition of Gross Profit has been revenue less direct materials (including the cost of distribution when made direct to customers). MFG cost of sales included the manufacturing conversion cost, as they are supplied by third party commercial printers. Increased integration in the supply chain has meant that in the second half of the year more MFG production was supplied by the UK Hub resulting in Gross Profit increasing as a percentage from 53.4% to 54.3% although it reduced overall to £11.21m (*2012: £11.63m*) In line with the decrease in revenue.

EBITDA

The Group define EBITDA as operating profit, before exceptional costs, plus depreciation and amortisation. The year showed a decrease to £2.81m being 13.6% (*2012: £3.43m 19.9%*) of turnover.

'White label' buying guide with recommended prices for clients and unpriced product samples (above)

PRE-TAX PROFIT

The Group recorded a pre-tax profit of £0.89m (*2012: £1.26m*), being 4.3% (2012: 5.8%) of Group revenue.

Staff costs increased in the year to £4.83m (*2012: £4.47m*), and rose as a percentage of revenue to 23.4% from 20.5%. The increase in staff costs reflected the investment in the establishment and development of the new sales Channels. The depreciation and amortisation charge for the year was £1.70m (*2012: £2.13m*), last year these charges had peaked as the investment in the Hub Infrastructure, Territory Rights and Customer Lists approach the end of their useful economic lives fall away. The most significant element remains the charge for the amortisation of Software Development.

INTEREST RECEIVED AND CHARGED

Interest received and charged in the period were negligible.

TAXATION

In the year the standard rate for tax was 24% (*2012: 24%*). The charge for the current year is £0.09m or 9.7% of PBT (*2012: £0.16m or 12.7%*). 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 1.69p (*2012: 2.33p*), the weighted average number of shares used was 47,557,835. Diluted EPS achieved was 1.69p (*2012:2.32p*), the weighted average number of shares used was 47,610,446. The year closed with 47,557,835 ordinary shares in issue.

CASH FLOW

At the year end the Group had cash balances of £1.42m (*2012: £1.87m*). After debt of £0.02m in MFG legacy bank loans Net Funds were £1.39m (*2012: £1.77m*). Operational cash inflow remained strong at £2.72m (*2012: £3.54m*). The most significant cash outflow being dividends paid of £1.21m (*2012: £1.49m*).

CAPITAL EXPENDITURE

The total expenditure for the year was £1.56m (*2012: £1.38m*). The major item being Software Development charges for the online initiatives and computing infrastructure £1.17m (*2012: £0.86m*) There were no Franchises reverting to Company ownership in the period and no Customer Lists were acquired (*2012 :£0.33m*).

Manufacturing capacity at the Manchester Hub provides scope for growth without additional capital expenditure. Capital expenditure will therefore continue to be mainly incurred on software development and enhancement at levels similar to that seen in 2013.

SHARE CAPITAL AND SHARE OPTIONS

No employee options were exercised or granted during the year.

During the year the Company did not purchase any of its own shares.

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 minimal, having cleared all finance lease agreements. The Group uses leasing or hire purchase at periods of up to 5 years to finance purchases of major items of plant where it is considered to be a more effective use of funds.

The Group operates in Holland, Belgium, France, Ireland and Switzerland and therefore has overseas assets and liabilities which are income generating and thus any currency movements are considered to be a low risk.

Alan Q. Roberts
Finance Director
10 June 2013

Embossini Business Cards launched in 2012

DIRECTORS

Les Wheatley FCA **– Chairman**

Les brings substantial expertise to the Board in the fields of corporate governance, finance, logistics, change management and affinity marketing gained with Newcastle United FC and Liverpool FC.

Les was Finance Director at Liverpool FC until January 2009, a position he took in 2000, moving from a similar post with Newcastle United FC.

Les gained his logistics and change management expertise with Ernst & Young before going on to lead the employee buy-out of GM Buses where he was subsequently appointed MD. A successful exit followed, via a trade sale to Stagecoach Group plc in 1996.

Les joined the Group in September 2000 and is Chairman of the Audit Committee. Age 60.

Tony Rafferty – Chief Executive

Tony studied Electronics and Electrical Engineering at Sheffield University from 1987, developing an interest in marketing and promotional activity whilst managing Student Union entertainments. He worked in First Leisure's Superbowl division briefly in 1990 before operating as a self-employed print broker. In 1992 he founded a printing company which subsequently became Printing.com Europe Ltd and which was acquired by the Company shortly before its admission to Ofex in 2000. He has shaped the Group over the past decade and devised its business and sales models. He also designed and developed the Flyerlink® system which defines the Group's work flow. Age 45.

Peter Gunning MA **– Chief Technology Officer**

After obtaining his Masters Degree in Accountancy and Finance from Heriot-Watt University in 1997, Peter established The Design Foundry Scotland Limited and was a client of the business. Since joining the Group in 1998, he has been responsible for developing the Printing.com Store concept associated marketing and operations infrastructure.

Peter was appointed to the Board in June 2001. Age 37.

Alan Q Roberts FCMA **– Finance Director**

Alan qualified as a Chartered Management Accountant in 1981 whilst company accountant of Moon Brothers Engineering. He then moved to the Edward Billington Group as divisional accountant and from there he joined Dalgety as group accountant for the Merseyside production facilities. Moving to CQR in 1987 (acquired by Expamet International in 1988) as management accountant, he was subsequently appointed financial director & company secretary in 1991. The company was sold to Channel Holdings in 1995 and in 1997 he was appointed operations director by which time the company had turnover of c£20m per annum.

Alan joined the Group in June 1999. Age 57.

Dr. Christian Deckart – Non-Executive Director

Christian brings considerable financial expertise to the Company having worked as an equity analyst with Commerzbank in Frankfurt, Merrill Lynch in London and RV Capital GmbH in Switzerland where he was Partner until June 2009. Whilst at Commerzbank AG in 2005 Christian completed his doctoral thesis in law. Since 2009 he has remained in Switzerland working as a Portfolio Manager for Investmentaktiengesellschaft für langfristige Investoren TGV (Langfrist).

Christian was appointed to the Board in June 2012. Age 36.

Pavel Begun – Non-Executive Director

Pavel is based in Toronto, Canada and has global financial and operational expertise having worked in equity research for Fiduciary Asset Management and A.G.Edwards & Sons. He graduated with Honours from the University of Chicago with an M.B.A. in Accounting and Finance and is also a Chartered Financial Analyst and a member of the Toronto Society of Financial Analysts. Pavel is currently a managing partner of 3G Capital Management LLC, a global value-oriented investment vehicle which he co-founded operating from Toronto and Chicago. Pavel is also a Non-Executive Director of AlarmForce Industries Inc. (TSX: AF), a leading North American residential alarm monitoring company.

Pavel was appointed to the Board in November 2012. Age 34.

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 2013.

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, Ireland and France through a chain of outlets, some of which are owned but most are Franchises, and through recently developed Online channels. Media Facility Group BV provides the Group with Online sales in Holland, Belgium and France. It is expected that the Online methodology will be used to enter new territories particularly the 'Software as a Service' (Saas), W3P.com and TemplateCloud.com offerings. This type of service is also referred to as 'Cloud Computing'.

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 3 to 17.

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 which impacts 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.
- 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.

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.
- 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.

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 2013 the trade creditors for the Group represented 44 days (*2012: 40 days*) and the Company 59 days (2012: 62 days) of the amounts invoiced by suppliers.

DIRECTORS

The following Directors have held office since 1 April 2012:

L A WHEATLEY	*Non executive Chairman*
A RAFFERTY	*Chief Executive*
P R GUNNING	*Chief Technology Officer*
A Q ROBERTS	*Finance Director*
DR C H DECKART	*Non executive – Appointed 25 June 2012*
P BEGUN	*Non executive Director – Appointed 26 November 2012*
R G HARDIE	*Non executive Director – Resigned 20 July 2012*
H.SCHEFFER	*Managing Director MFG BV – Resigned 9 August 2012*

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

Dr C H Deckart, P Begun and A Q Roberts retire by rotation in accordance with the articles of association. P Begun and A Q Roberts, being eligible, offer themselves up for re-election.

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 24 to 26.

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 via the Company's Intranet, 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.

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 (*2012: £nil*).

PRINCIPLES OF CORPORATE GOVERNANCE

The Directors Statement of Corporate Governance can be viewed on the Company's web site at www.printing.com.

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on Friday 19 July 2013 at the Golden Tulip Hotel, Waters Reach, Trafford Park, Manchester, M17 1W.

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 THE AUDITOR

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 auditor 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 auditor is aware of that information.

AUDITORS

Our auditor, KPMG Audit Plc has instigated an orderly wind down of business. The Board has decided to put KPMG LLP forward to be appointed as auditor and resolution concerning their appointment will be put to the forthcoming AGM of the Company.

By order of the Board

A Q Roberts
Director
10 June 2013

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. Under that law they have elected to prepare both the group and the parent company financial statements in accordance with IFRSs as adopted by the EU and applicable law. 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.

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 Les Wheatley and Dr. Christian Deckart who are both independent Non-executive Directors, Les Wheatley 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 sources 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, if awarded, 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 2013.

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, The Chief Executive has a twelve month notice period. There are no special provisions for compensation in the event of loss of office. The Remuneration Committee would consider the circumstances of any early termination and determine 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 2013:

	Basic salary £	**Fees £**	**Benefits £**	**Bonuses £**	**2013 Total £**	**2013 Pension £**
L A Wheatley	**-**	**26,962**	**-**	**-**	**26,962**	**-**
Dr C H Deckart	**-**	**15,385**	**-**	**-**	**15,385**	**-**
P Begun	**-**	**6,923**	**-**	**-**	**6,923**	**-**
A Rafferty	**170,250**	**-**	**1,139**	**-**	**171,389**	**20,700**
P R Gunning	**153,729**	**-**	**326**	**10,000**	**164,055**	**10,350**
A Q Roberts	**82,507**	**-**	**18,589**	**6,000**	**107,096**	**7,346**
R G Hardie	**-**	**9,230**	**-**	**-**	**9,230**	**-**
H Scheffer	**198,622**	**-**	**-**	**-**	**198,622**	**-**
	605,108	**58,500**	**20,054**	**16,000**	**699,662**	**38,396**

Year ended 31 March 2012:

	Basic salary £	Fees £	Benefits £	Bonuses £	2012 Total £	2012 Pension £
R G Hardie	-	30,116	-	-	30,116	-
L A Wheatley	-	20,076	-	-	20,076	-
A Rafferty	171,369	-	1,150	-	172,519	20,700
P R Gunning	116,320	-	329	15,000	131,649	10,350
A Q Roberts	77,434	-	17,875	-	95,309	7,346
H Scheffer	-	129,613	-	-	129,613	-
	365,123	179,805	19,354	15,000	579,282	38,396

DIRECTORS' INTERESTS

At 31 March 2013, the Directors had the following beneficial interests in the Company's shares and options to subscribe for shares:

	Ordinary shares of 1p each				**Share options**	
	31 March 2013	31 March 2012		Exercise Price	**31 March 2013**	31 March 2012
A Rafferty	**8,662,222**	8,662,222		-	**-**	-
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	**-**	-		-	**-**	-
Dr C H Deckhart	**-**	-		-	**-**	-
P Began	**-**	-		-	**-**	-
R G Hardie	**-**	1,674,574		-	**-**	-
H Scheffer	**-**	1,896,990		-	**-**	-

From the end of the year until 10 June 2013 there have been no changes in the above interests.

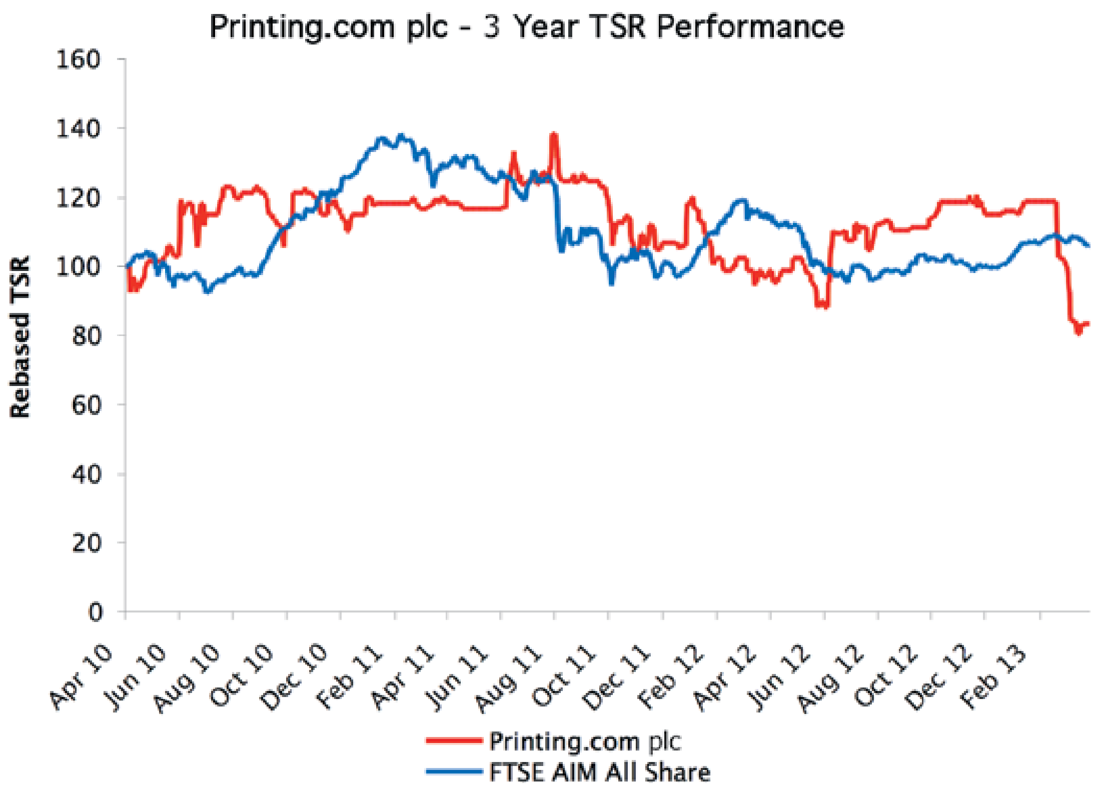
No Directors, including family interests, had any interests in the deferred share capital of the Company.

SHARE OPTIONS (AUDITED)

The options granted under a) above to Directors, Peter Gunning and Alan Roberts, were granted 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 and are exercisable in tranches of 75,000 ordinary shares. The contractual life of the options runs until 6 August 2014.

The Group's share price performance for the period under review charted with the AIM all share is shown below. The market price of shares as at 31 March 2013 was 21.75pence (*2012: 36.50pence*). The range during 2013 was 19.00 pence to 32.50 pence.



INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PRINTING.COM PLC

We have audited the financial statements of Printing.com plc for the year ended 31st March 2013, set out on pages 29 to 54. 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 23, 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, and express an opinion on, 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 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2013 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.

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.

MICK DAVIES (SENIOR STATUTORY AUDITOR)
FOR AND ON BEHALF OF KPMG AUDIT PLC, STATUTORY AUDITOR
KPMG Audit Plc
Chartered Accountants
St James Square
Manchester
M2 6DS
10 June 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2013	Note	2013 £000	2012 £000
Revenue	2	**20,664**	21,768
Raw materials and consumables used		**(9,453)**	(10,134)
Gross profit		**11,211**	11,634
Staff costs	4	**(4,825)**	(4,473)
Other operating charges		**(3,577)**	(3,727)
Depreciation and amortisation		**(1,698)**	(2,134)
Total expenses		**(10,100)**	(10,334)
Operating profit before exceptional costs	3	**1,111**	1,300
Exceptional costs	3	**(183)**	-
Operating profit		**928**	1,300
Financial income		**13**	14
Financial expenses		**(50)**	(56)
Net financing expense		**(37)**	(42)
Profit before tax		**891**	1,258
Taxation	5	**(86)**	(158)
Profit for the year		**805**	1,100
Other comprehensive income for the year		**-**	-
Total comprehensive income for the year		**805**	1,100
Basic earnings per share	14	**1.69p**	2.33p
Diluted earnings per share	14	**1.69p**	2.32p

The notes on pages 33 to 54 form part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – CONSOLIDATED AND COMPANY

GROUP – YEAR ENDED 31 MARCH 2013

	Share Capital £000	Share premium £000	Merger reserve £000	Retained Earnings £000	Total £000
Balance at 31 March 2011	469	3,881	838	1,311	6,499
Profit and total comprehensive income for the year	-	-	-	1,100	1,100
Dividends paid	-	-	-	(1,492)	(1,492)
Shares issued	6	198	-	-	204
Total movement in equity	6	198	-	(392)	(188)
Balance at 31 March 2012	475	4,079	838	919	6,311

GROUP – YEAR ENDED 31 MARCH 2013

Profit and total comprehensive income for the year	**-**	**-**	**-**	**805**	**805**
Capital Reorganisation	**-**	**(4,079)**	**-**	**4,079**	**-**
Dividends paid	**-**	**-**	**-**	**(1,213)**	**(1,213)**
Total movement in equity	**-**	**(4,079)**	**-**	**3,671**	**(408)**
Balance at 31 March 2013	**475**	**-**	**838**	**4,590**	**5,903**

COMPANY – YEAR ENDED 31 MARCH 2012	Share Capital £000	Share premium £000	Merger reserve £000	Retained Earnings £000	Total £000
Balance 31 March 2011	469	3,881	627	1,070	6,047
Profit and total comprehensive income for the year	-	-	-	1,206	1,206
Dividends paid	-	-	-	(1,492)	(1,492)
Shares issued	6	198	-	-	204
Total movement in equity	6	198	-	(286)	(82)
Balance at 31 March 2012	475	4,079	627	784	5,965

COMPANY – YEAR ENDED 31 MARCH 2013

Profit and total comprehensive income for the year	**-**	**-**	**-**	**939**	**939**
Capital Reorganisation	**-**	**(4,079)**	**-**	**4,079**	**-**
Dividends paid	**-**	**-**	**-**	**(1,213)**	**(1,213)**
Total movement in equity	**-**	**(4,079)**	**-**	**3,805**	**(274)**
Balance at 31 March 2013	**475**	**-**	**627**	**4,589**	**5,691**

CONSOLIDATED AND COMPANY STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2013

	Note	**Group 2013 £000**	Group 2012 £000	**Company 2013 £000**	Company 2012 £000
Non-current assets					
Property, plant and equipment	7	**1,976**	2,173	**-**	-
Investments in subsidiaries	8	**-**	-	**2,416**	2,416
Intangible assets	8	**4,681**	4,615	**-**	-
Deferred tax assets	6	**2**	2	**-**	-
Other receivables	9	**-**	-	**1,000**	1,000
Total non-current assets		**6,659**	6,790	**3,416**	3,416
Current assets					
Inventories		**183**	147	**-**	-
Trade and other receivables	9	**2,543**	2,898	**2,324**	2,615
Cash and cash equivalents	10	**1,417**	1,874	**1**	1
Total current assets		**4,143**	4,919	**2,325**	2,616
Total assets		**10,802**	11,709	**5,741**	6,032
Current liabilities					
Other interest-bearing loans and borrowings	11	**(23)**	(80)	**-**	-
Trade and other payables	12	**(2,826)**	(2,889)	**(12)**	(34)
Current tax payable	5	**(157)**	(372)	**-**	-
Accruals and deferred income	12	**(1,075)**	(1,315)	**(38)**	(33)
Other liabilities	12	**(365)**	(243)	**-**	-
Total current liabilities		**(4,446)**	(4,899)	**(50)**	(67)
Non-current liabilities					
Other interest-bearing loans and borrowings	11	**-**	(23)	**-**	-
Deferred tax liabilities	6	**(453)**	(476)	**-**	-
Total non-current liabilities		**(453)**	(499)	**-**	-
Total liabilities		**(4,899)**	(5,398)	**(50)**	(67)
Net assets		**5,903**	6,311	**5,691**	5,965
Equity attributable to equity holders of the parent					
Share capital	14	**475**	475	**475**	475
Share premium		**-**	4,079	**-**	4,079
Merger reserve		**838**	838	**627**	627
Retained earnings		**4,590**	919	**4,589**	784
Total equity		**5,903**	6,311	**5,691**	5,965

These financial statements were approved by the board of directors on 10 June 2013 and were signed on its behalf by:

A Q ROBERTS
Director

CONSOLIDATED AND COMPANY STATEMENT OF CASH FLOW

FOR YEAR ENDED 31 MARCH 2013

	Note	Group 2013 £000	Group 2012 £000	Company 2013 £000	Company 2012 £000
Cash flows from operating activities					
Profit for the year		**805**	1,100	**939**	1,206
Adjustments for:					
Depreciation, amortisation and impairment		**1,698**	2,134	**-**	-
Net finance expense / (income)		**37**	10	**(1,177)**	(1,110)
Foreign exchange (loss)/gains		**(45)**	32	**(12)**	9
Tax expense		**86**	158	**-**	-
Operating cash flow before changes in working capital and provisions		**2,581**	3,434	**(250)**	105
Change in trade and other receivables		**355**	609	**291**	505
Change in inventories		**(36)**	43	**-**	-
Change in trade and other payables		**(181)**	(544)	**(17)**	(78)
Cash generated from Operations		**2,719**	3,542	**24**	532
Interest paid		**(5)**	(24)	**-**	(7)
Income tax paid		**(324)**	(337)	**-**	-
Net cash inflow from operating activities		**2,390**	3,181	**24**	525
Cash flows from investing activities					
Proceeds from sale of plant and equipment		**-**	4	**-**	-
Interest received		**13**	14	**1**	-
Acquisition of plant and equipment	7	**(303)**	(183)	**-**	-
Capitalised development expenditure	8	**(574)**	(322)	**-**	-
Acquisition of other intangible assets	8	**(687)**	(872)	**-**	-
Acquisition of Subsidiary net of cash acquired		**-**	-	**-**	-
Dividends received		**-**	-	**1,188**	1,108
Net cash (used in) / generated by investing activities		**(1,551)**	(1,359)	**1,189**	1,108
Cash flows from financing activities					
Proceeds from the issue of share capital	14	**-**	204	**-**	204
Payment of finance lease liabilities		**-**	(200)	**-**	-
Repayment of Bank Loans		**(80)**	(127)	**-**	-
Repayment of Loan Notes		**-**	(355)	**-**	(355)
Dividends paid	14	**(1,213)**	(1,492)	**(1,213)**	(1,492
Net cash used in financing activities		**(1,293)**	(1,970)	**(1,213)**	(1,643)
Net decrease in cash and cash equivalents		**(454)**	(148)	**-**	(10)
Exchange (loss)/gain on cash and cash equivalents		**(3)**	20	**-**	-
Cash and cash equivalents at start of year		**1,874**	2,002	**1**	11
Cash and cash equivalents at 31 March	10	**1,417**	1,874	**1**	1

NOTES (FORMING PART OF THE FINANCIAL REVIEW)

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 opportunities open to the Group continue to grow. 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, including a consideration of reasonable sensitivities, 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 external funding is made up of bank loans which total £0.02m against cash balances of £1.42m at the year end. Accordingly they continue to adopt the going concern basis in preparing the annual report and financial statements.

Further information regarding the Group's business activities together with the factors likely to affect its future development, performance and position is set out in the Chief Executive's Statement on pages 7 to 13. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described on pages 15 to 17. In addition, note 15 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.

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") and under the historical cost convention. 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 10 June 2013.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these consolidated financial statements. To improve the clarity of the financial statements a number of policies are presented alongside the relevant accounting note.

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 intercompany sales, to the extent that they are not yet realised outside the Group, have also been eliminated.

1. ACCOUNTING POLICIES (CONTINUED)

BUSINESS COMBINATIONS

For acquisitions on or after 1 April 2010, the Group measures goodwill at the acquisition date as the:

- fair value of the consideration transferred; plus
- recognised amount of any non-controlling interests in the acquiree; plus
- fair value of the existing equity interest in the acquiree; less
- net recognised amount (fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

INVESTMENTS

Investments in subsidiaries are stated at cost. Where in the opinion of the Directors an impairment of the investment has arisen, the value of the investment will be written down to the recoverable amount in accordance with IAS 36 'Impairment of Assets'.

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. Inventories are made up of raw materials of £180,000 (*2012: £144,000*) and work in progress of £3,000 (*2012: £3,000*).

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.

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.

1. ACCOUNTING POLICIES (CONTINUED)

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

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.

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.

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.

Significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described below:

Intangibles – capitalisation of software and development costs

The Board hold that the Group's key differentiators stem from its proprietary software, operationally Flyerlink® and that developed to support W3P, BrandDemand, Templating and the various Online initiatives. Therefore, it believes it is essential to continue investing in these assets. Development projects are agreed with user forums to improve functionality for partners. Separate projects are defined for international expansion and for new initiatives as they are identified. 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.

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.

NEW STANDARDS AND INTERPRETATIONS THAT HAVE BEEN ENDORSED, BUT WHICH ARE NOT YET EFFECTIVE AND NOT EARLY ADOPTED:

There are no new endorsed standards, amendments to standards and interpretations that are not yet effective for the year ended 31 March 2013 and which will have a significant impact on the information reported by the Company in future periods.

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. REVENUE AND SEGMENTAL INFORMATION

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. Where printing is undertaken by a supplier, revenue is recognised when the supplier dispatches the goods.

- 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) and the ongoing use 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 those services. The element of the fee for the 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.

As in the prior year the Group's primary operating segments are geographic being UK& Ireland, Europe and others. The segmental analysis by nature of service is also consistent with the prior year being conventional printing services, online printing services and licence income.

This disclosure correlates with the information which is presented to the Chief Operating Decision Maker, the Chief Executive (CEO), who reviews revenue (which is considered to be the primary growth indicator) by segment. The Group's costs, finance income, tax charges, non-current liabilities, net assets and capital expenditure are only reviewed by the CEO at a consolidated level and therefore have not been allocated between segments in the analysis below.

Of the Group revenue of £20,664,000, £12,216,000 was generated in the UK *(2012: £13,389,000)*. Revenue generated outside the UK is primarily attributable to Holland & Belgium £7,327,000 *(2012: £7,258,000)*, France £566,000 *(2012: £536,000)* and Republic of Ireland £333,000 *(2012: £392,000)*. No single customer provided the Group with over 10% of its revenue.

Of the Group's non-current assets (excluding deferred tax) of £6,657,000, £6,356,000 are located in the UK. Non-current assets located outside the UK are in Holland £207,000, *(2012: £663,000)*, France £93,000, *(2012: £91,000)* and the Republic of Ireland £1,000, *(2012: £1,000)*.

2. REVENUE AND SEGMENTAL INFORMATION (CONTINUED)

ANALYSIS BY LOCATION OF SALES

	UK & Ireland £000	**Europe £000**	**Other £000**	**Total £000**
PERIOD ENDED 31 MARCH 2013				
Segment revenues	**12,549**	**7,893**	**222**	**20,664**
Operating Expenses				**(19,553)**
Results from operating activities				**1,111**
Exceptional expense				**(183)**
Net finance income				**(37)**
Profit before tax				**891**
Tax				**(86)**
Profit for the period				**805**
Unallocated net assets				**5,903**

	UK & Ireland £000	Europe £000	Other £000	Total £000
Period ended 31 March 2012				
Segment revenues	13,781	7,794	193	21,768
Operating Expenses				20,468
Results from operating activities				1,300
Net finance income				(42)
Profit before tax				1,258
Tax				(158)
Profit for the period				1,100
Unallocated net assets				6,311

ANALYSIS BY TYPE

	Printing services – online sales £000	**Printing services £000**	**Licence Income £000**	**Total £000**
Period ended 31 March 2013				
Segment revenues	**8,755**	**11,031**	**878**	**20,664**
Operating Expenses				**(19,553)**
Results from operating activities				**1,111**
Exceptional expense				**(183)**
Net finance income				**(37)**
Profit before tax				**891**
Tax				**(86)**
Profit for the period				**805**
Unallocated net assets				**5,903**

2. REVENUE AND SEGMENTAL INFORMATION (CONTINUED)

Analysis by type

Printing services	Printing services – online sales £000	Printing services £000	Licence Income £000	Total £000
Period ended 31 March 2012				
Segment revenues	7,399	13,324	1,045	21,768
Operating Expenses				20,468
Results from operating activities				1,300
Net finance income				(42)
Profit before tax				1,258
Tax				(158)
Profit for the period				1,100
Unallocated net assets				6,311

3. PROFIT BEFORE TAXATION AND AUDITORS' REMUNERATION

Included in profit are the following:

	2013 £000	2012 £000
Operating lease rentals	**472**	518
Amortisation of intangible assets	**1,197**	1,187
Depreciation	**501**	947
Loss on foreign currency transactions	**(45)**	(32)

There were £183,000 (2012: nil) of exceptional costs in the financial year, of which £160,000 related to severance payments for an MFG director.

Auditors' remuneration:

The Companies disclosure of auditor remuneration and liability limitation agreements regulations 2011 is mandatory for periods starting on/after 1 October 2011. The comparatives in respect of the disclosures of auditor remuneration have been restated accordingly.

	2013 £000	2012 £000
Audit of these financial statements	**15**	14
Amounts receivable by auditors and their associates in respect of:		
Audit of financial statements of subsidiaries of the company	**31**	30
Tax compliance services	**9**	9
Other tax advisory services	**10**	11
Review of interim financial statements	**6**	6
Other assurance services	**3**	4

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**	Group	**Company**	Company
	2013	2012	**2013**	2012
Administration	**27**	24	**2**	2
Sales and distribution	**64**	61	**-**	-
Production	**64**	65	**-**	-
	155	150	**2**	2

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

	Group	Group	**Company**	Company
	2013	2012	**2013**	2012
	£000	£000	**£000**	£000
Wages and salaries	**4,213**	3,912	**59**	50
Social security costs	**503**	457	**5**	5
Other pension costs	**109**	104	**-**	-
	4,825	4,473	**64**	55

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.

KEY MANAGEMENT REMUNERATION:

	2013	2012
	£000	£000
Key managements' emoluments	**501**	449
Share based payments (see note 13)	**-**	-
Company contributions to money purchase pension plans	**38**	38
Amounts paid to third parties in respect of directors services	**199**	130
	738	617

The Group considers the key management to be the Directors of the Group. Information covering Directors' remuneration is set out in full in the 'Elements of remuneration' section of the Directors Remuneration Report on pages 24-26.

The aggregate of emoluments for the highest paid Director was £171,000 *(2012: £173,000)*, and Company pension contributions of £21,000 *(2012: £21,000)* were made to a money purchase scheme on their behalf.

Directors for whom retirement benefits are accruing under money purchase schemes amounted to 3 *(2012: 3)*.

5. 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.

Recognised in profit and loss

	2013	2012
	£000	£000
Current tax expense		
Current year	**292**	459
Foreign tax	**158**	152
Adjustments for prior years	**(341)**	(325)
	109	286
Deferred tax expense		
Origination and reversal of temporary differences (see note 6)	**(181)**	(252)
Movement due to change in rate of tax	**(27)**	(62)
Adjustment in respect of prior year	**185**	186
Total tax in profit and loss	**86**	158

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

	2013	2012
	£000	£000
Profit for the period	**891**	1,258
Total tax expense	**(86)**	(158)
Profit after taxation	**805**	1,100
Tax using the UK corporation tax rate of 24% (2012:26%)	**193**	327
Permanent differences	**19**	28
Overseas tax losses not recognised	**2**	12
Difference in overseas tax rate	**(27)**	(22)
Adjustments in respect of prior periods – current tax	**(341)**	(325)
Adjustments in respect of prior periods – deferred tax	**185**	186
Movement due to change in tax rate	**(20)**	(48)
Total tax expense	**86**	158

The Group Tax Creditor amounts to £157,000 (2012: £372,000). The deferred tax assets and liabilities as at 31 March 2013 have been calculated using the tax rate of 24% which was substantively enacted at the balance sheet date.

A reduction in the UK corporation tax rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively. This will reduce the company's future current tax charge accordingly. The deferred tax liability at 31 March 2013 has been calculated based on the rate of 23% substantively enacted at the balance sheet date.

The March 2013 Budget announced that the rate will further reduce to 20% by 2015 in addition to the planned reduction to 21% by 2014 previously announced in the December 2012 Autumn Statement. It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax liability accordingly.

6. DEFERRED TAX ASSETS AND LIABILITIES – GROUP

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.

Recognised deferred tax assets and liabilities	**Assets 2013 £000**	Assets 2012 £000	**Liabilities 2013 £000**	Liabilities 2012 £000
Property, plant and equipment	**-**	-	**399**	403
Intangible assets	**-**	-	**54**	73
Other	**(2)**	(2)	**-**	-
Tax (assets)/liabilities	(2)	(2)	**453**	476

Movement in deferred tax during the year.	**31 March 2012**	**Adjustment for prior years**	**Recognised in income**	**Recognised in income due to tax rate change**	**31 March 2013**
	£000	**£000**	**£000**	**£000**	**£000**
Property, plant and equipment	403	**158**	**(139)**	**(23)**	**399**
Intangible assets	73	**27**	**(42)**	**(4)**	**54**
Other timing differences	(2)	**-**	**-**	**-**	**(2)**
	474	**185**	**(181)**	**(27)**	**451**

Movement in deferred tax during the year.	1 April 2011	Adjustment for prior years	Recognised in income	Recognised in income due to tax rate change	31 March 2012
	£000	£000	£000	£000	£000
Property, plant and equipment	456	186	(189)	(50)	403
Intangible assets	148	-	(63)	(12)	73
Other timing differences	(2)	-	-	-	(2)
	602	186	(252)	(62)	474

COMPANY

The Company had no deferred tax assets or liabilities as at 31 March 2013 *(2012: £nil).*

7. PROPERTY, PLANT AND EQUIPMENT – GROUP

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

	Land and buildings £000	Plant and equipment £000	Motor Vehicles £000	Fixtures and Fittings £000	Total £000
Cost					
Balance at 31 March 2011	593	6,761	33	608	7,995
Additions	65	(50)	-	168	183
Disposals	-	-	-	5	5
Effect of movement in foreign exchange	(2)	-	(2)	(9)	(13)
Balance at 31 March 2012	656	6,711	31	762	8,160
Balance at 31 March 2012	656	6,711	31	762	8,160
Additions	-	142	30	131	303
Disposals	-	(24)	-	(110)	(134)
Effect of movements in foreign exchange	-	-	-	1	1
Balance at 31 March 2013	**656**	**6,829**	**61**	**784**	**8,330**
Depreciation and impairment					
Balance at 31 March 2011	412	4,348	11	273	5,044
Depreciation charge for the year	65	727	6	149	947
Disposals	-	-	-	1	1
Effect of movements in foreign exchange	-	-	-	(3)	(3)
Balance at 31 March 2012	477	5,075	17	418	5,987
Balance 31 March 2012	477	5,075	17	418	5,987
Depreciation charge for the year	64	275	9	153	501
Disposals	-	(24)	-	(110)	(134)
Effect of movements in foreign exchange	-	-	-	-	-
Balance at 31 March 2013	**541**	**5,326**	**26**	**461**	**6,354**

7. PROPERTY, PLANT AND EQUIPMENT – GROUP (CONTINUED)

	Land and buildings £000	Plant and equipment £000	Motor Vehicles £000	Fixtures and Fittings £000	Total £000
Net book value					
At 31 March 2011	181	2,413	22	335	2,951
At 31 March 2012	179	1,636	14	344	2,173
At 31 March 2013	**115**	**1,503**	**35**	**323**	**1,976**

LEASED PLANT, MACHINERY AND FIXTURE & FITTINGS

The Group had no assets held under finance leases in the period *(2012: nil).*

8. INTANGIBLE ASSETS AND INVESTMENTS

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 asset is available for use.

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

Reviews of impairment indicators in relation to 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 AND TERRITORY RIGHTS

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

Intangible assets also include Territory Rights purchased on the buyback of Territory Franchises. Territory Rights are valued at cost less accumulated amortisation and impairment losses. Amortisation is on a straight line basis over a five year period.

8. INTANGIBLE ASSETS AND INVESTMENTS (CONTINUED)

Group	Domain name £000	Software £000	Development costs £000	Customer Lists £000	Goodwill £000	Other £000	Total £000
Cost							
Balance at 31 March 2011	445	1,928	703	1,808	1,280	28	6,192
Acquisitions – internally developed	-	-	322	-	-	-	322
Acquisitions – externally purchased	-	537	-	325	-	10	872
Foreign exchange movement	-	(20)	-	-	-	-	(20)
Balance at 31 March 2012	445	2,445	1,025	2,133	1,280	38	7,366
Balance at 31 March 2012	445	2,445	1,025	2,133	1,280	38	7,366
Acquisitions – internally developed	-	-	574	-	-	-	574
Acquisitions – externally purchased	6	598	-	3	-	80	687
Disposals	-	(259)	-	(350)	-	-	(609)
Foreign exchange movement	-	2	-	-	-	-	2
Balance at 31 March 2013	**451**	**2,786**	**1,599**	**1,786**	**1,280**	**118**	**8,020**
Amortisation and impairment							
Balance at 31 March 2011	192	757	258	352	-	14	1,573
Amortisation for the year	37	390	152	606	-	2	1,187
Foreign exchange movement	-	(9)	-	-	-	-	(9)
Balance at 31 March 2012	229	1,138	410	958	-	16	2,751
Balance at 31 March 2012	229	1,138	410	958	-	16	2,751
Amortisation for the year	37	481	178	498	-	3	1,197
Disposals	-	(259)	-	(350)	-	-	(609)
Balance at 31 March 2013	**266**	**1,360**	**588**	**1,106**	**-**	**19**	**3,339**
Net book value							
At 31 March 2011	253	1,171	445	1,456	1,280	14	4,619
At 31 March 2012	216	1,307	615	1,175	1,280	22	4,615
At 31 March 2013	**185**	**1,426**	**1,011**	**680**	**1,280**	**99**	**4,681**

AMORTISATION AND IMPAIRMENT CHARGE

The amortisation charge of £1,197,000 *(2012: £1,187,000)* is recognised in profit and loss within depreciation and amortisation expenses. An impairment charge of nil *(2012: £nil)* was recognised during the year.

GOODWILL

Goodwill of £1,280,000 arose on the acquisition of Media Facility Group BV (MFG) in November 2010 because of the operational synergies and the opportunities for the expanded Group to exploit access to a wider market through a combination of the technology in PDC with the expertise in online sales of MFG. None of the goodwill is deductable for tax purposes.

8. INTANGIBLE ASSETS AND INVESTMENTS (CONTINUED)

TRADE AND ASSETS OF FRANCHISES

During the year the Group acquired £3,000 of Franchise trade and assets *(2012: £325,000)*.

IMPAIRMENT TESTING

The recoverable amount of goodwill is determined from value in use calculations. The key assumptions for value in use calculations are those regarding budgeted and forecast sales growth through on-line channels. Sales growth assumptions are dependent on volumes sold through the established websites and successfully setting up websites in new territories.

The Group prepares cash flow forecasts derived from budgets and three year business plans. For the purposes of impairment testing no growth is assumed beyond this period. The sales growth relates to online sales using templating technology in existing and new territories which are expected to significantly increase in the next three years. The growth rates have been determined based on the experience to date of operating these sales channels and previous experience of launching websites.

Management used pre tax discount factors of 12% over the forecast periods.

Customer lists in intangible assets relate to the value placed upon customer lists of Stores and those acquired on acquisition of MFG. Applying IAS36 Stores customer lists are being amortised over three to five years and are tested bi-annually on a store by store basis for indications of impairment.

No reasonably possible change in any of the assumptions noted above would lead to an impairment charge being required. However, in the event of online sales using templating technology not demonstrating the expected growth, some possibility of impairment losses in the future remains.

Investments - Company

	Shares in Subsidiary undertakings £000	**Total** £000
Cost		
Balance at 31 March 2011	2,416	2,416
Balance at 31 March 2012	2,416	2,416
Balance at 31 March 2013	**2,416**	**2,416**

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
Media Facility Group BV	Print Provision
Printing.com (UK Franchise) Limited	Franchise Contracts
Printing.com Franchise Limited	Franchise Contracts
Printing.com France SA	Franchise Contracts
PDC.SA	Holding Intellectual Property
W3P Limited	Software as a Service
Creative Enterprise Support Limited	Enterprise Support
TemplateCloud Limited	Template Provision

9. TRADE AND OTHER RECEIVABLES

	Group 2013 £000	Group 2012 £000	**Company 2013 £000**	Company 2012 £000
Other receivables due from subsidiary companies	**-**	-	**2,307**	2,595
Trade receivables and prepayments	**2,527**	2,860	**-**	-
Other receivables	**16**	38	**17**	20
	2,543	2,898	**2,324**	2,615

At 31 March 2013 trade receivables are shown net of an allowance for doubtful debts of £312,000 *(2012: £361,000).*

An analysis of impairment losses recognised in the year is given in note 15.

Trade and other receivables denominated in currencies other than sterling comprise £537,000 *(2012: £552,000)* of trade receivables and £nil *(2012: £nil)* of other receivables denominated in Euro.

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

	Group 2013 £000	Company 2012 £000	**Company 2013 £000**	Company 2012 £000
Other receivables due from subsidiary companies	**-**	-	**1,000**	1,000

10. CASH AND CASH EQUIVALENTS

	Group 2013 £000	Group 2012 £000	**Company 2013 £000**	Company 2012 £000
Cash and cash equivalents	**1,417**	1,874	**1**	1

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short term highly liquid investments. Cash denominated in currencies other than Sterling comprise £423,000 (*2012: £682,000*) all in Euro.

11. OTHER INTEREST-BEARING LIABILITIES

This note provides information about the contractual terms of the Group and Company's interest-bearing liabilities. For more information on the Group and Company's exposure to interest rate and foreign currency risk, see note 15.

Non-current liabilities	**Group 2013 £000**	Group 2012 £000	**Company 2013 £000**	Company 2012 £000
Bank loans	**-**	23	-	-
Current liabilities				
Current portion of bank loans	**23**	80	-	-

Bank loans

	Minimum loan payments 2013 £000	**Interest 2013 £000**	**Principal 2013 £000**	Minimum loan payments 2012 £000	Interest 2012 £000	Principal 2012 £000
Group						
Less than one year	**23**	**-**	**23**	83	3	80
Between one and five years	**-**	**-**	**-**	23	-	23
	23	**-**	**23**	106	3	103

All Bank Loans are denominated in Euro and the Loans are secured on the subsidiaries assets.

12. TRADE AND OTHER PAYABLES

	Group 2013 £000	Group 2012 £000	**Company 2013 £000**	Company 2012 £000
Other trade payables	**2,826**	2,889	**12**	34
Accruals and deferred income	**1,075**	1,315	**38**	33
Other liabilities	**365**	243	**-**	-
	4,266	4,447	**50**	67

Other trade payables denominated in currencies other than Sterling comprise £562,000 *(2012: £693,000)* denominated in Euro.

13. EMPLOYEE BENEFITS

SHARE-BASED PAYMENTS

The share based payment charge for the current and prior year is not material and therefore abbreviated rather than full disclosure of share options are set out below.

GROUP EMPLOYEES

The Group established an EMI Share Option Scheme on 6 August 2004 it imposes performance criteria with individual employee targets subject to 'trigger' price points based on the mid market price of Ordinary Shares over 200 consecutive day periods.

There were no movements on options during this or the prior year and the number and weighted average exercise prices of employee share options are as follows:

Options	**Weighted average exercise price**	**Number of options**	Weighted average exercise price	Number of Options
	2013	**2013**	2012	2012
Outstanding at the end of the period	**32.5p**	**1,625,000**	32.5p	2,007,500

The total expense recognised for the period arising from share based payments in respect of employees was £nil *(2012: £nil)*.

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 Franchises when they entered their Territory Franchise Agreements. Once granted the Options only vest in tranches when pre-defined challenging revenue targets are met and exercised when the market price of Ordinary Shares has exceeded certain levels for a period of not less than 200 days.

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

Options	**Weighted average exercise price**	**Number of options**	Weighted average exercise price	Number of Options
	2013	**2013**	2012	2012
Outstanding at the beginning of the period	**33.80**	**660,000**	45.71	1,435,000
Forfeited during the period	**36.37**	**(226,000)**	55.85	(775,000)
Outstanding at the end of the period	**32.46**	**434,000**	33.80	660,000

The total expenses recognised for the period arising from share based payments in respect of Franchisees was £nil *(2012: £nil)*.

14. SHARE CAPITAL

SHARE CAPITAL - GROUP AND COMPANY

In thousands of shares	**Ordinary shares 2013**	Ordinary shares 2012
On issue at 31 March 2012	**47,558**	46,942
Issued as acquisition consideration	**-**	616
On issue at 31 March 2013 – fully paid	**47,558**	47,558
	£000	£000
Allotted, called up and fully paid		
47,557,835 (*2012: 46,941,927*) ordinary shares of £0.01 each	**475**	475
63 deferred shares of £0.10 each	**-**	-
Total allotted, called up and fully paid	**475**	475

EARNINGS PER SHARE

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

	2013 £000	2012 £000
Profit after taxation for the financial year	**805**	1,100

Weighted average number of shares

	Number of Shares	Number of Shares
For basic earnings per ordinary share	**47,557,835**	47,302,191
Exercise of share options	**52,611**	203,901
For diluted earnings per ordinary share	**47,610,446**	47,506,092

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.

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 19% *(2012: 21%)* at the year end. The Board of Directors also monitors the level of dividends to ordinary shareholders.

At present employees hold 23% 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.

14. SHARE CAPITAL (CONTINUED)

Dividends	**2013** **£000**	2012 £000
Final dividends paid in respect of prior year but not recognised as liabilities in that year	**713**	993
Interim dividends paid in respect of the current year	**500**	499
Total dividend paid in the year	**1,213**	1,492

After the balance sheet date dividends of £713.000/1.50p per qualifying ordinary share *(2012: £713,000/1.50p)* per qualifying ordinary share) were proposed by the Directors. The dividends have not been provided for.

15. 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 17. 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 2013 and 31 March 2012 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 has continued to use the Pay As You Go (PAYG) model to manage debtors and mitigate the credit risk through structured payments. 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 £747,000 *(2012: £832,000)* of total gross debtors. The Group retains the right to re-call debts ahead of the payment plans agreed.

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

	31 March 2013 Total £000	**31 March 2013 Impairment £000**	31 March 2012 Total £000	31 March 2012 Impairment £000
Not past due	**1,252**	**-**	1,660	-
Past due 0 – 30 days	**405**	**-**	478	-
Past due 31 – 90 day	**261**	**-**	320	-
Past due 90 days and over	**494**	**(312)**	423	(363)
	2,412	**(312)**	2,881	(363)

15. FINANCIAL INSTRUMENTS (CONTINUED)

IMPAIRMENT

	£000
Balance at 31 March 2011	383
Impairment loss recognised	(160)
Increase in impairment allowance	140
Balance at 31 March 2012	363
Impairment loss recognised	(94)
Increase in impairment allowance	44
Balance at 31 March 2013	***313***

Of the total impairment provision £187,000 relates to Franchises that have ceased trading.

COMPANY

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

INTEREST RATE RISK

The Group and the Company do not have a material exposure to interest rates.

LIQUIDITY RISK

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

31 MARCH 2013

	Carrying amount £'000	**Contractual cash flows £'000**	**6 months or less £'000**	**6-12 months £000**	**1-2 years £000**	**2-5 years £000**
Trade and other payables	4,104	4,104	4,104	-	-	-
Bank Loans	23	23	23	-	-	-
	4,127	**4,127**	**4,127**	-	-	-

31 MARCH 2012

	Carrying amount £'000	Contractual cash flows £'000	6 months or less £'000	6-12 months £000	1-2 years £000	2-5 years £000
Trade and other payables	4,262	4,262	4,262	-	-	-
Bank Loans	103	107	60	24	23	-
	4,365	4,369	4,322	24	23	-

All trade receivables are contractually due within 6 months.

15. FINANCIAL INSTRUMENTS (CONTINUED)

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 2013 Euro £000	**31 March 2013 GBP £000**	31 March 2012 Euro £000	31 March 2012 GBP £000
Trade receivables	**537**	**2,317**	552	2,802
Cash and cash equivalents	**423**	**994**	682	1,192
Trade payables	**(562)**	**(2,264)**	(693)	(2,196)
Bank Loans	**(23)**	**-**	(103)	-
	375	**1,047**	438	1,798

SENSITIVITY ANALYSIS

Where the Group operate in Europe both revenues and costs are in the local currency therefore the level of exchange risk is low. In the Eurozone the Group have a presence in Holland, Belgium, France, and Ireland. 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 2013, 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 £4,000 *(2012: £5,000)* with an equal adjustment to equity.

FAIR VALUES

There is a difference of £2,000 (*2012: £18,000)* between fair values and carrying amounts on the balance sheet arising solely on Bank Loans (2012: Bank Loans, Loan Notes and Finance lease liability).

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 / BANK LOANS

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.

16. OPERATING LEASES

Non-cancellable operating lease rentals are payable as follows:

	Group 2013	Group 2012	**Company 2013**	Company 2012
	£000	£000	**£000**	£000
Plant and machinery				
Less than one year	**27**	13	**-**	-
Between one and five years	**35**	6	**-**	-
Land and buildings				
Less than one year	**406**	429	**-**	-
Between one and five years	**298**	504	**-**	-
More than five years	**14**	43	**-**	-
	780	995	**-**	-

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

GROUP

During the year £472,000 *(2012: £433,000)* was recognised as an expense in profit and loss in respect of operating leases.

17. CAPITAL COMMITMENTS

The Group and Company have no commitments to incur capital expenditure at the year end *(2012:£nil)*.

18. CONTINGENCIES

Neither the Group nor the Company had contingencies at the year end *(2012: £nil)*.

19. RELATED PARTIES

The Company receives dividends from its subsidiaries Printing.com Europe Limited and Media Facility Group BV. In the year ended 31 March 2013 dividends of £1,188,000 were received *(2012: £1,108,000)*. Total sales to subsidiary undertakings were £nil (2012: £nil) and total expenses incurred from subsidiary undertakings were £nil (2012: £nil). The amounts outstanding at the year-end from subsidiary undertakings are shown in note 9.

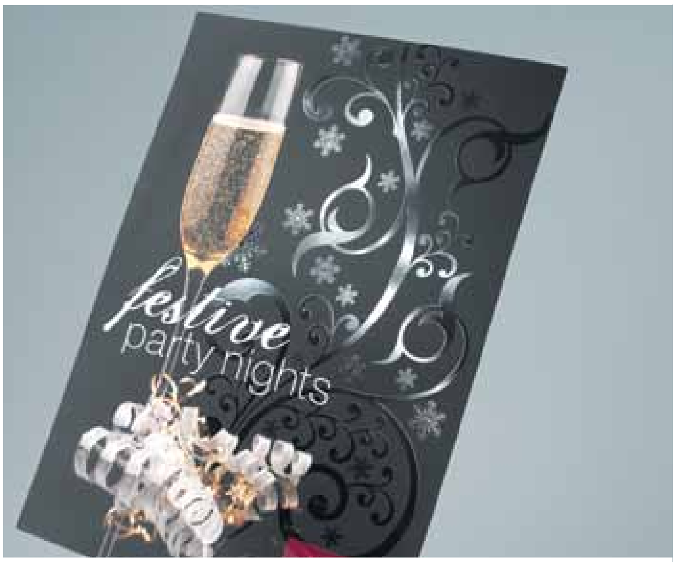
Transactions with key management personnel

Directors of the Company control 21.77 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 24 to 26.

ADVISERS AND COMPANY INFORMATION

Registered Office	Third Avenue The Village Trafford Park MANCHESTER M17 1FG
Company Number	**03983312 (England and Wales)**
Website Address	**www.printing.com**
Company Secretary	**Alan Q Roberts, FCMA**
Financial Adviser, Nominated Adviser and Broker to the Company	**N+1 Singer** West One 114 Wellington Street LEEDS LS1 1BA
Solicitors to the Company	**Gateley (Manchester) LLP** Ship Canal House 98 Kings Street MANCHESTER M2 4WU
Auditors to the Company	**KPMG Audit plc** St. James' Square MANCHESTER M2 6DS
Registrars and Receiving Agents to the Company	**Capita Registrars** Northern House Woodsome Park Fenay Bridge HUDDERSFIELD HD8 0LA
Bankers to the Group	**The Royal Bank of Scotland plc** 1 Spinningfields Square MANCHESTER M3 3AP



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