ANNUAL REPORT & ACCOUNTS 2011

printing.com® plc

CONTENTS

FINANCIAL SUMMARY

	2011	%	2010	%	2009	%
	£000		£000		£000	
Turnover	**17,015**		14,456		14,468	
Annual Growth	**17.7%**		(0.1)%		7.3%	
Gross Profit	**9,942**	58.4%	9,485	65.6%	9,742	67.3%
EBITDA	**3,022**	17.8%	3,105	21.5%	3,267	22.6%
Operating Profit Before Exceptionals	**1,462**	8.6%	1,744	12.1%	1,933	13.4%
Annual Growth	**(16.2)%**		(9.8)%		(15.7%)	
Profit Before Tax	**1,311**		1,704		2,063	
Annual Growth	**(23.1)%**		(17.4)%		(14.8%)	
Taxation	**(385)**		(429)		(603)	
Tax Rate	**29.4%**		25.2%		29.2%	
Profit on Ordinary Activities After Tax	**926**		1,275		1,460	
Dividend declared on equity shares	**1,479**		1,398		1,399	
Special Dividend	**-**		-		887	
Earnings per ordinary share - basic	**2.04p**		2.87p		3.28p	
Earnings per ordinary share - diluted	**2.02p**		2.86p		3.27p	
Interim Dividend per ordinary share	**1.05p**		1.05p		1.05p	
Final Dividend per ordinary share	**2.10p**		2.10p		2.10p	
Total Dividend per ordinary share	**3.15p**		3.15p		3.15p	
Special Dividend	**-**		-		2.00p	

Outlet Network Serviced From the UK

	2011	2010	2009
UK	**288**	281	276
France	**22**	19	10
Ireland	**10**	7	7
Total Outlets	**320**	307	293

	2011	2010	2009
UK & Ireland Total Retail Sales *	**26,356**	26,561	26,288
Annual Growth	**(0.8)%**	1.0%	6.9%
UK & Ireland Like For Like Performance**			
Growth	**(2.36)%**	(1.26)%	10.73%
Territories Included	**32**	35	38

* Total Retail Sales is the sum of retail sales from Company owned and Franchised Outlets of printing.com products.

** Like for like performance based on territory sales achieved in a minimum of 3 years

Exterior of Printing.com Store, Middlesbrough (top) and interior of Printing.com Store, Manchester.

CHAIRMAN'S STATEMENT

The financial year ended 31 March 2011 has been a challenging period for the Company reflecting low commercial confidence across the Company's predominantly SME marketplace. However, in spite of these demanding trading conditions, Printing.com has remained profitable and cash generative throughout the period.

During the year, turnover increased by 17.7% to £17.02m *(2010: £14.46m)*, primarily reflecting the Company's acquisition of Media Facility Group BV ("MFG"). Profit before Tax ("PBT") decreased to £1.31m *(2010: £1.70m)*, albeit after an exceptional charge of £161,000 relating to the acquisition.

New initiatives, involving online channels and proprietary systems, have now moved from the development stage to being revenue generating. We believe these new initiatives will be of significant importance to the Group in future years.

During the year the Company made its first significant acquisition, MFG, on 5 November 2010. The acquisition provides additional scale for the Company in continental Europe, together with further channels to market.

Cash

The Company finished the financial year with cash of £2.00m *(2010: £2.14m)*.

During the year capital investment totalled £1.5m *(2010: £1.04m)*, none of which was financed. This principally reflects an increase in the expenditure made on the Company's proprietary Template and Flyerlink software.

The cash figure also takes into account £329,000 that had been paid in consideration of the acquisition of MFG and the payment of £161,000 relating to acquisition costs.

Final Dividend

Your Board is proposing a maintained Final Dividend of 2.1p, to be paid on 28 July 2011 to Shareholders on the register at the close of business on 17 June 2011. This would make a total dividend for the year of 3.15p *(2010: 3.15p)*.

Your Board is very mindful that the dividend, at this level, continues to be uncovered. We have, however, taken into account the stronger underlying cash generation and the anticipated cash needs of the Company.

As I indicated in the Interim Report, maintaining the dividend, whilst restoring earnings to a level providing full cover, remains central to our strategy.

George Hardie – Chairman

A template being edited in our BrandDemand system.

Our automated logistics system SmartPack in operation at the Manchester Production Hub.

People in Printing.com

As always, I thank all the people involved in Printing.com, including the Company's direct employees, and its Franchisees along with their teams. I would especially like to welcome all the employees of MFG and thank them for their endeavours post the acquisition.

Outlook

Given that the economic climate may not improve in the short term, we believe that the introduction of new online initiatives is timely and will enable Printing.com to develop and progress over the coming years.

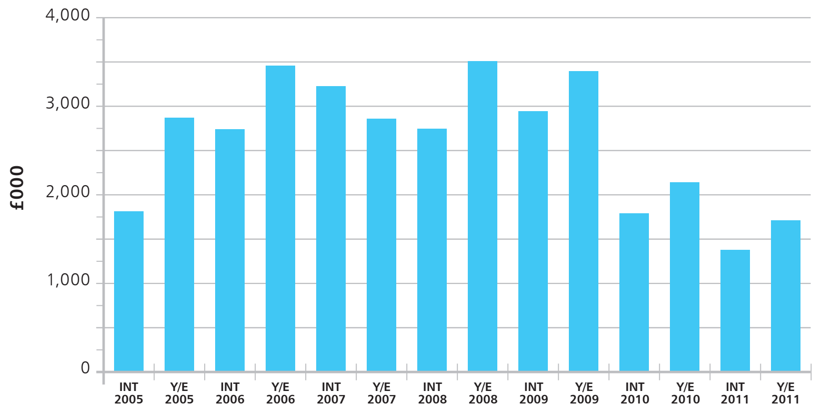
These initiatives embrace new software developments that allow online transactions, including the graphic design element, to take place. This platform opens up a number of new market segments and revenue opportunities which, we believe, will drive volume through the Company's Hub.

The acquisition of MFG will allow elements of the MFG operation to be added into the UK marketplace and vice versa. It will also provide a greater 'footprint' to exploit the Company's new online initiatives.

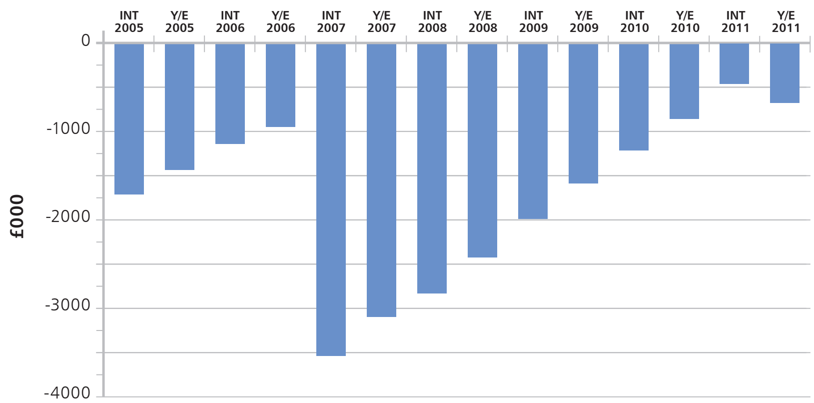
Having put in place these initiatives and completed the acquisition of MFG, we now believe the framework exists to generate meaningful revenues from new markets that will contribute to the earnings of your Company.

George Hardie
Chairman
6 June 2011

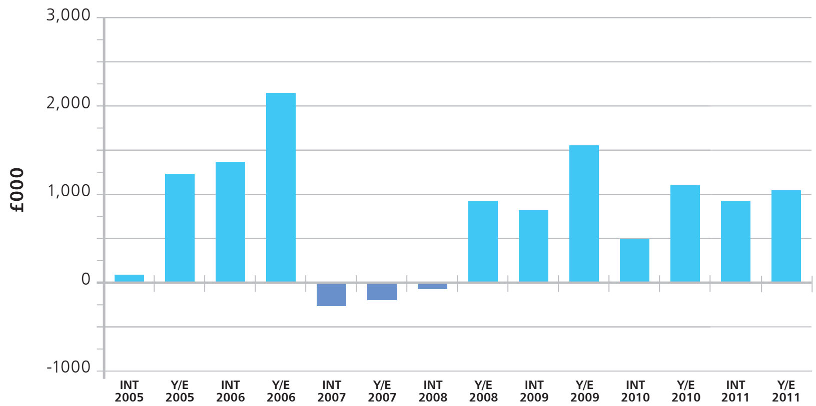
CASH



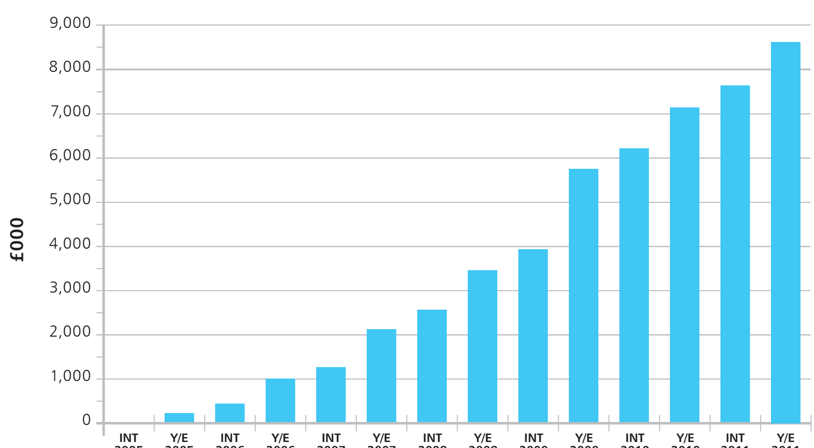
DEBT



NET FUNDS/DEBT



CUMULATIVE RETURN TO SHAREHOLDERS



Printing.com Store Montpellier, France (above and left) and
Printing.com Bolt-on franchise Soissons, France (bottom right).

CHIEF EXECUTIVE'S STATEMENT

Review of Trading – UK

	31 March 2011	31 March 2010
Company Owned Stores	**7**	7
Territory Franchise Stores	**22**	28
Bolt-on and Boutique Franchises	**259**	246
Total	**288**	281

Tony Rafferty – Chief Executive

During the year under review, revenues across the UK remained stable at £13.4m *(2010: £13.6m)*, a marginal contraction of 1.2%, albeit underlying operating margin eroded, predominantly due to continued promotional support. The performance across London and the South East proved to be more robust, with growth of 5.1%. However, other UK regions collectively contracted by 1.8%. In previous years, regional trading patterns were more uniform. We remain of the belief that the difference is due to increased confidence within the SME community across the London and South East region. We believe that this indicates that the underlying demand for the Printing.com service will strengthen as and when economic conditions improve.

Encouragingly, the Printing.com network across the UK exhibited marginal growth in the number of outlets. The decrease in the number of Territory Franchises reflects the conversion of several of these to other formats. Moving forward, it is the Company's intention to continue to grant Franchises, however, it intends to discontinue the grant of the established 'Territory' format. This strategy is being adopted to remove a 'layer' from the Company and make it more agile in embracing new initiatives. Accordingly, in future the Company will report simply the total number of Franchisees at large.

Printing.com Bolt-on franchise Libourne, France.

Review of Trading – France

	31 March 2011	31 March 2010
Company Owned Stores	**1**	-
Bolt-on Franchises	**21**	19
Total	**22**	19

French revenue grew to £455,000, an increase of 39.6% *(2010: £326,000)*.

At the start of the financial year, the Company's first directly owned Store opened in Montpellier, Languedoc, France. This provided the opportunity to refine the Printing.com model and the retail offering in France.

Moving forward, our strategy incorporates the grant of additional Printing.com licences, coupled with the additional new channels to market enabled by our online initiatives.

Flyerzone – one of the brands operated by MFG.

Review of Trading – Ireland

	31 March 2011	31 March 2010
Company Owned Stores	**1**	1
Bolt-on Franchises	**9**	6
Total	**10**	7

Trading across Ireland exhibited further contraction, with revenues dropping by 19% to £343,000 *(2010: £424,000)*. The conditions in Ireland continue to be very difficult, with little immediate prospect of a significant upturn, save for the grant of a number of new Franchises. However, we are optimistic that some of the new online initiatives will at least provide the prospect for some limited growth during the current financial year.

Printing.com International Licences

New Zealand

The grant of the Printing.com Master Licence in New Zealand in 2006 permitted our partner to continue to operate for a period of time under its established Printstop brand. We are pleased to report that, during the year, the full Printing.com brand was adopted in New Zealand. We believe that this points towards the basis of a lasting beneficial partnership.

US

Across Northern Florida and Southern Georgia, the Printing.com model has been successfully established, embracing 32 Franchisees. However, the penetration of the US market at large remains marginal, given its size and scale.

Working with our US partner we hope, by the close of the Interim Period, to establish a roadmap for the future which, we believe, is likely to embrace many of the new Printing.com online initiatives.

Acquisition of Media Facility Group ("MFG") BV. Netherlands

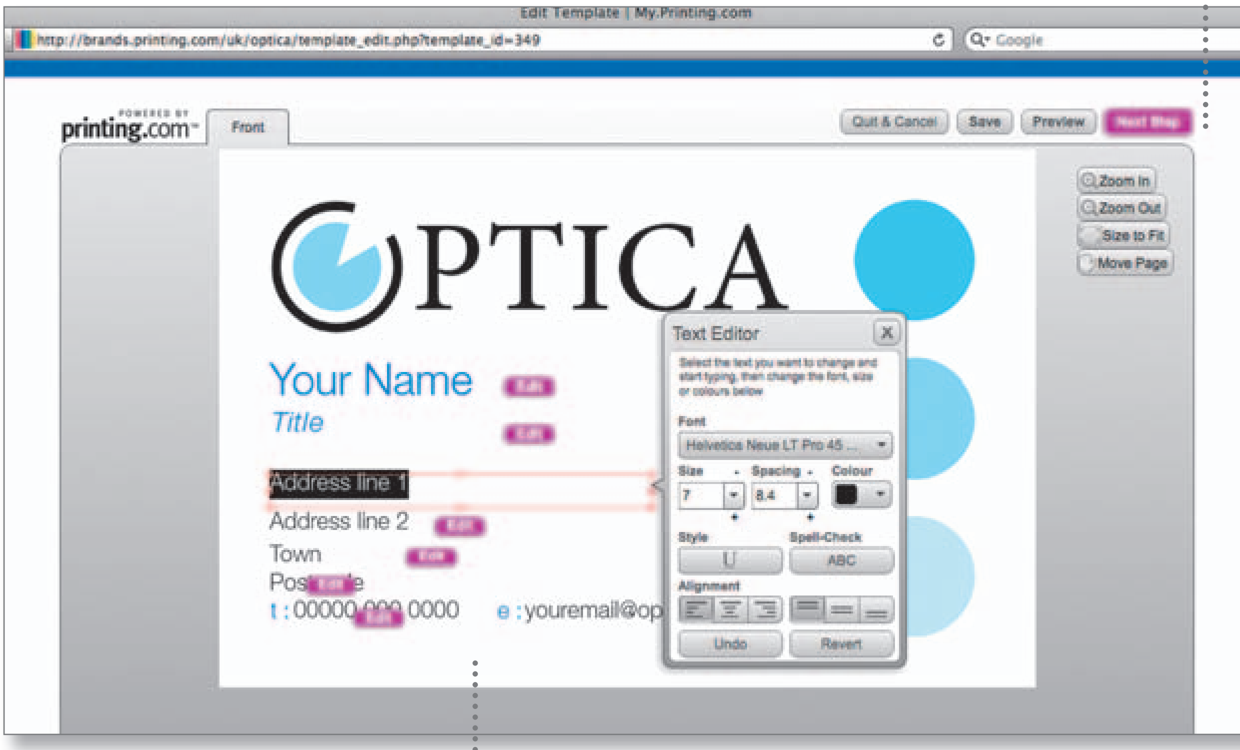
In the Interim Results we reported the acquisition of MFG for a consideration of €2m (£1.78m), satisfied in cash, convertible loan notes and shares. We also reported that MFG Director, Hans Scheffer, previously a 50% owner of MFG, had joined your Company's Board.

MFG operates from Rotterdam, Holland, with 25 employees across sales, marketing and operations, vending a range of printed items, including flyers, leaflets, business cards and letterheads via its proprietary websites, 'Flyerzone.nl', 'Drukland.nl' and 'Printrepublic.nl'. MFG subcontracts production to a number of Dutch commercial printers.

FLYERZONE™ ONLINE MEDIA

MFG team and Flyerzone in The Netherlands.

The acquisition was progressed to enable Printing.com to add to its French initiative and further develop a meaningful operation in continental Europe. It also provided significant expertise, knowledge and insight into the northern European market and the operation of online channels.



BrandDemand makes it easy for multi-site businesses to order online via templates.

Post the acquisition, MFG has performed well, contributing revenues of €3.1m (£2.6m) during the last 5 months of the year. Over this period, its sales were 10.7% higher than the equivalent period in the previous year, in which MFG generated revenues of €2.8m (£2.4m) (unaudited figures). Also, the MFG team has successfully launched a new channel, 'Drukland.be' to target the Flemish speaking region of Belgium.

An additional reason for the acquisition was to manufacture product for the Dutch market via the Company's UK Hub. The integration of MFG and Printing.com systems and establishment of robust logistics has taken longer than originally anticipated, however, the shipment of UK manufactured product to the Dutch market is about to commence.

Background and Context to the Template Initiative

During the Company's early development it operated not only via Printing.com outlets, but also via an online channel, embracing early template technology which enabled simple printed items, such as business cards, to be personalised online. As the Franchise initiative gathered momentum, the online template channel accounted for a very small proportion of revenues. Furthermore, it was believed that to develop the legacy system to a level of functionality that would have enabled a broader application was prohibitive, and accordingly the initiative was discontinued.

We remained of the view that as and when template technology was available to suitably augment the Company's offering, such a solution should be developed and integrated within the Group's systems at large. Accordingly, commencing January 2010, we set about building the necessary software comprising certain licensed elements together with a significant proprietary component.

The course of the year was essentially given over to the building of the system with the first revenues generated in the penultimate month.

The core technology is now ready to be exploited across a number of channels, in the UK, Netherlands, France, Ireland and Belgium – and also via our Master Licence Partners further afield.

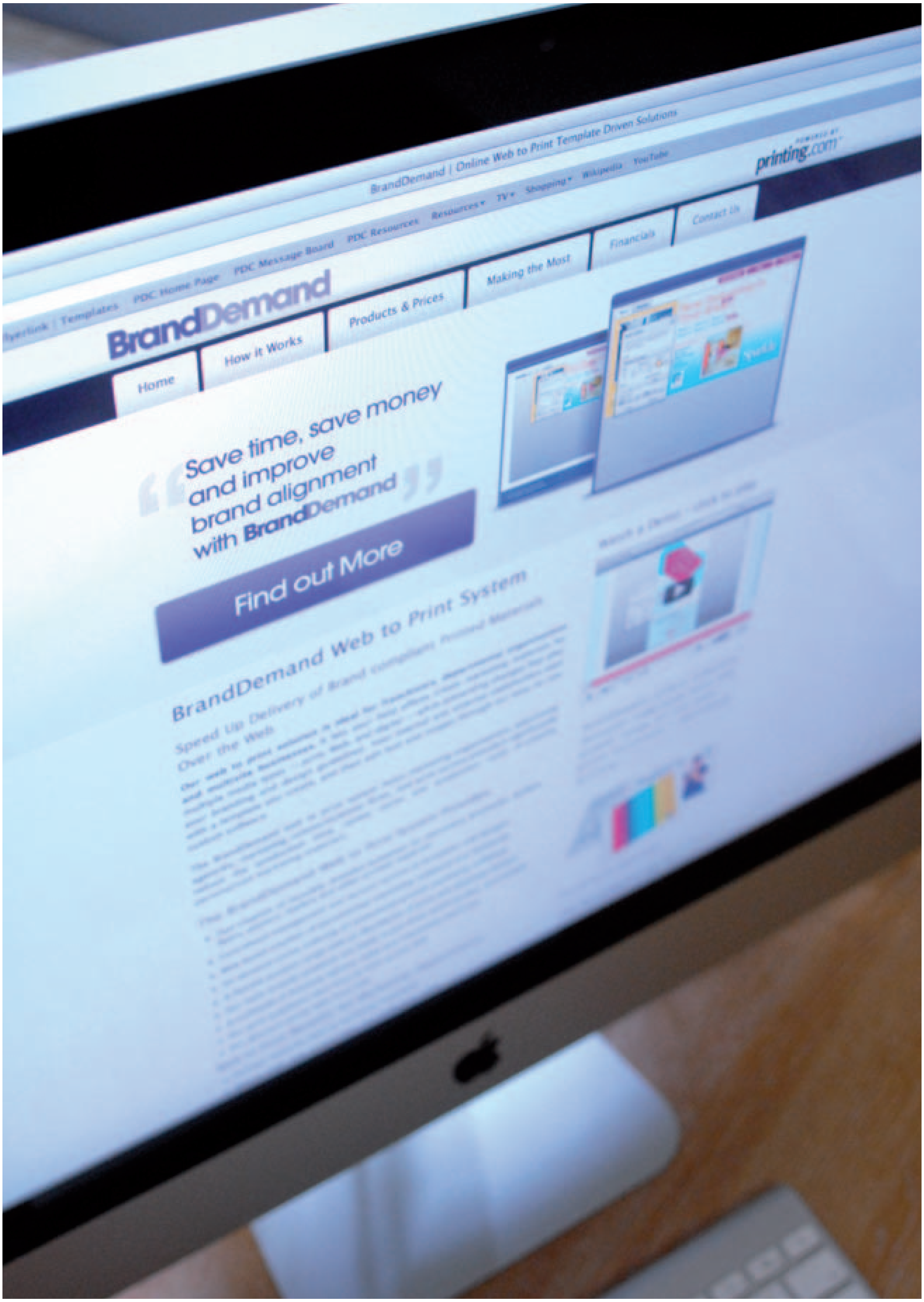
Template Application for Larger Businesses – BrandDemand

As reported in the Interim statement, during the year we launched BrandDemand; a solution aimed at larger, multi-site businesses, including other franchised networks. BrandDemand enables individual outlets to personalise and order their printing online and thereby save the associated cost of involving a professional graphic designer, yet maintain brand alignment.

BrandDemand systems have been in operation for essentially three months, with a number of client implementations delivered. Given the strong pipeline that exists for client implementations, we remain optimistic that revenues from BrandDemand will build on a month-by-month basis.

BrandDemand is presently being launched in France; it is anticipated that it will also be launched in the Netherlands and Ireland prior to the close of the Interim Period.

Cartons are automatically sealed and labelled before being loaded onto pallets for shipping.



BrandDemand helps multi-site businesses to save money and improve brand aligment.

Template Application for SME Clients – Flyerzone

This initiative utilises both the template technology and the expertise of the MFG team in operating online channels. We believe that a niche exists for SME clients who wish to embrace high quality graphic design, together with the efficiency and cost-effectiveness of the online environment.

This online channel is intended to launch in the UK during early summer 2011. Moving forward, a Flyerzone launch is planned for both France and Ireland prior to the close of the Interim Period.

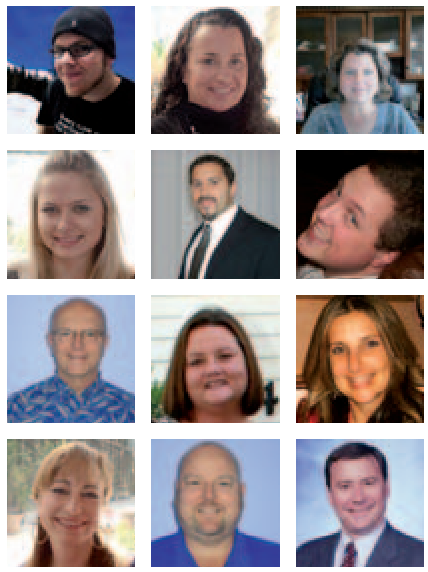
The template technology will also be added to one or more of the established Dutch channels during this period. We believe this will provide the scope for additional value adding from the established client base.

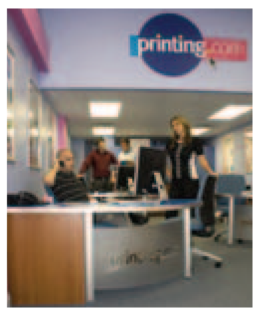
Current Trading and Outlook

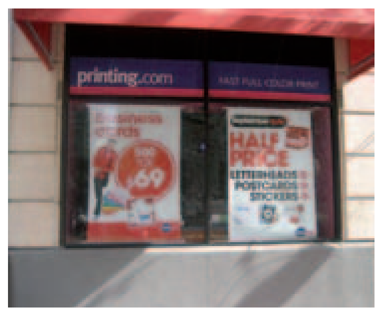
Across the UK, trading during April 2011 proved understandably soft, given the timing of Public Holidays. Elsewhere, volumes were in line with the Company's expectations. Across the Company's principal markets, trading during May proved more in line with its expectations.

Over the past year, we have dedicated a lot of time and resource to developing the aforementioned online initiatives which, we believe, have been well received by both current and prospective clients. We further believe that these new initiatives, coupled with the acquisition of MFG, will be important to the long-term growth of Printing.com and your Board remains confident in the Company's future prospects.

Tony Rafferty
Chief Executive
6 June 2011







Franchisees in Florida and Georgia, USA.

Our New Zealand Master Franchise completed rebranding to Printing.com this year.

FINANCIAL REVIEW

Alan Roberts – Finance Director

Group Financials

The acquisition of Media Facility Group BV ("MFG") on 5 November 2010, and its contribution to Group trading since, has resulted in material variances in a number of financial report headings year-on-year.

Revenue

Group revenues increased by 17.7% to £17.02m from £14.46m. This was due mainly to the sales generated by MFG in the 5 months in which they were part of the Group. Sales excluding MFG show a slight reduction of 0.76%. Revenue from the Eurozone, with only 5 months contribution from MFG, was 20.2% of the total *(2010: 5.5%).*

Total Retail Sales (TRS) UK and Ireland

The Company has long since used TRS as a key metric of Network volumes, across the UK and Ireland, being the estimated retail price paid by the client for product sourced from the Manchester Hub through the Company's outlets and those of Franchise partners. This materially differs from the revenue recognised in the Statement of Comprehensive Income as the Group recognises the price paid by the Franchisee. In the period to 31 March 2011 it is estimated that TRS decreased by 1.5% to £25.59m *(2010: £25.99m).*

With the number of new online initiatives and growth in new markets TRS will become obsolete as an indicator of Group performance.

Like For Like TRS

The Company's like-for-like measure has been centred on the performance of larger geographic areas, aligned with the Company's 'Territory Franchise' structure (or indeed Company owned Stores where that was the case). On this basis the like for like comparison for the year under review showed a decline of 2.36% *(decline 2010: 1.26%)*, with 32 *(2010: 35)* managed territories contributing to this metric.

Given the decision to discontinue the further grant of Territory Franchises, this metric will also be discontinued, but regard will be given for alternative, more pertinent metrics.

Printing.com store Southampton, displaying a wide range of printing and promotional items.

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 include the manufacturing conversion cost, as they are supplied by third party commercial printers, therefore Gross Profit has reduced as a percentage of revenue.

Gross Profit increased by 4.7% to £9.94m from £9.49m. In percentage terms it reduced to 58.4% *(2010: 65.6%)* of revenue, due to the continued support of the Franchise network in the UK and Ireland through monthly sales offers and, from November, the inclusion of MFG's cost of sales.

EBITDA

After removing the impact of acquisition related costs EBITDA decreased from £3.11m to £3.02m *(2.7%).*

Pre-Tax Profit

The Group recorded a pre-tax profit of £1.31m *(2010: £1.70m)*, being 7.7% *(2010: 11.8%)* of Group revenue. Adjusted for the £161,000 of acquisition costs; pre-tax profit was £1.47m and 8.6% of Group revenue.

Staff costs increased in the year to £3.95m *(2010: £3.57m),* but fell as a percentage of revenue from 24.7% to 23.2%. The depreciation and amortisation charge for the year was £1.56m *(2010: £1.36m).*

Interest Received and Charged

Interest received of £0.04m *(2010: £0.06m)* reflects interest on the cash balances held and interest charged to Franchisees on loans to them from Printing.com. Interest paid of £0.05m *(2010: £0.07m),* primarily on lease finance repayments, falls away in the first quarter of the current year.

Taxation

In the year the standard rate for tax was 28% *(2010: 28%)*. The charge for the current year is £0.39m or 29.8% of PBT *(2010: £0.43m or 25.3%)*. The effective tax rate was reduced through the inclusion of enhanced tax relief on research and development expenditure.

Acquisition

The acquisition of Rotterdam based MFG, on 5 November 2010, was for a consideration of £1.78 million, satisfied in cash of £0.44m, loan notes valued at £0.41m and share consideration comprised 2,562,164 ordinary shares in the Company, satisfied by the issuance of 1,948,462 new ordinary shares and 613,702 ordinary shares from Treasury. The shares issued were at the price of shares at the acquisition date.

The loan notes are convertible or repayable, at the option of the vendors, into ordinary shares, at 33.2p in equal tranches at months 3, 6, 9 and 12 from November 2010.

Earnings Per Share (EPS)

Basic EPS achieved was 2.04p *(2010: 2.87p)*, the weighted average number of shares used was 45,407,444. Diluted EPS achieved was 2.02p *(2010: 2.86p)*, the weighted average number of shares used was 45,907,619 which took account of the convertible loan notes issued

Drukland and Print Republic brands operating in The Netherlands.

as part of the consideration for the acquisition of MFG. The year closed with 46,941,927 ordinary shares in issue.

Cash Flow

At the year end the Group had cash balances of £2.0m *(2010: £2.14m)*. After debt of £0.20m on old finance leases, MFG legacy bank loans of £0.23m and the loan notes of £0.36m, Net Funds were £1.22m *(2010: £1.29m)*. The outstanding finance leases will all be repaid by September 2011 and the convertible loan notes are scheduled to be satisfied by March 2012. Operational cash inflow remained strong at £4.16m *(2010: £3.42m)*. The most significant cash outflow being dividends paid of £1.43m *(2010: £2.28m)*.

Capital Expenditure

The total expenditure for the year was £1.55m *(2010: £1.04m)*. The major item being Software development charges for the online initiatives and computing infrastructure £0.87 *(2010: £0.39m)* Franchises reverting to Company ownership resulted in Customer Lists valued at £0.52m *(2010: £0.38m)* being acquired.

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

Share Capital and Share Options

No employee options were exercised or granted during the year.

During the year the Company did not purchase any shares. The maximum number of shares held by the Company during the year was 643,702 (1.4% of the total called up share capital). These shares were released and utilised as part of the consideration for MFG.

Treasury Policies and Financial Risk

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

Interest rate risk, liquidity risk and currency risk

Interest rate risks are limited to the fixed element of finance lease 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 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
6 June 2011

Birmingham Franchisees at local business exhibitions.

DIRECTORS

George Hardie FCA, FCT **– Chairman**

Commonly known as George, he qualified as a Chartered Accountant in 1965. After being appointed as group financial director of Richard Johnson & Nephew Limited (which subsequently became Firth Rixson plc), he became joint group managing director in 1989. In 1994, he led the buyout of six subsidiaries of the Firth Rixson group. Apart from the Group, he is a non-executive director of three other companies. George has extensive experience in financial and general management, in both large and small companies, and in mergers and acquisitions. He joined the Group in 2000 and is chairman of the Remuneration Committee. Age 72.

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 43.

Peter Gunning MA **– Operations Director**

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 35.

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 55.

Les Wheatley FCA – **Non-Executive Director**

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 58.

Hans Scheffer – Managing Director MFG

Hans is the Managing Director of Media Facility Group BV (MFG), based in Rotterdam, he led a management buy-out of the company in 2008. Under his stewardship MFG's annualised sales grew from circa €2.3 million to €6.7 million.

Following the acquisition in November Hans is continuing in the same capacity and has joined the Board. Age 29.

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 2011.

Principal activities and business review

The Group offers a broad range of print products to consumers and small and medium sized business. Service is provided throughout the UK through a chain of high street Stores (some owned but mostly franchised) and franchised Bolt-ons (outlets operated within other businesses). The acquisition of Media Facility Group BV in November 2010 provided the Group with Online sales in Holland and Belgium. It is expected that the Online methodology will be applied in existing markets and used to enter new territories.

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 effecting the Hub or Software hosting.

- Although a formal Hub disaster recovery plan exists, and such losses are insured against, there could be a significant impact on network development short/medium term.

- The hosting of the Group's Flyerlink® software is compromised, currently dual operational facilities are maintained remotely to protect against this eventuality.

- Franchises may not be able to pay debts due to the Group as a result of the current economic environment. This is especially relevant to Bolt-on Franchises where the Franchise is linked to another business.

- Technological advances in systems and/or equipment which negate the Group's competitive advantage.

PROPOSED DIVIDEND

The Directors have proposed a final ordinary dividend in respect of the current financial year of £986,000/2.10p per ordinary share *(2010: £932,000/2.10p per ordinary share).* This has not been included within creditors as it was not approved before the year end.

Dividends paid during the year comprise a final dividend of £932,000/2.10p per share in respect of the previous year ended 31 March 2010, together with an interim dividend in respect of the year ended 31 March 2011 of £493,000/1.05p per share.

RESEARCH AND DEVELOPMENT

All research costs are written off as incurred.

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

FINANCIAL INSTRUMENTS

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

The Group's policy during the financial year ended 31 March 2011 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.

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

POLICY AND PRACTICE ON PAYMENT OF CREDITORS

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

At 31 March 2011 the trade creditors for the Group represented 55 days *(2010: 65 days)* and the Company 14 days *(2010: 82 days)* of the amounts invoiced by suppliers.

DIRECTORS

The following Directors have held office since 1 April 2010:

R G Hardie	*Non executive Chairman*
A Rafferty	*Chief Executive*
P R Gunning	*Operations Director*
A Q Roberts	*Finance Director*
L A Wheatley	*Non executive Director*
H Scheffer	*Managing Director MFG BV – Joined the Board on 5 November 2010*

R G Hardie, A Rafferty, P R Gunning and H Scheffer retire by rotation in accordance with the articles of association and, being eligible, offer themselves up for re-election.

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

Details of Directors' interests in the share capital of the Company as shown in the register, together with details of share options granted and awards made to the Directors, are included in the Report on Directors' Remuneration on pages 26 to 28.

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

EMPLOYEES

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

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

HEALTH AND SAFETY

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

SOCIAL, ENVIRONMENTAL AND ETHICAL ISSUES

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

Through the period the Group maintained its ISO14001 environmental accreditation.

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 *(2010: £nil).*

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on Friday 22 July 2011 at the Company's registered office address.

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

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

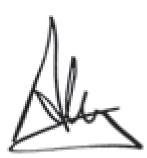
DISCLOSURE OF INFORMATION TO AUDITORS

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

AUDITORS

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

By order of the Board



A Q Roberts
Director
6 June 2011

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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

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

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

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

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

CORPORATE GOVERNANCE STATEMENT

PRINCIPLES OF CORPORATE GOVERNANCE

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

BOARD STRUCTURE

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

The Board is responsible to shareholders for the proper management of the Group. A statement of directors' responsibilities in respect of the accounts is set out on page 23. The Non-executive Directors have a particular responsibility to ensure that the strategies proposed by the Executive Directors are fully considered. The Non-executive Directors are considered by the Board to be independent of management and free of any relationship, which could materially interfere with the exercise of their independent judgement. R G Hardie owns shares in the Group however the Board does not consider this to bias his independence. All Non-executives receive a fixed fee for their services.

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

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

BOARD COMMITTEES

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

- The Remuneration Committee is responsible for making recommendations to the Board on the Company's framework of Executive remuneration and its cost. The Committee determines the contract terms, remuneration and other benefits for each of the Executive Directors, including performance related bonus schemes, pension rights and compensation payments. The Board itself determines the remuneration of the Non-Executive Directors. The Committee comprises R G Hardie and L A Wheatley. It is chaired by R G Hardie and meets at least once a year. The Report on the Directors' Remuneration is set out on pages 26 to 28.

- The Audit Committee comprises R G Hardie and L A Wheatley and is chaired by L A Wheatley. Its prime tasks are to review the scope of external audit, to receive regular reports from the auditors, and to review the half-yearly and annual accounts before they are presented to the Board, focusing in particular on accounting policies and areas of management judgment and estimation. The Committee is responsible for monitoring the controls which are in force to ensure the integrity of the information reported to the shareholders. The Committee acts as a forum for discussion of internal control issues and contributes to the Board's review of the effectiveness of the Group's internal control and risk management systems and processes. It meets at least twice a year including immediately before the submission of the annual and interim financial statements to the Board.

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

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

An analysis of the fees payable to the external audit firm in respect of both audit and non-audit services during the year is set out in Note 4 to the financial statements.

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

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

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

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

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

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

There are no significant issues disclosed in the report and financial statements for the financial year ended 31 March 2011 and up to the date of approval of the report and financial statements that have required the Board to deal with any related material internal control issues.

RELATIONS WITH SHAREHOLDERS

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

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

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

GOING CONCERN

The Group has considerable financial resources and the opportunities open to the Group continues 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 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 finance leases, bank loans and loan notes which total £0.43m against cash balances of £2.00m 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 business review on pages 3 to 13. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described on pages 15 and 17. In addition note 19 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

DIRECTORS' REMUNERATION REPORT

REMUNERATION COMMITTEE

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

In determining the Directors' remuneration for the year, the Committee consulted the Chief Executive, Tony Rafferty, about its proposals. The Committee also 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 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 2011.

SHARE OPTIONS (AUDITED)

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

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

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

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

The options outstanding at the year-end have an average contractual life of 3.33 years.

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

The model inputs were a share price of 32.5p, an exercise price of 32.5p, expected volatility of 62.37%, expected dividends of 3.01%, a term of 4 years and a risk free rate of 5.01%.

PENSION ARRANGEMENTS

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

DIRECTORS' CONTRACTS

It is the Company's policy that Executive Directors should have contracts with an indefinite term providing for a maximum of six months' notice, Hans Scheffer's contract was subject to an initial 12 month notice period reducing to six months after the first year of service. 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 considers the circumstances of early termination and determines compensation payments accordingly.

NON-EXECUTIVE DIRECTORS

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

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

ELEMENTS OF REMUNERATION (AUDITED)

Year ended 31 March 2011:	**Basic salary £**	**Fees £**	**Benefits £**	**Bonuses £**	**2011 Total £**	**2011 Pension £**
R G Hardie	**-**	**30,115**	**-**	**-**	**30,115**	**-**
L A Wheatley	**-**	**20,077**	**-**	**-**	**20,077**	**-**
A Rafferty	**170,905**	**-**	**1,035**	**-**	**171,940**	**20,700**
P R Gunning	**120,481**	**-**	**290**	**15,000**	**135,772**	**10,350**
A Q Roberts	**76,840**	**-**	**15,946**	**7,500**	**100,286**	**7,346**
H Scheffer	**-**	**53,678**	**-**	**-**	**53,678**	**-**
	368,226	**103,870**	**17,271**	**22,500**	**511,867**	**38,396**

Hans Scheffer joined the Board of Printing.com plc on 5 November 2010 following the Group's acquisition of Media Facility Group BV. Hans contracts his executive services via a holding company and is paid €150,000 per year.

Year ended 31 March 2010:	Basic salary £	Fees £	Benefits £	Bonuses £	2010 Total £	2010 Pension £
R G Hardie	-	30,115	-	-	30,115	-
L A Wheatley	-	20,077	-	-	20,077	-
A Rafferty	170,905	-	1,005	-	171,910	20,700
P R Gunning	111,126	-	282	-	111,408	10,350
A Q Roberts	73,747	-	15,017	-	88,764	7,346
	355,778	50,192	16,304	-	422,274	38,396

DIRECTORS' INTERESTS

At 31 March 2011, 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 2011	31 March 2010		Exercise Price	**31 March 2011**	31 March 2010
R G Hardie	**1,674,574**	1,674,574		-	**-**	-
A Rafferty	**8,662,222**	9,162,222		-	**-**	-
P R Gunning	**684,646**	684,646	a)	32.5p	**300,000**	300,000
A Q Roberts	**320,000**	320,000	a)	32.5p	**300,000**	300,000
H Scheffer	**1,281,082**	-		-	**-**	-
L A Wheatley	**-**	-		-	**-**	-

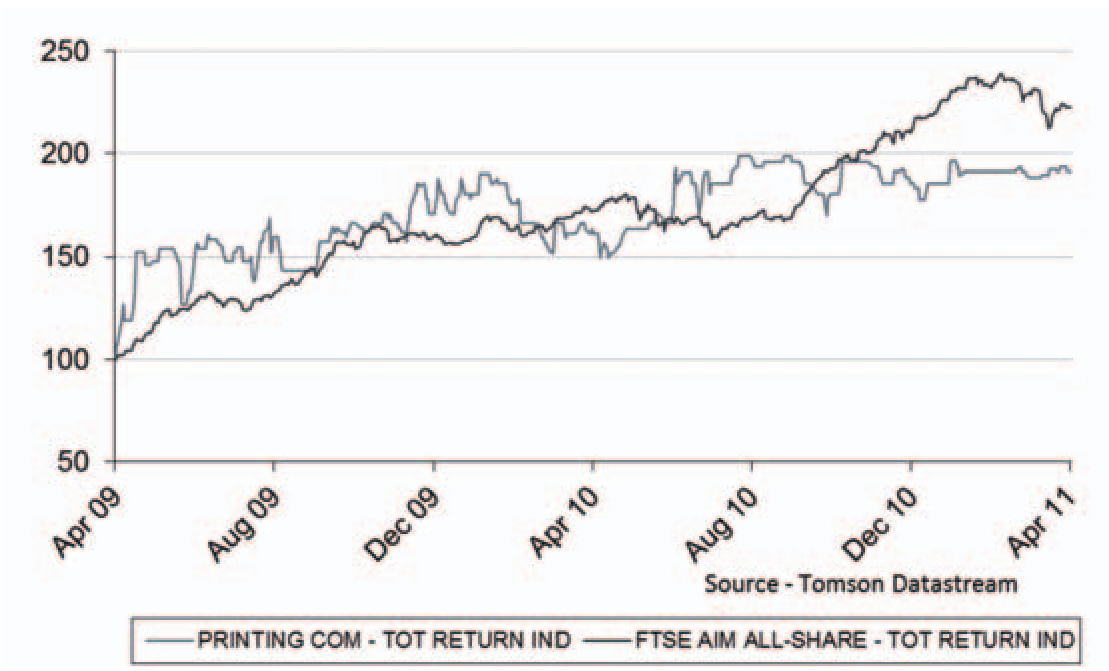
The options granted under a) have been granted under the Company's EMI scheme. These options are subject to performance criteria relating to earnings per share and are exercisable in tranches of 75,000 ordinary shares.

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

From the end of the year until 6 June 2011 there have been no changes in the above interests.

PERFORMANCE GRAPH

The Group's share price performance for the period under review charted with the AIM all share is shown below. The market price of shares as at 31 March 2011 was 36.50pence *(2010: 34.00pence)*. The range during 2011 was 31.00pence to 40.00pence.



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

We have audited the financial statements of Printing.com plc for the year ended 31 March 2011 set out on pages 31 to 63. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Directors' Responsibilities Statement set out on page 11, 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 (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

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

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 2011 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.

S Burdass (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
St James Square
Manchester
M2 6DS
6 June 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2011	*Note*	2011	2010
		£000	£000
Revenue	3	**17,016**	14,456
Changes in inventory of finished goods and work in progress		**49**	31
Raw materials and consumables used		**(7,123)**	(5,002)
Gross profit		**9,942**	9,485
Staff costs	5	**(3,952)**	(3,571)
Other operating charges		**(2,968)**	(2,809)
Depreciation and amortisation		**(1,560)**	(1,361)
Total expenses		**(8,480)**	(7,741)
Operating profit before acquisition related costs	3,4	**1,462**	1,744
Acquisition related costs		**(161)**	-
Operating profit		**1,301**	1,744
Financial income	6	**56**	55
Financial expenses	6	**(46)**	(95)
Net financing income/(expense)		**10**	(40)
Profit before tax		**1,311**	1,704
Taxation	7	**(385)**	(429)
Profit for the year		**926**	1,275
Other comprehensive income for the year		-	-
Total comprehensive income for the year		**926**	**1,275**
Basic earnings per share	8	**2.04p**	2.87p
Diluted earnings per share	8	**2.02p**	2.86p

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER EQUITY

GROUP – YEAR ENDED 31 MARCH 2010

	Share Capital £000	Share premium £000	Merger reserve £000	Retained Earnings £000	Total £000
Balance at 1 April 2009	450	3,881	211	2,524	7,066
Profit and total comprehensive income for the year	-	-	-	1,275	1,275
Dividends paid	-	-	-	(2,284)	(2,284)
Attributable to equity holders of the Company					
Proceeds from disposal of treasury shares	-	-	-	10	10
Total movement in equity	-	-	-	(999)	(999)
Balance at 31 March 2010	450	3,881	211	1,525	6,067

GROUP – YEAR ENDED 31 MARCH 2011

	Share Capital £000	Share premium £000	Merger reserve £000	Retained Earnings £000	Total £000
Balance at 1 April 2010	450	3,881	211	1,525	6,067
Profit and total comprehensive income for the year	-	-	-	926	926
Dividends paid	-	-	-	(1,425)	(1,425)
Shares issued and released from Treasury	19	-	627	-	646
Proceeds from disposal of treasury shares	-	-	-	285	285
Total movement in equity	19	-	627	(214)	432
Balance at 31 March 2011	**469**	**3,881**	**838**	**1,311**	**6,499**

COMPANY – YEAR ENDED 31 MARCH 2010

	Share Capital £000	Share premium £000	Merger reserve £000	Retained Earnings £000	Total £000
Balance at 1 April 2009	450	3,881	-	1,820	6,151
Profit and total comprehensive income for the year	-	-	-	1,606	1,606
Dividends paid	-	-	-	(2,284)	(2,284)
Attributable to equity holders of the Company					
Proceeds from disposal of treasury shares	-	-	-	10	10
Total movement in equity	-	-	-	(668)	(668)
Closing shareholders' funds at 31 March 2010	450	3,881	-	1,152	5,483

COMPANY – YEAR ENDED 31 MARCH 2011

	Share Capital £000	Share premium £000	Merger reserve £000	Retained Earnings £000	Total £000
Balance at 1 April 2010	450	3,881	-	1,152	5,483
Profit and total comprehensive income for the year	-	-	-	1,058	1,058
Dividends paid	-	-	-	(1,425)	(1,425)
Attributable to equity holders of the Company					
Shares issued and released from treasury	19	-	627	-	646
Proceeds from disposal of treasury shares	-	-	-	285	285
Total movement in equity	19	-	627	(82)	564
Balance at 31 March 2011	**469**	**3,881**	**627**	**1,070**	**6,047**

The notes on pages 36 to 63 form part of these financial statements

CONSOLIDATED AND COMPANY STATEMENT OF FINANCIAL POSITION

At 31 March 2011

	Note	**Group 2011 £000**	Group 2010 £000	**Company 2011 £000**	Company 2010 £000
Non-current assets					
Property, plant and equipment	9	**2,951**	3,672	**-**	-
Investments in subsidiaries	10	**-**	-	**2,416**	574
Intangible assets	10	**4,619**	1,614	**-**	-
Deferred tax assets	11	**2**	3	**-**	-
Other receivables	13	**20**	103	**1,000**	1,000
Total non-current assets		**7,592**	5,392	**3,416**	1,574
Current assets					
Inventories	12	**190**	141	**-**	-
Trade and other receivables	13	**3,490**	3,239	**3,120**	3,919
Cash and cash equivalents	14	**2,002**	2,138	**11**	37
Total current assets		**5,682**	5,518	**3,131**	3,956
Total assets		**13,274**	10,910	**6,547**	5,530
Current liabilities					
Other interest-bearing loans and borrowings	15	**(676)**	(653)	**(355)**	-
Amounts owed to Group Undertakings	16	**-**	-	**(100)**	-
Trade and other payables	16	**(3,340)**	(2,118)	**(15)**	(29)
Current tax payable	7	**(423)**	(221)	**-**	-
Accruals and deferred income	16	**(1,392)**	(993)	**(30)**	(18)
Other liabilities	16	**(231)**	(145)	**-**	-
Total current liabilities		**(6,062)**	(4,130)	**(500)**	(47)
Non-current liabilities					
Other interest-bearing loans and borrowings	15	**(109)**	(200)	**-**	-
Deferred tax liabilities	11	**(604)**	(513)	**-**	-
Total non-current liabilities		**(713)**	(713)	**-**	-
Total liabilities		**(6,775)**	(4,843)	**(500)**	(47)
Net assets		**6,499**	6,067	**6,047**	5,483
Equity attributable to equity holders of the parent					
Share capital	18	469	450	469	450
Share premium		3,881	3,881	3,881	3,881
Merger reserve		838	211	627	-
Retained earnings		1,311	1,525	1,070	1,152
Total equity		6,499	6,067	6,047	5,483

These financial statements were approved by the board of directors on 6 June 2011 and were signed on its behalf by:

A Q Roberts
Director

CONSOLIDATED AND COMPANY STATEMENT OF CASH FLOW

FOR YEAR ENDED 31 MARCH 2011

	Note	Group 2011 £000	Group 2010 £000	Company 2011 £000	Company 2010 £000
Cash flows from operating activities					
Profit for the year		**926**	1,275	**770**	1,606
Adjustments for:					
Depreciation, amortisation and impairment		**1,560**	1,361	**-**	-
Net finance expense / (income)		**(10)**	40	**(1,126)**	(1,301)
Foreign exchange (loss)/gains		**18**	(28)	**12**	-
Tax expense / (income)		**385**	429	**-**	-
Operating cash flow before changes in working capital and provisions		**2,879**	3,077	**(344)**	305
Change in trade and other receivables		**609**	224	**1,087**	(402)
Change in inventories		**(49)**	(31)	**-**	-
Change in trade and other payables		**719**	147	**98**	16
Cash generated from / (used in) Operations		**4,158**	3,417	**841**	(81)
Interest paid		**(46)**	(67)	**(9)**	-
Income tax paid		**(230)**	(624)	**-**	-
Net cash inflow/(outflow) from operating activities		**3,882**	2,726	**832**	(81)
Cash flows from investing activities					
Proceeds from sale of plant and equipment		**-**	-	**-**	-
Interest received		**42**	55	**-**	1
Acquisition of plant and equipment	9	**(145)**	(268)	**-**	-
Capitalised development expenditure	10	**(246)**	(118)	**-**	-
Acquisition of other intangible assets	10	**(1,156)**	(649)	**-**	-
Acquisition of Subsidiary net of cash acquired		**(329)**	-	**(502)**	-
Dividends received		**-**	-	**1,123**	1,300
Net cash (used in) / generated by investing activities		**(1,834)**	(980)	**621**	1,301
Cash flows from financing activities					
Proceeds from the issue of share capital	18	**-**	10	**-**	10
Payment of finance lease liabilities		**(653)**	(725)	**(54)**	-
Repayment of Bank Loans		**(52)**	-	**-**	-
Repayment of Loan Notes		**(54)**	-	**-**	-
Dividends paid	18	**(1,425)**	(2,284)	**(1,425)**	(2,284)
Net cash used in financing activities		**(2,184)**	(2,999)	**(1,479)**	(2,274)
Net (decrease)/increase in cash and cash equivalents		**(136)**	(1,253)	**(26)**	(1,054)
Exchange losses on cash and cash equivalents		**-**	-	**-**	-
Cash and cash equivalents at start of year		**2,138**	3,391	**37**	1,091
Cash and cash equivalents at 31 March	**14**	**2,002**	2,138	**11**	37

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 continues 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 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 finance leases, bank loans and loan notes which total £0.43m against cash balances of £2.00m 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 Groups business activities together with the factors likely to affect its future development, performance and position is set out in the business review on pages 3 to 13. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described on pages 15 & 17. In addition note 19 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"). 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 6 June 2011.

The financial statements have been drawn up for the year ended 31 March 2011 and all references to financial year refer to this period. The comparative financial information presented represents the year ended 31 March 2010.

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

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.

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

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

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described below and discussed in Note 24:

Note 10 Intangibles
Note 10 Acquisition related intangibles and goodwill
Note 13 Trade and other receivables

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

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

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

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

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

Depreciation

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

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, provisions are made 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.

Intangible assets

Research and development costs

All research costs are written off as incurred.

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

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.

Revenue

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

- For printing services revenue is recognised on completion of the print run at the fair value of the consideration receivable net of any discounts or commissions as the risks and rewards of the inventory pass to the Franchisee upon completion of printing. Revenue recognised relates only to amounts invoiced to Franchisees rather than the full amount paid by the end customer. 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) as well as the right to ongoing use in the initial period of the Printing.com brand and network and, for Territory Franchisees, their entitlement to the territory. Revenue in relation to the services provided at the start of the Franchise Agreement is recognised on completion of the services as detailed in the Franchise

Agreement and represents the fair value of the services provided. The element of the fee in relation to ongoing use of the Printing.com brand and network is spread over the period to the anniversary of the licence agreement (normally a twelve month period) representing the period over which the rights are made available.

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

Taxation

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

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

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

Interest bearing borrowings

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

Impairment of assets

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

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

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

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

Calculation of recoverable amount

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

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

Operating lease payments

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

Finance lease payments

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

Financing costs

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

Employee benefits

Defined contribution plan

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

Share based payments

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

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

Financial instruments

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

(a) they include no contractual obligations upon the Company (or Group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company (or Group); and

(b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

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

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

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

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

Foreign currencies

Foreign currency transactions are recorded at the exchange rate prevailing at the date of the transaction. At each Balance Sheet date, monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate prevailing at the Balance Sheet date. Translation differences on monetary items are taken to profit and loss.

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

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

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

Trade and other receivables

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

Trade and other payables

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

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 2011 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. ACQUISITIONS OF SUBSIDIARIES

Acquisitions in the current period

On 5 November 2010 the Group acquired all of the ordinary shares in Media Facility Group BV for £1.78 million, satisfied in cash, loan notes and the allotment of ordinary shares of the Company. The company is a Netherland's-based supplier of a similar range of products to Printing.com via online channels.

The rationale for the acquisition reflects the synergies between Printing.com and MFG when aspects of the Printing.com systems will be added to the MFG offering, enriching and commercially exploiting their knowledge of using online channels. MFG also has a number of resellers operating in its domestic marketplace it is hoped they will form the basis for a 'Bolt-on' Franchise network in the Netherlands. MFG does not presently manufacture relying upon contractual arrangements with commercial printers. This provides Printing.com the scope to supply some of the Dutch product directly from the Manchester Hub exploiting unutilised UK capacity.

2. ACQUISITION OF SUBSIDIARIES (CONTINUED)

In the five months to 31 March 2011 the subsidiary contributed net profit of £207,000 to the consolidated net profit for the year. If the acquisition had occurred on 1 April 2010, Group revenue would have been an estimated £20.2million and net profit before tax would have been an estimated £1.5million. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition occurred on 1 April 2010.

Effect of acquisition

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

	Pre-acquisition carrying amount £000	Fair value adjustments £000	Provisional fair values on acquisition £000
Acquiree's net assets at the acquisition date:			
Property, plant and equipment	82	-	82
Intangible assets	242	695	937
Deferred tax asset	-	22	22
Inventories	-	-	-
Trade and other receivables	780	-	780
Cash and cash equivalents	112	-	112
Interest-bearing loans and borrowings	(282)	-	(282)
Trade and other payables	(988)	-	(988)
Deferred tax liabilities	-	(161)	(161)
Net identifiable assets and liabilities	(54)	556	502
Consideration paid:			
Cash consideration relating to business combination			441
Loan note consideration relating to business combination			409
Equity instruments issued			932
Total consideration			1,782
Goodwill on acquisition			1,280

A detailed description of the different intangible assets which have been identified within the acquired business and the methods used to value them are provided within note 10. The deferred tax liability represents the tax effect which will result from the amortisation of the intangible assets, estimated using the tax rate substantively enacted at the balance sheet date and the fair value of the different classes of asset. The gross amount of trade receivables at the acquisition date was £638,000 against which there was a doubtful debt provision of £62,000.

Goodwill has arisen on the acquisition because of the operational synergies referred to above 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.

The share consideration comprised 2,562,164 ordinary shares in Printing.com satisfied by the issuance of 1,948,462 new ordinary shares and 613,702 ordinary shares from Treasury. The shares issued were at the share price in effect at the acquisition date. Half of the Shares allotted pursuant to the transaction, are subject to a 'lock-in' period of one year, the remainder two years.

The total cash consideration amounted to £441,000 funded from the Group's cash resources. £409,000 was met via the issue of a Convertible Loan note, repayable (or convertible, at the option of the vendors, into ordinary shares at 33.2p) in equal tranches at months 3, 6, 9 and 12 post completion. Any equity component attached to this instrument is considered to be nominal therefore the loan note has been classified within other interest bearing liabilities (see note 15).

3. SEGMENTAL INFORMATION

In applying IFRS 8 – Operating Segments, the Group has previously disclosed two reportable operating segments based on nature of service, being printing services and franchise income. Following the acquisition of MFG there has been an increased focus on expansion into new territories and it is now considered that the primary operating segments are geographic being UK & Ireland, Europe and others. The segmental analysis by nature of service has also been amended to include a third reportable segment, being online sales of Printing services.

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 £17,016,000, £13,395,000 was generated in the UK *(2010: £13,555,000)*. Revenue generated outside the UK is primarily attributable to the Holland & Belgium *(£2,640,000, 2010: Nil)*, France *(£455,000, 2010: £326,000)* and Republic of Ireland *(£343,000, 2010: £424,000)*. No single customer provided the Group with over 10% of its revenue.

Analysis by location of sales

	UK & Ireland £000	**Europe £000**	**Other £000**	**Total £000**
Period ended 31 March 2011				
Segment revenues	13,738	3,095	183	17,016
Operating Expenses				15,715
Results from operating activities				1,301
Net finance income				10
Profit before tax				1,311
Tax				(385)
Profit for the period				926

Assets	
Unallocated net assets	6,499

	UK & Ireland £000	Europe £000	Other £000	Total £000
Period ended 31 March 2010				
Segment revenues	13,979	326	151	14,456
Operating Expenses				12,712
Results from operating activities				1,744
Net finance income				(40)
Profit before tax				1,704
Tax				(429)
Profit for the period				1,275

Assets	
Unallocated net assets	6,067

SEGMENTAL INFORMATION (continued)

Analysis by type

	Printing services – online sales £000	**Printing services** £000	**Licence Income** £000	**Total** £000
Period ended 31 March 2011				
Segment revenues	2,640	13,323	1,053	17,016
Operating Expenses				15,715
Results from operating activities				1,462
Exceptional Items				(161)
Net finance income				10
Profit before tax				1,311
Tax				(398)
Profit for the period				913

Assets

Unallocated net assets	6,842

	Printing services – online sales £000	Printing services £000	Licence Income £000	Total £000
Period ended 31 March 2010				
Segment revenues	-	13,458	998	14,456
Operating Expenses				12,712
Results from operating activities				1,744
Net finance income				(40)
Profit before tax				1,704
Tax				(429)
Profit for the period				1,275

Assets

Unallocated assets	6,067

4. PROFIT BEFORE TAXATION AND AUDITORS' REMUNERATION

Included in profit/loss are the following:

	2011 £000	2010 £000
Operating lease rentals	**433**	351
Amortisation of intangible assets	**613**	437
Depreciation	**947**	924
Profit/(loss) on foreign currency transactions	**14**	(28)

Auditors' remuneration:

	2011 £000	2010 £000
Audit of these financial statements	**39**	31
Amounts receivable by auditors and their associates in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	**21**	20
Review of interim financial statements	**4**	4
Other services relating to taxation	**33**	44

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.

5. 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 2011	Group 2010	**Company 2011**	Company 2010
Administration	**19**	15	**2**	2
Sales and distribution	**66**	39	**-**	-
Production	**64**	62	**-**	-
	149	116	**2**	2

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

	Group 2011 £000	Group 2010 £000	**Company 2011 £000**	Company 2010 £000
Wages and salaries	**3,488**	3,150	**50**	50
Share based payments (see note 17)	**-**	-	**-**	-
Social security costs	**378**	340	**5**	5
Other pension costs	**86**	81	**-**	-
	3,952	3,571	**55**	55

5. STAFF NUMBERS AND COSTS (continued)

Key management remuneration:

	2011 £000	2010 £000
Key managements' emoluments	**458**	422
Share based payments (see note 17)	**-**	-
Company contributions to money purchase pension plans	**38**	38
Amounts paid to third parties in respect of directors services	**54**	-
	550	460

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 page 27.

The aggregate of emoluments for the highest paid Director was £172,000 *(2010: £172,000)*, and Company pension contributions of £21,000 *(2010: £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 *(2010: 3)*.

6. FINANCE INCOME AND EXPENSE

	2011 £000	2010 £000
Bank interest income	**1**	4
Other interest	**41**	51
	42	55
Net foreign exchange gain	**14**	-
Financial income	**56**	55
Interest expense on financial liabilities	**46**	67
Net foreign exchange loss	**-**	28
Financial expenses	**46**	95

Other interest relates to interest received on loans and overdue balances from Franchisees.

7. TAXATION

Recognised in profit and loss

	2011 £000	2010 £000
Current tax expense		
Current year	**588**	682
Foreign tax	**23**	11
Adjustments for prior years	**(179)**	(219)
	432	474
Deferred tax expense		
Origination and reversal of temporary differences (see note 11)	**(120)**	(154)
Movement due to change in rate of tax	**(45)**	-
Adjustment in respect of prior year for intangibles	**118**	110
Other adjustments for prior years	**-**	(1)
Total tax in profit and loss	**385**	429

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

	2011 £000	2010 £000
Profit for the period	**1,311**	1,704
Total tax expense	**(385)**	(429)
Profit after taxation	**926**	1,275
Tax using the UK corporation tax rate of 28% (2010: 28%)	**367**	477
Permanent differences	**116**	45
Overseas tax losses not recognised	**33**	17
Difference in overseas tax rate	**(36)**	-
Consolidation adjustments	**1**	-
Adjustments in respect of prior periods – current tax	**(179)**	(219)
Adjustments in respect of prior periods – deferred tax	**118**	109
Movement due to change in tax rate	**(35)**	-
Total tax expense	**385**	429

The Group Tax Creditor amounts to £423,000 *(2010: £221,000)*

The deferred tax assets and liabilities as at 31 March 2011 have been calculated using the tax rate of 26% which was substantively enacted at the balance sheet date.

Further reductions to the UK corporation tax rate have been announced in the March 2011 Budget which have not been substantively enacted at the balance sheet date but are expected to impact on future tax charges. It is proposed to reduce the rate by 1% each year to 23% by 1 April 2014. These changes are expected to be enacted separately each year and have not been recognized in these financial statements.

8. EARNINGS PER SHARE

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

	2011 £000	2010 £000
Profit after taxation for the financial year	**926**	1,275

Weighted average number of shares.	2011 Number of Shares	2010 Number of shares
For basic earnings per ordinary share	**45,407,444**	44,360,807
Exercise of share options	**500,175**	282,891
For diluted earnings per ordinary share	**45,907,619**	44,643,698

9. PROPERTY, PLANT AND EQUIPMENT – GROUP

	Land and buildings £000	Plant and equipment £000	Motor Vehicles £000	Fixtures and Fittings £000	Total £000
Cost					
Balance at 1 April 2009	559	7230	-	691	8480
Additions	34	98	33	103	268
Disposals	-	(171)	-	(66)	(273)
Effect of movement in foreign exchange	-	-	-	-	-
Balance at 31 March 2010	593	7,157	33	728	8,511
Balance at 1 April 2010	593	7,157	33	728	8,511
Additions	-	(18)	-	163	145
Acquisitions through business combinations	-	-	-	82	82
Disposals	-	378	-	363	741
Effect of movements in foreign exchange	-	-	-	(2)	(2)
Balance at 31 March 2011	**593**	**6,761**	**33**	**608**	**7,995**
Depreciation and impairment					
Balance at 1 April 2009	294	3,374	-	484	4,152
Depreciation charge for the year	58	763	5	98	924
Disposals	-	(171)	-	(66)	(237)
Balance at 31 March 2010	352	3,966	5	516	4,839
Balance at 1 April 2010	352	3,966	5	516	4,839
Depreciation charge for the year	60	760	6	121	947
Disposals	-	(378)	-	(363)	-
Effect of movements in foreign exchange	-	-	-	(1)	(1)
Balance at 31 March 2011	**412**	**4,348**	**11**	**273**	**5,044**
Net book value					
At 31 March and 1 April 2009	265	3,856	-	207	4,328
At 31 March 2010	241	3,191	28	212	3,672
At 31 March 2011	**181**	**2,413**	**22**	**335**	**2,951**

Leased plant, machinery and fixture & fittings

At 31 March 2011 the net carrying amount of leased plant, machinery and fixture & fittings was £1,394,000 *(2010: £1,770,000)*. The lease obligations are secured by the leased equipment.

10. INTANGIBLE ASSETS AND INVESTMENTS

Group	Domain name £000	Software £000	Development costs £000	Customer Lists £000	Goodwill £000	Other £000	Total £000
Cost							
Balance at 1 April 2009	337	1,397	339	359	-	14	2,446
Acquisitions – internally developed	-	-	118	-	-	-	118
Acquisitions – externally purchased	-	268	-	376	-	5	649
Disposals	-	(303)	-	-	-	-	(303)
Balance at 31 March 2010	337	1,362	457	735	-	19	2,910
Balance at 1 April 2010	337	1,362	457	735	-	19	2,910
Acquisitions – internally developed	-	-	246	-	-	-	246
Acquisitions – externally purchased	-	627	-	520	-	9	1,156
Acquisitions through business combinations	108	246	-	583	1,280	-	2,217
Disposals	-	(307)	-	(30)	-	-	(337)
Balance at 31 March 2011	**445**	**1,928**	**703**	**1,808**	**1,280**	**28**	**6,192**
Amortisation and impairment							
Balance at 3 April 2009	149	833	85	95	-	1	1,163
Amortisation for the year	17	248	73	98	-	1	437
Disposals	-	(303)	-	-	-	-	(303)
Balance at 31 March 2010	166	778	158	193	-	2	1,297
Balance at 1 April 2010	166	778	158	193	-	2	1,297
Amortisation for the year	26	286	100	189	-	12	613
Disposals	-	(307)	-	(30)	-	-	(337)
Balance at 31 March 2011	**192**	**757**	**258**	**352**	**-**	**14**	**1,573**
Net book value							
At 31 March and 1 April 2009	188	564	254	264	-	13	1,283
At 31 March 2010	171	584	299	542	-	17	1,614
At 31 March 2011	**253**	**1,185**	**445**	**1,456**	**1,280**	**14**	**4,619**

Amortisation and impairment charge

The amortisation charge of £613,000 *(2010: £437,000)* is recognised in profit and loss within depreciation and amortisation expenses. An impairment charge of nil *(2010: £nil)* was recognised during the year.

Acquisition of businesses

Shares of Media Facility Group BV

The fair value of the intangible assets recognised upon the acquisition of Media Facility Group BV (MFG) (see note 2 for details), have been calculated as set out below.

Customer list

This asset represents the value of the customer data held by MFG at the date of acquisition. The valuation is based on the cash flows that are expected to result from these customers during the three year useful economic life of the asset, adjusted for estimated future attrition following the date of acquisition. The Group has based the estimate on forecasts made for the next three years with an assumed attrition rate of 33% p.a. based on management's expectations based on previous experience. A discount rate of 12% has been used to calculate the present value of the future benefit of these customers.

Website domains

These assets represent the four major websites used by MFG to sell printing services and are valued at the cost of recreating such websites using in-house estimates based on previous experience.

Software

This asset represents the 'PrintLinQ' software used by MFG to process sales of printing services and is valued at the cost of recreating such an asset using in-house estimates based on previous experience.

Goodwill

The goodwill balance recognised upon the acquisition of MFG represents the value the Group expects to generate through applying the:

- existing technology and skills and expertise of the Groups workforce to the acquired business and assets;
- skill and expertise of the MFG workforce to the existing Group operations.

Trade and assets of Franchises

During the year the Group acquired the trade and assets of a number of Franchises. As these acquisitions are not individually material disclosure has been made on a consolidated basis. Total consideration of £520,000 was paid in respect of the Franchises, settled by outstanding amounts due to the Group and cash.

Effect of acquisition

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

	Pre-acquisition £000	Fair value adjustments £000	Provisional fair value on acquisition £000
Acquiree's net assets at the acquisition date:			
Intangible assets	-	520	520
Net identifiable assets	-	520	520
Consideration paid : settlement of outstanding amounts due to the group			(420)
Cash consideration			(100)
Total consideration			(520)
Goodwill at acquisition			-

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

Impairment testing

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.

Acquired goodwill has been allocated to Printing Services (£307,000) and Printing Services – online sales (£973,000) which are regarded as the smallest CGU's to which goodwill can be allocated and is tested annually for impairment. The recoverable amount of goodwill is determined from value in use calculations. The key assumptions for value in use calculations are those regarding growth rates and cost savings. Growth rates assumptions are dependent on volume while, cost saving assumptions, are dependent on renegotiation of supply contracts and utilisation of the UK Hub.

The Group prepares cash flow forecasts derived from budgets and three year business plans extrapolated out for a further two years. The growth rates relate to new on-line offerings using templating technology in existing and new territories and are expected to increase sales from nil to £8,152,000 in three years. The growth rates have been determined based on previous experience of launching websites.

Cost saving assumptions have been based on experience since the acquisition and expected increased use of the UK Production Hub both extrapolated over four years.

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

The analysis performed calculates that the recoverable amount of the Group's assets exceeds their carrying value by £1,416,000 and as such no impairment was identified. With regard to impairment testing in relation to sale of online printing services a decrease of 44% in the sales assumptions with all other assumptions held constant would give a value in use equal to their carrying value.

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

Investments - Company

	Shares in subsidiary undertakings £000	**Total** £000
Cost		
Balance at 1 April 2009 and 31 March 2010	574	574
Balance at 1 April 2010	574	574
Acquisitions	1,842	1,842
Balance at 31 March 2011	**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
Printing.com Switzerland SA	Holding Intellectual Property

11. DEFERRED TAX ASSETS AND LIABILITIES – GROUP

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		**Liabilities**	
	2011	2010	**2011**	2010
	£000	£000	**£000**	£000
Property, plant and equipment	**-**	-	**456**	513
Intangible assets	**-**	-	**148**	-
Other	**(2)**	(3)	**-**	-
Tax (assets)/liabilities	**(2)**	(3)	**604**	513

Movement in deferred tax during the year

	31 March 2010	**Adjustment for prior years**	**Acquired in business combination**	**Recognised in income**	**Recognised in income due to tax rate change**	**31 March 2011**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Property, plant and equipment	513	118	-	(130)	(45)	**456**
Intangible assets	-	-	161	(13)	-	**148**
Tax value of loss carried forward	-	-	(22)	22	-	**-**
Other timing differences	(3)	-	-	1	-	**(2)**
	510	**118**	**(139)**	**(120)**	**(45)**	**602**

Movement in deferred tax during the prior year

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

Company

The Company had no deferred tax assets or liabilities as at 31 March 2011 *(2010: £nil)*.

12. INVENTORIES

	Group	Group	**Company**	Company
	2011	2010	**2011**	2010
	£000	£000	**£000**	£000
Raw materials and consumables	**187**	138	**-**	-
Work in progress	**3**	3	**-**	-
	190	141	**-**	-

Raw materials, consumables and changes in work in progress recognised as cost of sales in the year amounted to £49,000 *(2010: £31,000)*. There were no inventory write-offs in the year *(2010: nil)*.

13. TRADE AND OTHER RECEIVABLES

	Group 2011 £000	Group 2010 £000	**Company 2011 £000**	Company 2010 £000
Other receivables due from subsidiary companies	**-**	-	**3,109**	3,912
Trade receivables and prepayments	**3,433**	3,157	**-**	-
Interest receivable	**25**	6	**-**	-
Other receivables	**32**	76	**11**	7
	3,490	3,239	**3,120**	3,919

At 31 March 2011 trade receivables are shown net of an allowance for doubtful debts of £381,000 *(2010: £336,000).*

Other receivables represent loans receivable from franchisees and are stated net of an impairment provision of £2,000 *(2010: £2,000).*

An analysis of impairment losses recognised in the year is given in note 19.

Trade and other receivables denominated in currencies other than sterling comprise £815,000 *(2010: £335,000)* of trade receivables and £nil *(2010: £nil)* of other receivables denominated in Euro.

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

	Group 2011 £000	Group 2010 £000	**Company 2011 £000**	Company 2010 £000
Other receivables due from subsidiary companies	**-**	-	**1,000**	1,000
Other receivables	**20**	103	**-**	-

14. CASH AND CASH EQUIVALENTS

	Group 2011 £000	Group 2010 £000	**Company 2011 £000**	Company 2010 £000
Cash and cash equivalents	**2,002**	2,138	**11**	37

Cash denominated in currencies other than Sterling comprise £986,000 *(2010: £116,000)* denominated in Euro.

15. OTHER INTEREST-BEARING LIABILITIES

This note provides information about the contractual terms of the Group and Company's interest-bearing liabilities. For more information about the Group and Company's exposure to interest rate and foreign currency risk, see note 19.

	Group 2011 £000	Group 2010 £000	**Company 2011 £000**	Company 2010 £000
Non current liabilities				
Finance lease liabilities	**-**	200	**-**	-
Bank loans	**109**	-	**-**	-
	109	200	**-**	-
Current liabilities				
Current portion of finance lease liabilities	**200**	653	**-**	-
Current portion of bank loans	**121**	-	**-**	-
Loan notes	**355**	-	**355**	-
	676	653	**355**	-

Finance lease liabilities

	Minimum lease payments 2011 £000	**Interest 2011 £000**	**Principal 2011 £000**	Minimum lease payments 2010 £000	Interest 2010 £000	Principal 2010 £000
Group						
Less than one year	**202**	**2**	**200**	683	30	653
Between one and five years	**-**	**-**	**-**	202	2	200
	202	**2**	**200**	885	32	853

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

Bank loans

	Minimum loan payments 2011 £000	**Interest 2011 £000**	**Principal 2011 £000**	Minimum loan payments 2010 £000	Interest 2010 £000	Principal 2010 £000
Group						
Less than one year	**132**	**11**	**121**	-	-	-
Between one and five years	**112**	**3**	**109**	-	-	-
	244	**14**	**230**	-	-	-

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

Loan notes

The loan notes were issued as part of the consideration for the acquisition of Media Facility Group. Convertible loan notes of £409,000 were issued, repayable (or convertible, at the option of the vendors, into ordinary shares at 33.2p) in equal tranches at months 3,6,9 and 12 post completion. Any equity component attached to this instrument is considered to be nominal therefore the full amount has been classified within other interest bearing liabilities. Interest is charged at 5%.

16. TRADE AND OTHER PAYABLES

	Group 2011 £000	Group 2010 £000	**Company 2011 £000**	Company 2010 £000
Other trade payables	**3,340**	2,118	**15**	29
Accruals and deferred income	**1,392**	993	**30**	18
Other liabilities	**231**	145	**-**	-
	4,963	3,256	**45**	47

Other trade payables denominated in currencies other than Sterling comprise £933,000 *(2010: £7,000)* denominated in Euro.

17. EMPLOYEE BENEFITS

Defined contribution pension plans

The Group operates a number of defined contribution pension plans. The total expense relating to these plans in the current year was £86,000 *(2010: £81,000)*.

Share-based payments – 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. The period started with 2,007,500 shares under option, no Options were exercised during the year *(2010: 30,000)*. The weighted average share price of options exercised last year was: *31.13p.*

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

Grant date/employees entitled	**Number of instruments**	**Vesting**	**Contractual life of options**
6 August 2006	2,007,500	Personal targets and share price trigger points	6 August 2014

The options outstanding at the yearend have an exercise price of 32.5p and an average contractual life of 3.33 years.
The number and weighted average exercise prices of employee share options are as follows:

	Weighted average exercise price 2011	**Number of options 2011**	Weighted average exercise price 2010	Number of Options 2010
Outstanding at the beginning of the period	**32.5p**	**2,007,500**	32.5p	2,200,000
Forfeited during the period	**-**	**-**	32.5p	(162,500)
Exercised during the period	**-**	**-**	32.5p	(30,000)
Outstanding at the end of the period	32.5p	2,007,500	32.5p	2,007,500

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

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

The total expense recognised for the period arising from share based payments in respect of employees was £nil *(2010: £nil).*

17. EMPLOYEE BENEFITS (continued)

Share-based incentives – Third parties

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

Share-based incentives – Third parties

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

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

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

	Weighted average exercise price 2011	**Number of options 2011**	Weighted average exercise price 2010	Number of Options 2010
Outstanding at the beginning of the period	**41.43**	**1,910,000**	41.86p	2,060,000
Forfeited during the period	**28.49**	**(475,000)**	40.17p	(150,000)
Outstanding at the end of the period	**45.71**	**1,435,000**	41.43p	1,910,000

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

July 2003 the model inputs were a share price and exercise price of 28.5p, expected volatility of 65.61%, expected dividends of 3.01%, a term of 6 years and a risk free rate of 5.16%. The calculated fair value of these options at the date of grant is £0.1199.

October 2005 the model inputs were a share price and exercise price of 62.5p, expected volatility of 60.51%, expected dividends of 3.01%, a term of 6 years and a risk free rate of 4.40%. The calculated fair value of these options at the date of grant is £0.2499.

The total expenses recognised for the period arising from share based payments in respect of Franchisees was £nil *(2010: £nil).*

18. SHARE CAPITAL

Share capital - Group and Company

	Ordinary shares	Ordinary shares
In thousands of shares	**2011**	2010
On issue at 31 March 2010	**44,993**	44,993
Issued as acquisition consideration	**1,949**	-
On issue at 31 March 2011 – fully paid	**46,942**	44,993
Shares held in Treasury by the Company	**-**	(614)
Shares on the market	**46,942**	44,379

18. SHARE CAPITAL

Share capital - Group and Company

	Ordinary shares 2011 £000	Ordinary shares 2010 £000
Allotted, called up and fully paid		
46,941,927 (2010: 44,993,465) ordinary shares of £0.01 each	**469**	450
63 deferred shares of £0.10 each	**-**	-
	469	450

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

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

During the year the Company issued 613,702 ordinary shares from Treasury as part of the consideration for the acquisition of Media Facility Group BV in the same transaction a further 1,948,462 were issued.

The total cost of Treasury shares held at 31 March 2011 was £Nil *(2010: £285,000).*

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity which was 0.20 *(2010: 0.29)* at the year end. The Board of Directors also monitors the level of dividends to ordinary shareholders.

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

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

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

Dividends

	2011 £000	2010 £000
Final dividends paid in respect of prior year but not recognised as liabilities in that year	**932**	931
Interim dividends paid in respect of the current year	**493**	466
Special Dividend declared in the prior year	**-**	887
Total dividend paid in the year	**1,425**	2,284

After the balance sheet date dividends of £986,000/2.10p per qualifying ordinary share *(2010: £932,000/2.10p per qualifying ordinary share)* were proposed by the Directors. The dividends have not been provided for.

19. 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 2011 and 31 March 2010 was to place the majority of its cash on short term deposit with its bankers and to finance the purchase of significant fixed assets through finance leases.

19. FINANCIAL INSTRUMENTS (continued)

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

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

	31 March 2011		31 March 2010	
	Total	**Impairment**	Gross	Impairment
	£000	**£000**	£000	£000
Not past due	**2,008**	**-**	2,045	-
Past due 0 – 30 days	**504**	**-**	470	-
Past due 31 – 90 days	**455**	**-**	385	-
Past due 90 days and over	**576**	**(383)**	578	(338)
	3,543	**(383)**	3,478	(338)

Impairment

	£000
Balance at 3 April 2009	389
Impairment loss recognised	(154)
Increase in impairment allowance	103
Balance at 31 March 2010	338
Impairment loss recognised	(289)
Increase in impairment allowance	334
Balance at 31 March 2011	**383**

Of the total impairment provision £143,000 relates to Franchises that have ceased trading.

Company

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

Interest rate risk

Group

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

Liquidity risk

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

31 March 2011

	Carrying amount £'000	**Contractual cash flows £'000**	**6 months or less £'000**	**6-12 months £000**	**1-2 years £000**	**2-5 years £000**	**More than 5 years £000**
Finance lease liabilities	200	202	202	-	-	-	-
Trade and other payables	4,788	4,788	4788	-	-	-	-
Loan Notes	355	366	260	106	-	-	-
Bank Loans	230	279	77	74	100	28	-
	5,573	**5,635**	**5,327**	**180**	**100**	**28**	**-**

31 March 2010

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

Interest rate risk

Assets on which interest was earned were as follows at the yearend:

	Group Carrying amount 2011 £000	Group 2010 £000	**Company Carrying amount 2011 £000**	Company 2010 £000
Variable rate instruments				
Cash	**1382**	2,028	**11**	37
Other receivables from franchises	**54**	181	**-**	-
	1,436	2,209	**11**	37

19. FINANCIAL INSTRUMENTS (continued)

Effective interest rates and repricing analysis – Group

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

2011	**Effective interest rate %**	**Total £000**	**0 to <1years £000**	**1 to <2years £000**	**2 to <5years £000**	**5years and over £000**
Cash and cash equivalents	1.6%	1,382	1,382	-	-	-
Finance lease liabilities*	5.79%	200	200	-	-	-
Bank Loans*	5.81%	230	122	109	-	-
Loan Notes*	5.23%	355	355	-	-	-
		2,167	**2,059**	**109**	-	-

2010	Effective interest rate %	Total £000	0 to <1years £000	1 to <2years £000	2 to <5years £000	5years and over £000
Cash and cash equivalents	2.17%	2,028	2,028	-	-	-
Finance lease liabilities*	5.80%	853	652	201	-	-
Bank Loans*	-	-	-	-	-	-
Loan Notes*	-	-	-	-	-	-
		2,881	2,680	201	-	-

* These liabilities bear interest at a fixed rate.

Effective interest rates and re-pricing analysis – Company

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

2011	**Effective interest rate %**	**Total £000**	**0 to <1years £000**	**1 to <2years £000**	**2 to <5years £000**	**5years and over £000**
Cash and cash equivalents	0.19%	11	11	-	-	-
Loan Notes	5.23%	355	355	-	-	-
		366	366	-	-	-

2010	Effective interest rate %	Total £000	0 to <1years £000	1 to <2years £000	2 to <5years £000	5years and over £000
Cash and cash equivalents	0.30%	37	37	-	-	-
Loan Notes	-	-	-	-	-	-

Sensitivity analysis

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

	100 point increase		**100 point decrease**	
	2011 £000	2010 £000	**2011 £000**	2010 £000
Group	**14**	22	**(14)**	(22)
Company	**-**	-	**-**	-

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 2011		31 March 2010	
	Euro £000	**GBP £000**	Euro £000	GBP £000
Trade receivables	**815**	**3,076**	335	3,158
Cash and cash equivalents	**986**	**1,016**	116	2,022
Trade payables	**(933)**	**(2,336)**	(7)	(2,111)
Bank Loans	**(230)**	**-**		
Loan Notes	**(355)**	**-**		
	283	**1,756**	444	3,069

Sensitivity analysis

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

At 31 March 2011, 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 £3,000 *(2010: £5,000)* with an equal adjustment to equity.

Fair values

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

	Carrying amount 2011 £000	**Fair value 2011 £000**	Carrying amount 2010 £000	Fair value 2010 £000
Trade receivables	**3,433**	**3,433**	3,157	3,157
Other receivables from franchises	**52**	**52**	179	179
Cash	**2,002**	**2,002**	2,138	2,138
Trade payables	**(3,269)**	**(3,269)**	(2,118)	(2,118)
Finance lease liability	**(200)**	**(212)**	(853)	(914)
Bank Loans	**(230)**	**(252)**	-	-
Loan Notes	**(355)**	**(374)**	-	-
Net exposure	**1,433**	**1,380**	2,503	2,442

Determination of fair values

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

Trade and other receivables

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

Trade payables

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

Finance lease liability

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

20. OPERATING LEASES

Non-cancellable operating lease rentals are payable as follows:

		Group 2011 £000	Group 2010 £000	Company 2011 £000	Company 2010 £000
Plant and machinery					
	Less than one year	**50**	11	**-**	-
	Between one and five years	**10**	13	**-**	-
Land and buildings					
	Less than one year	**398**	285	**-**	-
	Between one and five years	**742**	802	**-**	-
	More than five years	**72**	119	**-**	-
		1,272	1,230	**-**	-

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

Group

During the year £433,000 *(2010: £350,000)* was recognised as an expense in profit and loss in respect of operating leases.

21. CAPITAL COMMITMENTS

Group and Company

The Group and Company have no commitments to incur capital expenditure at the yearend *(2010: £nil)*.

22. CONTINGENCIES

Neither the Group or the Company had contingencies at the yearend *(2010: £nil).*

23. RELATED PARTIES

The Company receives dividends from its subsidiaries Printing.com Europe Limited and Media Facility Group BV. In the year ended 31 March 2011 dividends of £1,323,000 were received *(2010: £1,300,000)*. Total sales to subsidiary undertakings were £nil *(2010: £nil)* and total expenses incurred from subsidiary undertakings were £nil *(2010: £nil)*. The amounts outstanding at the year-end from subsidiary undertakings are shown in note 13.

Transactions with key management personnel

Directors of the Company control 26.89 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 26 to 28 and note 5.

24. ACCOUNTING ESTIMATES AND JUDGEMENTS

Recoverability of receivables

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

Intangibles – capitalisation of software and development costs

The Board hold that the Group's key differentiator is its proprietary software Flyerlink and that it is essential to continue investing in this asset. Development projects are agreed with a user forum to improve functionality for the UK Franchise Network. Separate projects are defined for international expansion and for new initiatives such as Brand Demand. 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.

Valuation of intangible assets and goodwill on acquisition of MFG

The Group considered the value obtained on the acquisition of MFG and identified related intangible assets. These were valued using the methods detailed in note 10.

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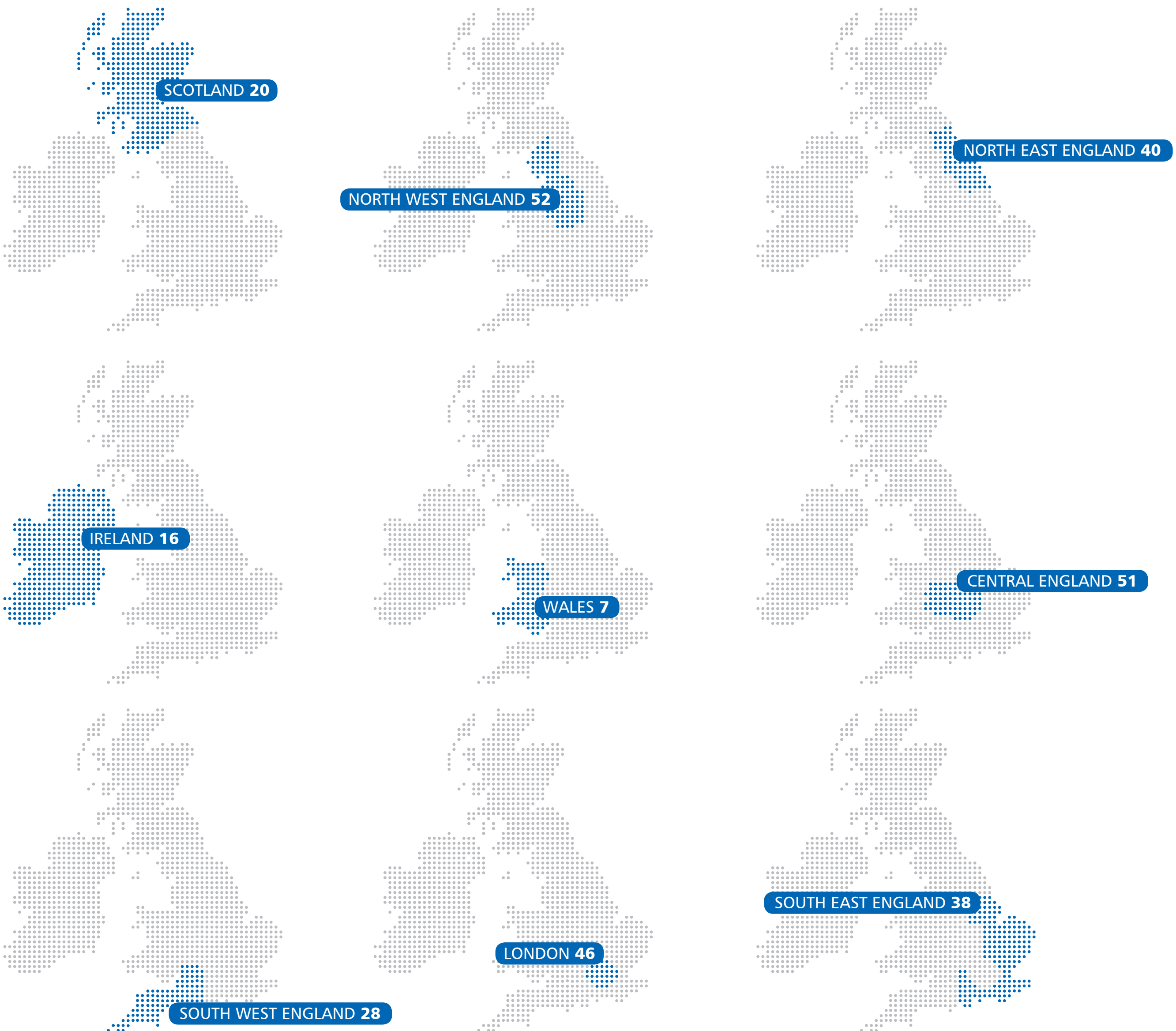

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