ANNUAL REPORT & ACCOUNTS 2012

printing.com plc

CONTENTS

FINANCIAL SUMMARY

	2012		2011		2010	
	£000	%	£000	%	£000	%
Group Turnover	**21,768**		17,016		14,456	
Annual Growth	**27.9%**		17.7%		(0.1)%	
Gross Profit	**11,634**	53.4%	9,942	58.4%	9,485	65.6%
EBITDA	**3,434**	17.8%	2,861	17.8%	3,105	21.5%
Operating Profit Before Exceptionals	**1,300**	8.6%	1,462	8.6%	1,744	21.1%
Annual Growth	**(11.1)%**		(16.2)%		(9.8%)	
Profit Before Tax	**1,258**		1,311		1,704	
Annual Growth	**(4.0)%**		(23.1)%		(17.4%)	
Taxation	**(158)**		(385)		(429)	
Tax Rate	**12.6%**		29.4%		25.2%	
Profit on Ordinary Activities After Tax	**1,100**		926		1,275	
Dividend declared on equity shares	**1,213**		1,479		1,398	
Special Dividend	**-**		-		-	
Earnings per ordinary share – basic	**2.33p**		2.04p		2.87p	
Earnings per ordinary share – diluted	**2.32p**		2.02p		2.86p	
Interim Dividend per ordinary share	**1.05p**		1.05p		1.05p	
Final Dividend per ordinary share	**1.50p**		2.10p		2.10p	
Total Dividend per ordinary share	**2.55p**		3.15p		3.15p	
Special Dividend	**-**		-		-	

	2012	2011	2010
	£000	£000	£000
Net Funds	**1,771**	1,217	1,285

Group Revenues						
UK & Ireland	**13,781**	**63.3%**	13,738	80.7%	14,004	96.9%
Europe	**7,794**	**35.8%**	3,095	18.2%	326	2.2%
Rest of the World	**193**	**0.9%**	183	1.1%	126	0.9%
Total Revenues	**21,768**	**100.0%**	17,016	100.0%	14,456	100.0%

The Printing.com Franchise brand was refreshed and augmented with Templates.

CHAIRMAN'S STATEMENT

George Hardie – Chairman

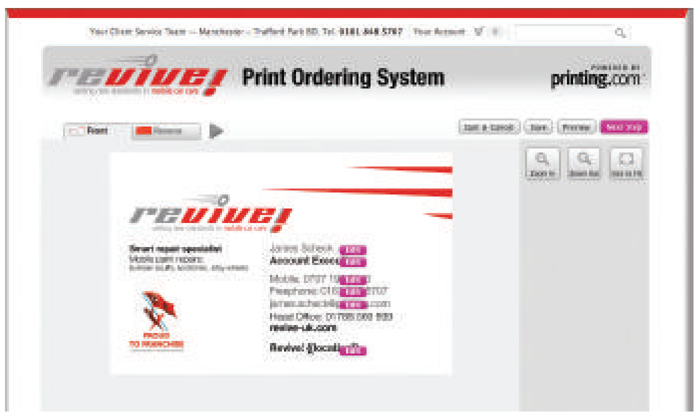
The Board believes that the financial year ending 31st March 2012 has been one of the most important in the Company's evolution, as the first successful steps have been taken in the commercial exploitation of its Template Technology.

Trading conditions across the Group's online channels in Belgium and the Netherlands proved robust but trading via the Company's established Franchise channels (UK, Ireland and France) remained challenging, reflecting not only the economic situation but also increased online competition.

Turnover increased by 27.9% to £21.77m *(2011: £17.02m)*. This reflects revenue growth from Belgium, the various new online initiatives and the full year contribution of MFG BV Netherlands (acquired November 2010).

The increased revenues, coupled with strong cost control and improved operating margins in the Netherlands resulted in EBITDA increasing by 19.9% to £3.43m from £2.86m last year. We anticipate that the material progression of EBITDA marks an important turning point for the business as we move to commercialise our platform.

Pre-tax profit decreased marginally to £1.26m (2011: £1.31m). This decline reflected the increased depreciation and amortisation arising from software development, the acquisition of MFG together with the buying back of certain rights from Territory Franchisees.



Cash

The Company finished the financial year with cash of £1.88m *(2011: £2.00m)*.

During the year, debt was reduced by £0.68m. This reflects the final instalments on finance relating to the 2006 expansion of the Company's Manchester production Hub and the repayment of £0.48m of debt relating to the acquisition of MFG (and MFG itself). At the period end total Group borrowings were £0.10m.

The Group's net funds increased to £1.77m *(2011: £1.21m)* which is the highest level of net funds post the payment of the special dividend in 2009.

During the year capital investment totalled £1.38m *(2011: £1.55m)*, funded through operational cash flows. This principally reflects the ongoing investment in the Group's proprietary software.

It is pleasing to report that during the period EBITDA has progressed and debt has almost been eliminated.

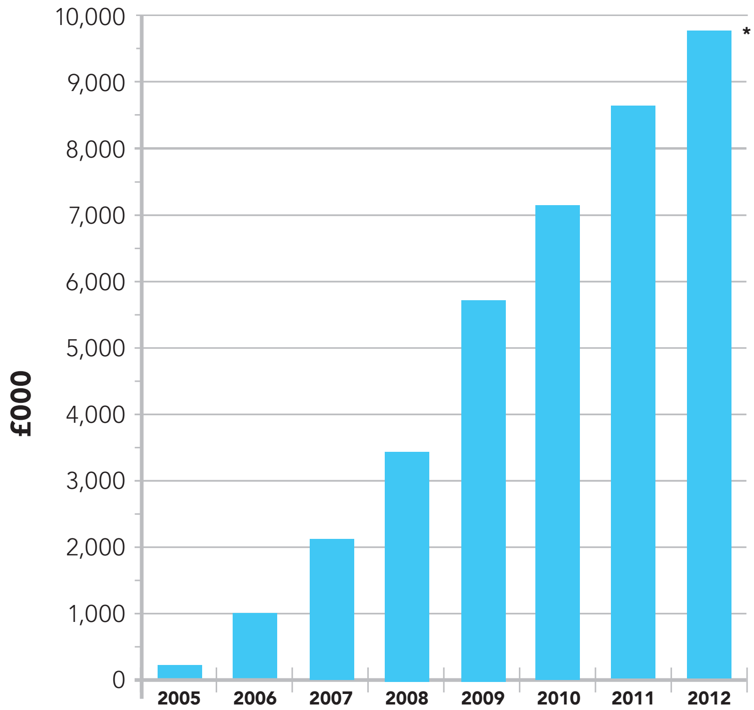
Thank you to our client, Revive Auto Innovations Limited, for use of their W3P system in this Annual Report. Revive! are an award winning mobile car SMART repair service with over 70 Franchisees in the UK. For more information about Revive! please visit www.revive-uk.com.

Final Dividend and Proposed Capital Reorganisation

When the Interim Results were released I expressed the Board's view that the continuance of the Company's dividend policy was dependent upon earnings progression and this has not been the case. However, the Board is encouraged by the Group's cash generation, cash position and the progress made in new online initiatives and is therefore proposing a final dividend of 1.50p to be paid on 27 July 2012 to Shareholders on the register at the close of business on 15 June 2012. This would make a total dividend for the year of 2.55p which is higher than market forecasts *(2011: 3.15p)*.

Although the Group's Balance Sheet and cash flow from operations were strong and would have supported a maintained dividend the distributable reserves would not do so for this or appropriate future dividends and it is the Board's intention to take the necessary steps to undergo a capital reorganisation to address this issue. It is our intention to send a circular to shareholders to seek approval for the aforementioned capital reorganisation in due course.

CUMULATIVE RETURN TO SHAREHOLDERS



* Including proposed final dividend

Retirement as Chairman and People in Printing.com

Having been Chairman of Printing.com plc prior to its IPO in 2000 and debut as a public company on London's then 'Ofex market' it is now time for me to retire from the Board. During that period the Company evolved from a fledgling business with a good idea to a Group whose revenues have grown tenfold, operating in seven countries and has delivered eight consecutive years of profitable trading.

At this point I am very mindful that the progress of the Group to date is based upon the endeavours of a very committed and talented team. Not just direct employees but our Franchisees, their employees and the teams within our international licence partners. I would also like to pay particular tribute to the team behind the Group's various

Our automated logisitics SmartPack in operation at the Manchester Production Hub.

new initiatives which I believe show excellence in innovation from both a technology and commercial stance.

Outlook

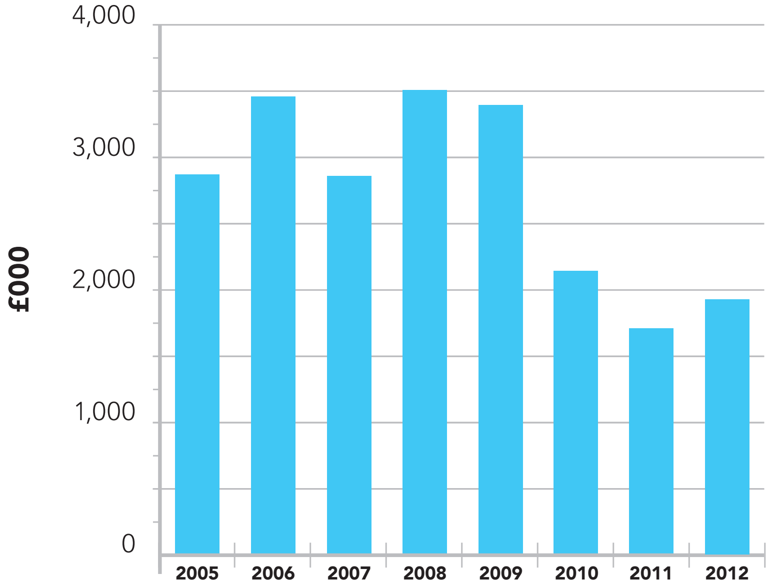
It is a little over 18 months since the Group reported a step change in its strategy via the announcement of its Template Technology along with the acquisition of MFG Netherlands. The purpose of the acquisition was to enhance the Group's online expertise and establish a greater foothold in Continental Europe. At the same time it was envisaged that the Group's Template Technology would extend the capabilities of these online channels and augment and refresh the Printing.com Franchise formula. I believe that these initiatives have now exhibited material commercial potential.

The Group is in a solid financial position; it continues to deliver excellent cash generation and, having virtually eliminated all of its debt has a sound foundation for its future endeavours.

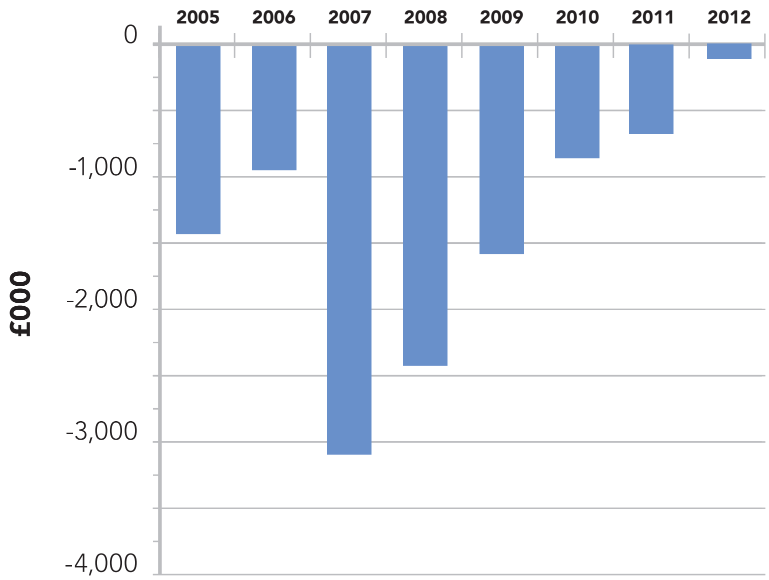
With the UK in recession and continued economic uncertainty in the Eurozone, it is appropriate that we remain cautious in the short term. However, in what is to be my last report as Chairman, I believe that the various online initiatives coupled with the acquisition of MFG mark a paradigm in the prospects of the Group.

George Hardie
Chairman
6 June 2012

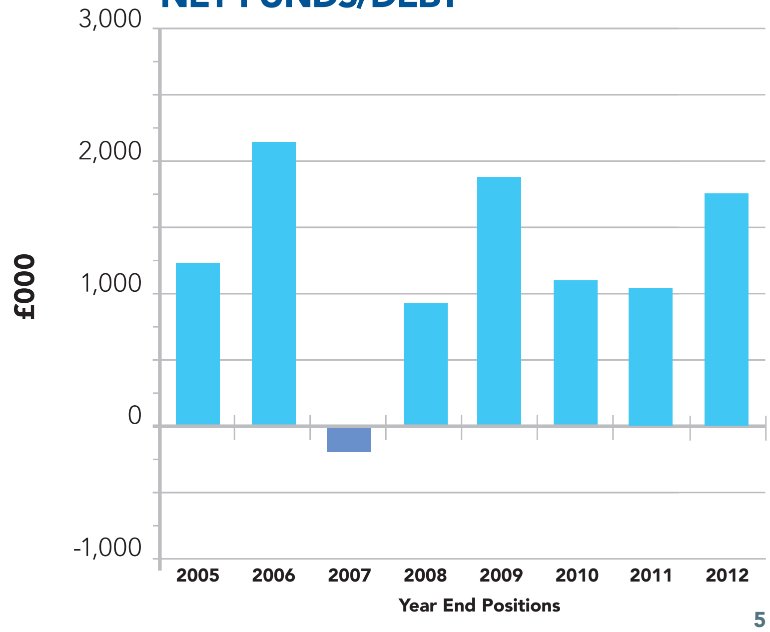
CASH



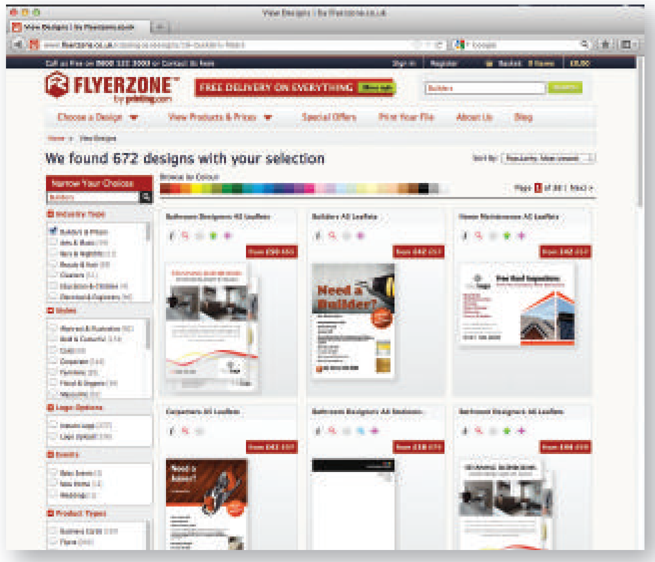
DEBT



NET FUNDS/DEBT

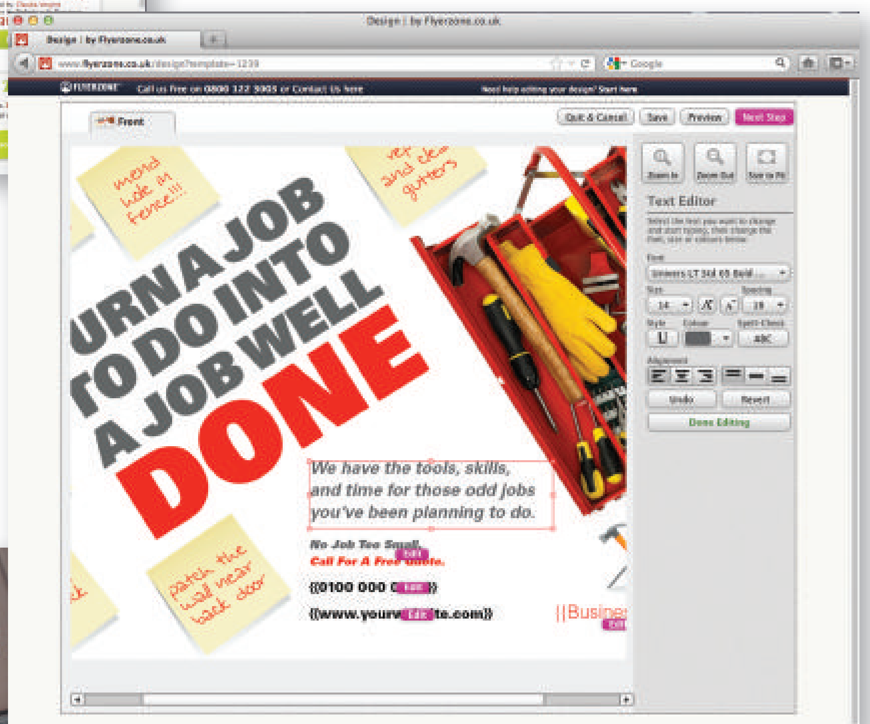


① Flyerzone.co.uk Home Page.



② Templates listed by business type.

③ End client orders online.



④ End client edits their design.

⑤ Printed, finished, boxed and shipped.

Flyerzone.co.uk Editing and Ordering Process.

CHIEF EXECUTIVE'S STATEMENT

Review of Trading – UK network

Revenues from the UK Network of Printing.com Franchises and Company owned stores, taking into account both the sale of products and services and license fees declined by 3.0% to £13.0m *(2011: £13.4m)*. Underlying operating margins remained under pressure due to the continual promotional support required. The UK Network contracted slightly to 267 outlets *(2011: 288)* of which six are directly owned *(2011: seven)*.

Tony Rafferty – Chief Executive

Now more than ever we are aware of certain material changes in the marketplace, principally reflecting online competition. This is particularly evident in the 'Small Office Home Office' ("SOHO") market segment. To this end, the Group has devised certain strategies that augment the established model thereby providing Printing.com Franchisees with a hybrid online/offline formula. Accordingly, during January 2012 my senior team and I presented this vision to the Company's Franchisees via a series of regional road shows along with a "white label" alternative formula.

We believe that the outcome of these road shows was encouraging and that these various initiatives will maximise opportunities, not only for the Group but also for our Franchisees.

BrandDemand UK

It has been a little over 18 months since the Group announced the launch of BrandDemand (branddemand.com), a service targeting larger businesses, particularly those with multi-sites, via Templates. Centred on the Company's Template Technology, BrandDemand utilises a library of Templates adapted for a client's specific use.

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

During the course of the year, the initiative went from proof of concept to revenue generation, finishing the year with an impressive portfolio of over 60 multi-site clients. Many BrandDemand clients are other franchise networks whose specific needs have been closely aligned with the system.

BrandDemand revenue for the year was £0.28m *(2011: £0.01m)* and, moving forward during the current year we anticipate this figure showing significant progression.

Flyerzone UK

Flyerzone features generic Templates for SOHO clients covering a multiplicity of business sectors. This enables the SOHO business owner to browse suitable artwork 'ideas' and then edit the template with their specific details.

Flyerzone.co.uk was 'soft' launched in September 2011, with the site's promotion in earnest commencing early January 2012.

Revenues for the year to 31 March were £0.09m *(2011: nil)*. Revenues in March 2012 accounted for £0.04m, some 45% of the full year, indicating the significant acceleration in revenue run rates that this business has seen.

We continue to be optimistic that Flyerzone.co.uk will progress, albeit the cost of online client acquisition remains high (in proportion to revenues) as the brand is established.

Flyerzone.co.uk exhibits at Business Start-Up exhibition in May 2012 ExCel, London.
MFG team, The Netherlands.

TemplateCloud

Templatecloud.com is a conduit that enables graphic designers to make their designs available for use by SOHO clients as part of an editable template format. This is achieved via the Company's software technology that automatically converts a generic graphic design format into a Template that in turn can be edited by a client.

The independent freelance graphic designer is incentivised to submit work to TemplateCloud in return for a share of the artwork revenue paid by the client.

In essence, TemplateCloud is 'crowd sourcing' original creative content in much the same way as online photo libraries. We believe that at this juncture TemplateCloud is unique in this approach and the scope exists to leverage the TemplateCloud content in the Group's various channels and to licence content in other ways.

Our crowd-sourced design platform TemplateCloud.com

Review of Trading – Netherlands

In the Netherlands the Group operates three online web stores, Flyerzone.nl, Drukland.nl and Printrepublic.nl.

Revenues from the various Dutch initiatives accounted for £6.46m *(2011: £2.54m from 5 months trading)*. However, the strengthening of sterling vs the Euro masks the underlying growth of sales in the Netherlands, which was 13.0% on a constant exchange rate basis.

At the outset of the year under review, all products from the various Dutch channels were subcontracted. However, during the course of the year, certain lines were switched to the Company's Manchester Hub. The emphasis for this initiative was on higher value products that justify the increased cost of carriage.

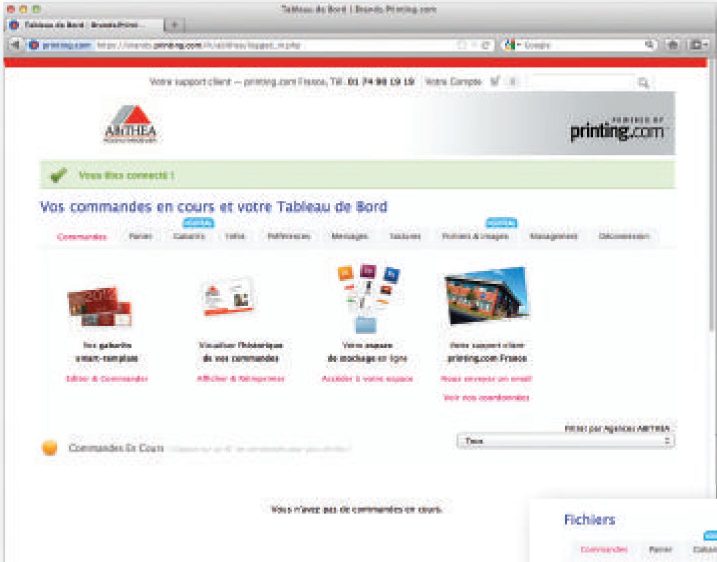
Presently in the order of 1,100 jobs per month are supplied from the Manchester Hub, and this, together with a focus on operational margins at large, has added to Group EBITDA.

The Group's Template Technology is expected to be added to the Flyerzone.nl platform during the Company's third quarter which we believe will augment the individual characteristics of the Dutch channels and generate additional revenue streams.

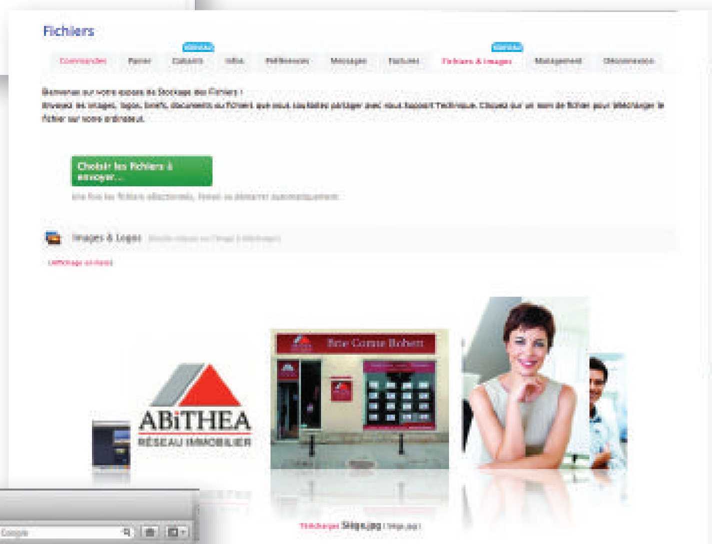
Flyerzone.nl Marketing Collateral, The Netherlands.

Review of Trading – Belgium

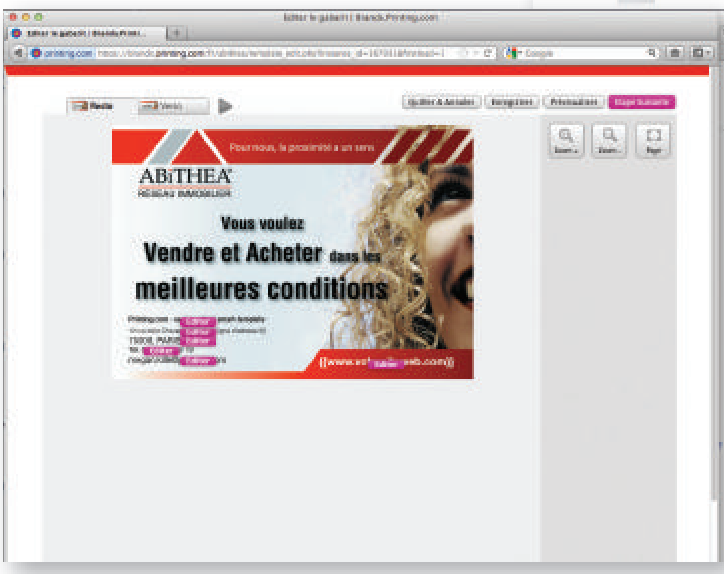
The Group operates in Belgium via the 'Drukland.be' channel and targets the Flemish speaking region of the country. During the year, Drukland.be exhibited strong growth and achieved sales of £0.80m *(2011: £0.10m from 5 months trading)*.



① End client dashboard.



② Client's files and images in their asset store.



③ Client edits their template.

Thank you to our client, Abithea, for the use of their W3P system in this Annual Report. Abithea are a French franchise network of estate agents with over 35 franchisees in France. For more information about Abithea, please visit www.abithea.fr.

'Smart-template' – BrandDemand in France.

Review of Trading – France

During the year under review, total French revenue (from the Group's Franchise network, BrandDemand France and Flyerzone.fr) grew to £0.54m, representing an increase of 17.8% *(2011: £0.46m)*.

Turnover was flat across the Printing.com network albeit the number of outlets increased to 28 *(2011: 22)*. A single Company owned outlet continues to operate in Montpellier. During the year, BrandDemand France (smart-template.fr) and Flyerzone.fr were launched and accounted for revenue of £0.06m *(2011: nil)*.

Looking ahead, we expect that the Group's templates will be added to the Flyerzone.fr format during the Company's third quarter and that BrandDemand France will gain traction.

Review of Trading – Ireland

Encouragingly, trading across Ireland exhibited growth of 14.3% to £0.39m *(2011: £0.34m)*. The Printing.com network across Ireland remained unchanged with ten outlets, including one Company owned store in Dublin. BrandDemand Ireland presently remains at an early stage of development.

Printing.com International Licences – New Zealand

We are mindful of the extremely challenging situation facing our New Zealand partners following the impact of the Christchurch earthquakes; notwithstanding this and reflecting their endeavour and resilience, trading volumes remain consistent with previous years. We recently met our New Zealand partners and agreed the roadmap for introduction of our Template Technology.

Printing.com International Licences – US

During the course of the year our US partners increased their network in Florida and South Georgia to 42 outlets *(2011: 32 outlets)*. However, our geographic coverage in the US remains limited. We are now in purposeful discussions with our US partners and we believe we have established a way forward to introduce the Group's Template Technology into the US in a more expeditious manner.

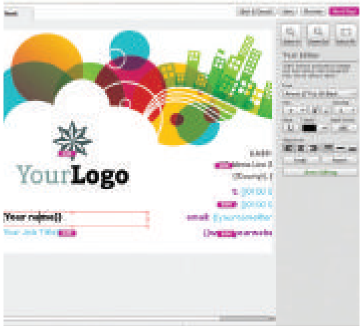
w3p™ by printing.com

W3P underpins BrandDemand and Flyerzone.co.uk.

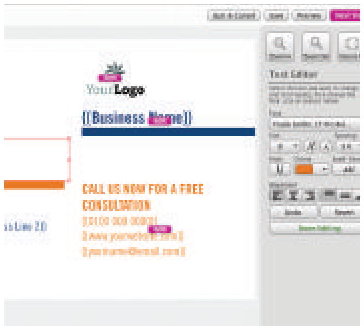
Infrastructure & Software

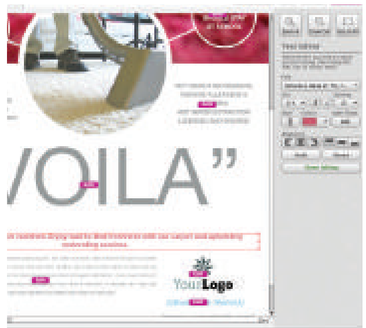
The Group's Template Technology comprises significant proprietary components and licenced elements together with extensive Template libraries.

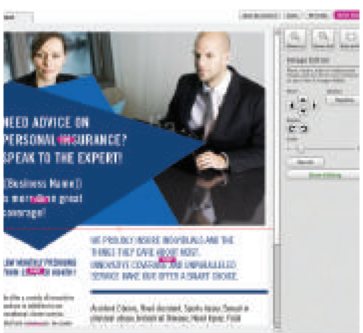
We have a clear vision of how the Group's Template Technology can be utilised both directly and under licence. Within the printing sector the Template Technology is marketed under the 'W3P' identity which derives from the generic industry reference 'W2P' (Web-to-Print). We believe that the Group's systems reflect the next generation for this technology.

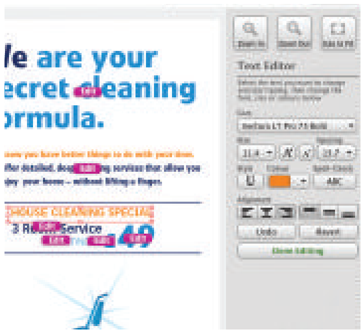


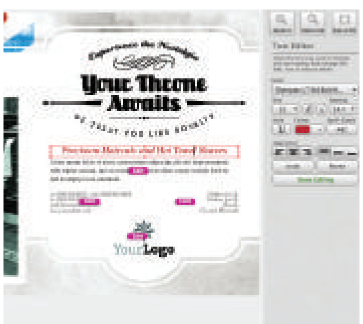
Editing Templates on Flyerzone.co.uk

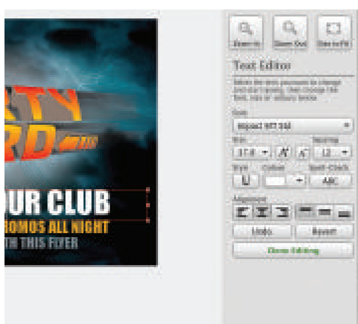


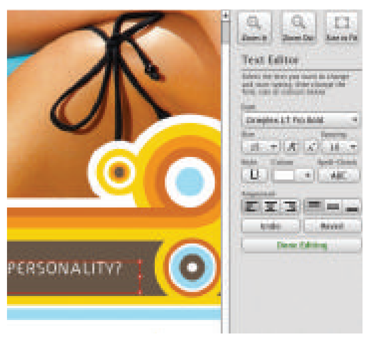












The W3P technology in essence underpins BrandDemand, Flyerzone.co.uk together with the myriad of licensing opportunities that we are presently exploring. To this end, the Group exhibited the 'W3P' technology at DRUPA (Dusseldorf, Germany) – the world's largest printing exhibition. We believe that the 'W3P' initiative was well received and meetings with partners are progressing.

To this end, we anticipate continued investment in the overall 'W3P' platform to unlock its potential. This not only relates to the direct channels that the Company owns and operates but other opportunities via licence.

There are no immediate requirements to make any material capital investment in the Group's Manchester Hub. Unutilised capacity still exists which we hope will be taken up during the current year as the new initiatives progress.

Board Changes
George Hardie has announced his intention to retire from the Board at the Group's AGM on 20 July 2012. On behalf of all of the Board I would like to express our thanks to George for all his hard work and the significant contribution he has made to the growth of the Group.

Les Wheatley will assume the role of Chairman on George's retirement and the Board anticipates the imminent announcement of the appointment of an additional non-executive director.

Current Trading
Post the yearend trading has continued at a similar level robust across the Group's online channels across the Netherlands and Belgium but more challenging across the UK's Franchise network.

BrandDemand continues to gain momentum across the UK month-on-month. Flyerzone.co.uk is also exhibiting month-on-month growth. We attribute this resilience to the Group's Template Technology which will be extended to a variety of other Group channels and will, we believe, add to revenues and operating margin.

Tony Rafferty
Chief Executive
6 June 2012

Building templates in under 10 minutes is at the heart of W3P.

We've launched new products to augment our Franchise network including framed canvas prints.

FINANCIAL REVIEW

Alan Roberts – Finance Director

Revenue

Group revenues increased by 27.9% to £21.77m *(2011: £17.02m)*, as MFG, acquired November 2010, contributed for the full year. Revenue from the Eurozone was 37.6% of the total *(2011: 20.2%)*.

EBITDA for the Group, advanced strongly with the increase in Revenue providing the robust operating cashflow necessary to fund the ongoing investment in the Group's operating systems and an appropriate return to shareholders.

Pre Tax Profit before non-recurring charges decreased marginally to £1.39m *(2011: £1.47m)*. Non-recurring costs incurred in the year related to the final integration and reporting alignment of MFG totalled £0.13m *(2011: £0.16m)* reducing Pre Tax Profit to £1.26m *(2011: £1.31m)*

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 17.0% to £11.63m from £9.94m. In percentage terms it reduced to 53.4% *(2011: 58.4%)* of revenue, although the relative margins of Printing.com and MFG remained similar, it was due to the continued support of the Franchise network in the UK and Ireland through monthly sales offers and the inclusion of a full year of MFG's cost of sales.

EBITDA

The Group define EBITDA as operating profit plus depreciation and amortisation. The year showed a marked improvement to £3.43m from £2.86m (19.9%).

New products launched this year include overprinted envelopes and framed canvas prints.

Pre-Tax Profit

The Group recorded a pre-tax profit of £1.26m *(2011: £1.31m)*, being 5.8% *(2011: 7.7%)* of Group revenue.

Staff costs increased in the year to £4.47m *(2011: £3.95m)*, but fell as a percentage of revenue from 23.2% to 20.5%. The depreciation and amortisation charge for the year rose sharply to £2.13m *(2011: £1.56m)* as a result of charges for the amortisation of Software Development and the assets recognised on the acquisition of MFG.

Interest Received and Charged

Interest received of £0.01m *(2011: £0.04m)* reflects interest on the cash balances held and interest charged to Franchisees on loans to them from Printing.com. Interest paid of £0.02m *(2011: £0.05m)*, primarily on lease finance repayments.

Taxation

In the year the standard rate for tax was 24% *(2011: 26%)*. The charge for the current year is £0.16m or 12.7% of PBT *(2011: £0.39m or 29.8%)*. The effective tax rate was reduced through the inclusion of enhanced tax relief on research and development expenditure.

Acquisition

During the year the final elements of consideration were paid on the acquisition of Rotterdam based MFG. These represented £355,000 in repayment of Loan Notes and the issue of 615,908 ordinary shares in the Company.

Earnings Per Share (EPS)

Basic EPS achieved was 2.33p *(2011: 2.04p)*, the weighted average number of shares used was 47,302,191. Diluted EPS achieved was 2.32p *(2011: 2.02p)*, the weighted average number of shares used was 47,506,092. The year closed with 47,557,835 ordinary shares in issue.

Cash Flow

At the year end the Group had cash balances of £1.87m *(2011: £2.00m)*. After debt of £0.10m in MFG legacy bank loans Net Funds were £1.77m *(2011: £1.22m)*. Operational cash inflow remained strong at £3.54m *(2011: £4.16m)*. The most significant cash outflow being dividends paid of £1.49m *(2011: £1.43m)*.

Capital Expenditure

The total expenditure for the year was £1.38m *(2011: £1.55m)*. The major item being Software development charges for the online initiatives and computing infrastructure £0.86m *(2011: £0.87m)* Franchises reverting to Company ownership resulted in Customer Lists valued at £0.33m *(2011: £0.52m)* 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 of its own shares.

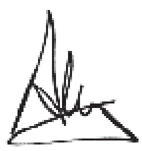
Treasury Policies and Financial Risk

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

Interest rate risk, liquidity risk and currency risk

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

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



Alan Q. Roberts
Finance Director
6 June 2012

New Buying Guide and refreshed brand launched in 2012.

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 73.

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 44.

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 36.

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 56.

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 59.

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 30.

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 2012.

Principal activities and business review

The Group offers a broad range of print products to consumers and small and medium sized business. Service is provided throughout the UK, Ireland and France through a chain of outlets, some of which are owned but most are Franchises, and through recently developed Online channels. Media Facility Group BV provides the Group with Online sales in Holland, Belgium and France. It is expected that the Online methodology will be used to enter new territories.

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

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

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.

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 2012 the trade creditors for the Group represented 40 days *(2011: 55 days)* and the Company 62 days *(2011: 14 days)* of the amounts invoiced by suppliers.

DIRECTORS

The following Directors have held office since 1 April 2011:

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*

L A Wheatley retires by rotation in accordance with the articles of association and, being eligible, offer himself up for re-election.

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

Details of Directors' interests in the share capital of the Company as shown in the register, together with details of share options granted and awards made to the Directors, are included in the Report on Directors' Remuneration on pages 24 to 25.

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 *(2011: £nil)*.

PRINCIPLES OF CORPORATE GOVERNANCE

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

ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held on Friday 20 July 2012 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 auditor are unaware; and each Director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

AUDITORS

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 2012

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.

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 2012.

PENSION ARRANGEMENTS

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

DIRECTORS' CONTRACTS

It is the Company's policy that Executive Directors should have contracts with an indefinite term providing for a maximum of six months' notice, The Chief Executive has a twelve month notice period. There are no special provisions for compensation in the event of loss of office. The Remuneration Committee would consider the circumstances of any early termination and determine compensation payments accordingly.

NON-EXECUTIVE DIRECTORS

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

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

ELEMENTS OF REMUNERATION (AUDITED)

Year ended 31 March 2012:	**Basic salary £**	**Fees £**	**Benefits £**	**Bonuses £**	**2012 Total £**	**2012 Pension £**
R G Hardie	**-**	**30,116**	**-**	**-**	**30,116**	**-**
L A Wheatley	**-**	**20,076**	**-**	**-**	**20,076**	**-**
A Rafferty	**171,369**	**-**	**1,150**	**-**	**172,519**	**20,700**
P R Gunning	**116,320**	**-**	**329**	**15,000**	**131,649**	**10,350**
A Q Roberts	**77,434**	**-**	**17,875**	**-**	**95,309**	**7,346**
H Scheffer	**-**	**129,613**	**-**	**-**	**129,613**	**-**
	365,123	**179,805**	**19,354**	**15,000**	**579,282**	**38,396**

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

DIRECTORS' INTERESTS

At 31 March 2012, 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 2012	31 March 2011		Exercise Price	**31 March 2012**	31 March 2011
R G Hardie	**1,674,574**	1,674,574		-	**-**	-
A Rafferty	**8,662,222**	8,662,222		-	**-**	-
P R Gunning	**684,646**	684,646	a)	32.5p	**300,000**	300,000
A Q Roberts	**320,000**	320,000	a)	32.5p	**300,000**	300,000
H Scheffer	**1,896,990**	1,281,082		-	**-**	-
L A Wheatley	**-**	-		-	**-**	-

From the end of the year until 6 June 2012 there have been no changes in the above interests.

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

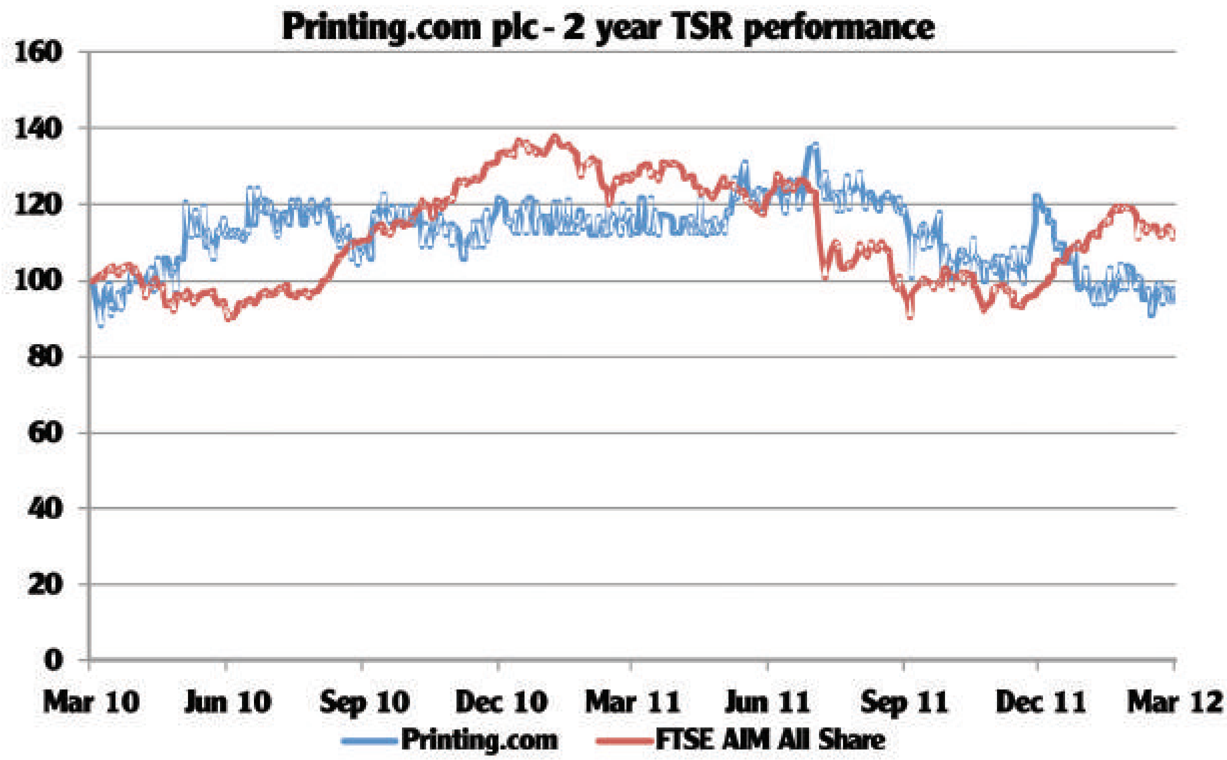
SHARE OPTIONS (AUDITED)

The options granted under a) above to Directors, Peter Gunning and Alan Roberts, were granted under the terms of the Company's Key Employee EMI Share Option Scheme, established 6 August 2004.

The Options impose performance criteria with individual targets for the employee and are subject to 'trigger' price points based on the mid market price of Ordinary Shares over 200 consecutive day periods and are exercisable in tranches of 75,000 ordinary shares. The contractual life of the options runs until 6 August 2014.

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 2012 was 28.00pence *(2011: 36.50pence)*. The range during 2012 was 26.75pence to 40.50pence.



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 2012 set out on pages 29 to 53. 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 23, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (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 2012 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

Mick Davies (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
KPMG Audit Plc
Chartered Accountants
St James Square
Manchester
M2 6DS
6 June 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2012	*Note*	**2012**	2011
		£000	£000
Revenue	2	**21,768**	17,016
Raw materials and consumables used		**(10,134)**	(7,074)
Gross profit		**11,634**	9,942
Staff costs	4	**(4,473)**	(3,952)
Other operating charges		**(3,727)**	(2,968)
Depreciation and amortisation		**(2,134)**	(1,560)
Total expenses		**(10,334)**	(8,480)
Operating profit before acquisition related costs	3	**1,300**	1,462
Acquisition related costs		**-**	(161)
Operating profit		**1,300**	1,301
Financial income		**14**	56
Financial expenses		**(56)**	(46)
Net financing (expense)/income		**(42)**	10
Profit before tax		**1,258**	1,311
Taxation	5	**(158)**	(385)
Profit for the year		**1,100**	926
Other comprehensive income for the year		-	-
Total comprehensive income for the year		**1,100**	926
Basic earnings per share	14	**2.33p**	2.04p
Diluted earnings per share	14	**2.32p**	2.02p

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER EQUITY – CONSOLIDATED AND COMPANY

GROUP – YEAR ENDED 31 MARCH 2011

	Share Capital £000	Share premium £000	Merger reserve £000	Retained Earnings £000	Total £000
Balance at 31 March 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

GROUP – YEAR ENDED 31 MARCH 2012

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

COMPANY – YEAR ENDED 31 MARCH 2011

	Share Capital £000	Share premium £000	Merger reserve £000	Retained Earnings £000	Total £000
Balance at 31 March 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)
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

COMPANY – YEAR ENDED 31 MARCH 2012

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

The notes on pages 33 to 53 form part of these financial statements

CONSOLIDATED AND COMPANY STATEMENT OF FINANCIAL POSITION

AT 31 MARCH 2012

	Note	**Group 2012 £000**	Group 2011 £000	**Company 2012 £000**	Company 2011 £000
Non-current assets					
Property, plant and equipment	7	**2,173**	2,951	**-**	-
Investments in subsidiaries	8	**-**	-	**2,416**	2,416
Intangible assets	8	**4,615**	4,619	**-**	-
Deferred tax assets	6	**2**	2	**-**	-
Other receivables	9	**-**	20	**1,000**	1,000
Total non-current assets		**6,790**	7,592	**3,416**	3,416
Current assets					
Inventories		**147**	190	**-**	-
Trade and other receivables	9	**2,898**	3,490	**2,615**	3,120
Cash and cash equivalents	10	**1,874**	2,002	**1**	11
Total current assets		**4,919**	5,682	**2,616**	3,131
Total assets		**11,709**	13,274	**6,032**	6,547
Current liabilities					
Other interest-bearing loans and borrowings	11	**(80)**	(676)	**-**	(355)
Amounts owed to Group Undertakings		**-**	-	**-**	(100)
Trade and other payables	12	**(2,889)**	(3,340)	**(34)**	(15)
Current tax payable	5	**(372)**	(423)	**-**	-
Accruals and deferred income	12	**(1,315)**	(1,392)	**(33)**	(30)
Other liabilities	12	**(243)**	(231)	**-**	-
Total current liabilities		**(4,899)**	(6,062)	**(67)**	(500)
Non-current liabilities					
Other interest-bearing loans and borrowings	11	**(23)**	(109)	**-**	-
Deferred tax liabilities	6	**(476)**	(604)	**-**	-
Total non-current liabilities		**(499)**	(713)	**-**	-
Total liabilities		**(5,398)**	(6,775)	**(67)**	(500)
Net assets		**6,311**	6,499	**5,965**	6,047
Equity attributable to equity holders of the parent					
Share capital	14	**475**	469	**475**	469
Share premium		**4,079**	3,881	**4,079**	3,881
Merger reserve		**838**	838	**627**	627
Retained earnings		**919**	1,311	**784**	1,070
Total equity		**6,311**	6,499	**5,965**	6,047

These financial statements were approved by the board of directors on 6 June 2012 and were signed on its behalf by:

A Q Roberts
Director

CONSOLIDATED AND COMPANY STATEMENT OF CASH FLOW

FOR YEAR ENDED 31 MARCH 2012

	Note	Group 2012 £000	Group 2011 £000	Company 2012 £000	Company 2011 £000
Cash flows from operating activities					
Profit for the year		**1,100**	926	**1,206**	770
Adjustments for:					
Depreciation, amortisation and impairment		**2,134**	1,560	**-**	-
Net finance expense / (income)		**10**	(10)	**(1,110)**	(1,126)
Foreign exchange (loss)/gains		**32**	18	**9**	12
Tax expense / (income)		**158**	385	**-**	-
Operating cash flow before changes in working capital and provisions		**3,434**	2,879	**105**	(344)
Change in trade and other receivables		**609**	609	**505**	1,087
Change in inventories		**43**	(49)	**-**	-
Change in trade and other payables		**(544)**	719	**(78)**	98
Cash generated from / (used in) Operations		**3,542**	4,158	**532**	841
Interest paid		**(24)**	(46)	**(7)**	(9)
Income tax paid		**(337)**	(230)	**-**	-
Net cash inflow/(outflow) from operating activities		**3,181**	3,882	**525**	832
Cash flows from investing activities					
Proceeds from sale of plant and equipment		**4**	-	**-**	-
Interest received		**14**	42	**-**	-
Acquisition of plant and equipment	7	**(183)**	(145)	**-**	-
Capitalised development expenditure	8	**(322)**	(246)	**-**	-
Acquisition of other intangible assets	8	**(872)**	(1,156)	**-**	-
Acquisition of Subsidiary net of cash acquired		**-**	(329)	**-**	(502)
Dividends received		**-**	-	**1,108**	1,123
Net cash (used in) / generated by investing activities		**(1,359)**	(1,834)	**1,108**	621
Cash flows from financing activities					
Proceeds from the issue of share capital	14	**204**	-	**204**	-
Payment of finance lease liabilities		**(200)**	(653)	**-**	(54)
Repayment of Bank Loans		**(127)**	(52)	**-**	-
Repayment of Loan Notes		**(355)**	(54)	**(355)**	-
Dividends paid	14	**(1,492)**	(1,425)	**(1,492)**	(1,425)
Net cash used in financing activities		**(1,970)**	(2,184)	**(1,643)**	(1,479)
Net (decrease)/increase in cash and cash equivalents		**(148)**	(136)	**(10)**	(26)
Exchange losses on cash and cash equivalents		**20**	-	**-**	-
Cash and cash equivalents at start of year		**2,002**	2,138	**11**	37
Cash and cash equivalents at 31 March	**10**	**1,874**	2,002	**1**	11

NOTES (FORMING PART OF THE FINANCIAL REVIEW)

1. ACCOUNTING POLICIES

Basis of preparation

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

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

The Group has considerable financial resources and the opportunities open to the Group continue to grow. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook. After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Cash flow forecasts indicate continuing cash inflows to ensure that sufficient cash is available for future trading and dividends. The Group's external funding is made up of bank loans which total £0.10m against cash balances of £1.87m 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 14 - 17. In addition, note 15 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk.

Statement of Compliance

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

The financial statements were approved by the Board of Directors on 6 June 2012.

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

Basis of consolidation

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

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

1. ACCOUNTING POLICIES (CONTINUED)

Business combinations

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

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

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

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

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

Investments

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

Inventories

Inventories are valued at the lower of cost and net realisable value. Cost is based on the first-in first-out principle and is valued at purchased cost. Net realisable value is based on estimated selling price less additional costs to completion and necessary costs to make the sale. Inventories are made up of raw materials of £144,000 *(2011: £187,000)* and work in progress of £3,000 *(2011: £3,000)*.

Interest bearing borrowings

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

Impairment of assets

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

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

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

Calculation of recoverable amount

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

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

1. ACCOUNTING POLICIES (CONTINUED)

Operating lease payments

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

Finance lease payments

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

Financing costs

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

Employee benefits

Share based payments

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

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

Foreign currencies

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

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

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

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

Trade and other receivables

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

Trade and other payables

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

1. ACCOUNTING POLICIES (CONTINUED)

Use of estimates and judgements

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

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

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

Intangibles – capitalisation of software and development costs

The Board hold that the Group's key differentiators stem from its proprietary software, operationally Flyerlink and that developed to support BrandDemand, Templating and the various Online initiatives. Therefore, it believes it is essential to continue investing in these assets. Development projects are agreed with user forums to improve functionality for partners. Separate projects are defined for international expansion and for new initiatives as they are identified. Development costs are capitalised where a project has been defined, tested and successfully implemented. Programming is carried out by third parties who work to a detailed specification and schedule. The Group's policy is to amortise these costs over 5 years whilst the software in question remains in use.

Recoverability of receivables

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

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

There are no new endorsed standards, amendments to standards and interpretations that are not yet effective for the year ended 31 March 2012 and which will have a significant impact on the information reported by the Company in future periods.

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

2. REVENUE AND SEGMENTAL INFORMATION

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

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

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

  Initial fees relate to specific services provided at the start of the Franchise Agreement (training and set-up) 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.

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

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

Of the Group revenue of £21,768,000, £13,389,000 was generated in the UK *(2011: £13,395,000)*. Revenue generated outside the UK is primarily attributable to the Holland & Belgium £7,258,000 *(2011: £2,640,000)*, France £536,000 *(2011: £455,000)* and Republic of Ireland £392,000 *(2011: £343,000)*. No single customer provided the Group with over 10% of its revenue.

Of the Group's non-current assets (excluding deferred tax) of £6,788,000, £6,101,000 is located in the UK. Non-current assets located outside the UK are in Holland (£663,000, *2011: £938,000*), France (£91,000, *2011: £48,000*) and the Republic of Ireland (£1,000, *2011: £nil*).

2. REVENUE AND SEGMENTAL INFORMATION (CONTINUED)

Analysis by location of sales

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

	UK & Ireland	Europe	Other	Total
	£000	£000	£000	£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

Analysis by type

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

2. REVENUE AND SEGMENTAL INFORMATION (CONTINUED)

Analysis by type

Printing services	Printing services – online sales £000	Printing services £000	Licence Income £000	Total £000
Period ended 31 March 2011				
Segment revenues	2,640	13,323	1,053	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 assets				6,499

3. PROFIT BEFORE TAXATION AND AUDITORS' REMUNERATION

Included in profit/loss are the following:	**2012 £000**	2011 £000
Operating lease rentals	**518**	433
Amortisation of intangible assets	**1,187**	613
Depreciation	**947**	947
Profit/(loss) on foreign currency transactions	**(32)**	14

Auditors' remuneration:	***2012*** **£000**	2011 £000
Audit of these financial statements	**38**	39
Amounts receivable by auditors and their associates in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	**22**	21
Review of interim financial statements	**5**	4
Other services relating to taxation	**25**	33

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

4. STAFF NUMBERS AND COSTS

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

Number of employees	**Group 2012**	Group 2011	**Company 2012**	Company 2011
Administration	**24**	19	**2**	2
Sales and distribution	**61**	66	**-**	-
Production	**65**	64	**-**	-
	150	149	**2**	2

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

	Group 2012 £000	Group 2011 £000	**Company 2012 £000**	Company 2011 £000
Wages and salaries	**3,912**	3,488	**50**	50
Social security costs	**457**	378	**5**	5
Other pension costs	**104**	86	**-**	-
	4,473	3,952	**55**	55

Defined contribution plan

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

Key management remuneration:

	2012 £000	2011 £000
Key managements' emoluments	**449**	458
Share based payments (see note 13)	**-**	-
Company contributions to money purchase pension plans	**38**	38
Amounts paid to third parties in respect of directors services	**130**	54
	617	550

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 25.

The aggregate of emoluments for the highest paid Director was £173,000 *(2011: £172,000)*, and Company pension contributions of £21,000 *(2011: £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 *(2011: 3)*.

5. TAXATION

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

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Recognised in profit and loss

	2012	2011
	£000	£000
Current tax expense		
Current year	**459**	588
Foreign tax	**152**	23
Adjustments for prior years	**(325)**	(179)
	286	432
Deferred tax expense		
Origination and reversal of temporary differences (see note 6)	**(252)**	(120)
Movement due to change in rate of tax	**(62)**	(45)
Adjustment in respect of prior year for PP&E	**186**	118
Total tax in profit and loss	**158**	385

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

	2012	2011
	£000	£000
Profit for the period	**1,258**	1,311
Total tax expense	**(158)**	(385)
Profit after taxation	**1,100**	926
Tax using the UK corporation tax rate of 26 % (2011:28%)	**327**	367
Permanent differences	**28**	116
Overseas tax losses not recognised	**12**	33
Difference in overseas tax rate	**(22)**	(36)
Consolidation adjustments	**-**	1
Adjustments in respect of prior periods – current tax	**(325)**	(179)
Adjustments in respect of prior periods – deferred tax	**186**	118
Movement due to change in tax rate	**(48)**	(35)
Total tax expense	**158**	385

The Group Tax Creditor amounts to £372,000 *(2011: £423,000)*. The deferred tax assets and liabilities as at 31 March 2012 have been calculated using the tax rate of 24% which was substantively enacted at the balance sheet date.

Further reductions to the UK corporation tax rate have been announced in the March 2012 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 another 1% to 23% by 1 April 2014. This change is expected to be enacted separately and has not been recognized in these financial statements.

6. DEFERRED TAX ASSETS AND LIABILITIES – GROUP

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

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

Recognised deferred tax assets and liabilities	**Assets 2012 £000**	Assets 2011 £000	**Liabilities 2012 £000**	Liabilities 2011 £000
Property, plant and equipment	**-**	-	**403**	456
Intangible assets	**-**	-	**73**	148
Other	**(2)**	(2)	**-**	-
Tax (assets)/liabilities	**(2)**	(2)	**476**	604

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

Movement in deferred tax during the year	1 April 2010 £000	Adjustment for prior years £000	Acquired in business combination £000	Recognised in income £000	Recognised in income due to tax rate change £000	31 March 2011 £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

Company

The Company had no deferred tax assets or liabilities as at 31 March 2012 *(2011: £nil).*

7. PROPERTY, PLANT AND EQUIPMENT – GROUP

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

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

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

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

Depreciation

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

	Land and buildings £000	Plant and equipment £000	Motor Vehicles £000	Fixtures and Fittings £000	Total £000
Cost					
Balance at 31 March 2010	593	7,157	33	728	8,511
Additions	-	(18)	-	163	145
Acquisitions through business combinations	-	-	-	82	82
Disposals	-	(378)	-	(363)	(741)
Effect of movement in foreign exchange	-	-	-	(2)	(2)
Balance at 31 March 2011	593	6,761	33	608	7,995
Balance at 31 March 2011	593	6,761	33	608	7,995
Additions	65	(50)	-	168	183
Disposals	-	-	-	(5)	(5)
Effect of movements in foreign exchange	(2)	-	(2)	(9)	(13)
Balance at 31 March 2012	**656**	**6,711**	**31**	**762**	**8,160**
Depreciation and impairment					
Balance at 31 March 2010	352	3,966	5	516	4,839
Depreciation charge for the year	60	760	6	121	947
Disposals	-	(378)	-	(363)	(741)
Effect of movements in foreign exchange	-	-	-	(1)	(1)
Balance at 31 March 2011	412	4,348	11	273	5,044
Balance 31 March 2011	412	4,348	11	273	5,044
Depreciation charge for the year	65	727	6	149	947
Disposals	-	-	-	(1)	(1)
Effect of movements in foreign exchange	-	-	-	(3)	(3)
Balance at 31 March 2012	**477**	**5,075**	**17**	**418**	**5,987**

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

	Land and buildings £000	Plant and equipment £000	Motor Vehicles £000	Fixtures and Fittings £000	Total £000
Net book value					
At 31 March 2010	241	3,191	28	212	3,672
At 31 March 2011	181	2,413	22	335	2,951
At 31 March 2012	**179**	**1,636**	**14**	**344**	**2,173**

Leased plant, machinery and fixture & fittings

During the year the Group made the final payment due for assets held under finance leases. Under the terms of the agreement, following the completion of the lease payments title has passed to the Group. Therefore at 31 March 2012 the net carrying amount of leased plant, machinery and fixture & fittings was Nil *(2011: £1,394,000).* The lease obligations are secured by the leased equipment.

8. INTANGIBLE ASSETS AND INVESTMENTS

Research and development costs

All research costs are written off as incurred.

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

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

Patents and trademarks	-	20 years
Capitalised development costs	-	5 years

Reviews of impairment indicators in relation to the carrying value of development expenditure are undertaken annually.

Software

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

Customer lists

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

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

8. INTANGIBLE ASSETS AND INVESTMENTS (CONTINUED)

Group	Domain name £000	Software £000	Development costs £000	Customer Lists £000	Goodwill £000	Other £000	Total £000
Cost							
Balance at 31 March 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
Balance at 31 March 2011	445	1,928	703	1,808	1,280	28	6,192
Acquisitions – internally developed	-	-	322	-	-	-	322
Acquisitions – externally purchased	-	537	-	325	-	10	872
Effect of movements in foreign exchange	-	(20)	-	-	-	-	(20)
Balance at 31 March 2012	**445**	**2,445**	**1,025**	**2,133**	**1,280**	**38**	**7,366**
Amortisation and impairment							
Balance at 31 March 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
Balance at 31 March 2011	192	757	258	352	-	14	1,573
Amortisation for the year	37	390	152	606	-	2	1,187
Effect of movements in foreign exchange	-	(9)	-	-	-	-	(9)
Balance at 31 March 2012	**229**	**1,138**	**410**	**958**	**-**	**16**	**2,751**
Net book value							
At 31 March 2010	171	584	299	542	-	17	1,613
At 31 March 2011	253	1,171	445	1,456	1,280	14	4,619
At 31 March 2012	**216**	**1,307**	**615**	**1,175**	**1,280**	**22**	**4,615**

Amortisation and impairment charge

The amortisation charge of £1,187,000 *(2011: £613,000)* is recognised in profit and loss within depreciation and amortisation expenses. An impairment charge of nil (2011: £nil) was recognised during the year.

Goodwill

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

8. INTANGIBLE ASSETS AND INVESTMENTS (CONTINUED)

Trade and assets of Franchises

During the year the Group acquired 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 £325,000 was paid in respect of the Franchises, settled by outstanding amounts due to the Group.

Impairment testing

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

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

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

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

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

Investments - Company

	Shares in Subsidiary undertakings	Total
	£000	£000
Cost		
Balance at 1 April 2010	574	574
Balance at 31 March 2011	2,416	2,416
Balance at 31 March 2012	**2,416**	**2,416**

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

Subsidiary undertaking	Nature of business
Printing.com Europe Limited	Printing
Media Facility Group BV	Print Provision
Printing.com (UK Franchise) Limited	Franchise contracts
Printing.com Franchise Limited	Franchise contracts
Printing.com France SA	Franchise contracts
PDC.SA	Holding Intellectual Property

9. TRADE AND OTHER RECEIVABLES

	Group 2012 £000	Group 2011 £000	**Company 2012 £000**	Company 2011 £000
Other receivables due from subsidiary companies	**-**	-	**2,595**	3,109
Trade receivables and prepayments	**2,860**	3,433	**-**	-
Interest receivable	**-**	25	**-**	-
Other receivables	**38**	32	**20**	11
	2,898	3,490	**2,615**	3,120

At 31 March 2012 trade receivables are shown net of an allowance for doubtful debts of £361,000 *(2011: £381,000)*.

Other receivables represent loans receivable from franchisees and are stated net of an impairment provision of £2,000 *(2011: £2,000)*.

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

Trade and other receivables denominated in currencies other than sterling comprise £552,000 *(2011: £815,000)* of trade receivables and £nil *(2011: £nil)* of other receivables denominated in Euro.

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

	Group 2012 £000	Group 2011 £000	**Company 2012 £000**	Company 2011 £000
Other receivables due from subsidiary companies	**-**	-	**1,000**	1,000
Other receivables	**-**	20	**-**	-

10. CASH AND CASH EQUIVALENTS

	Group 2012 £000	Group 2011 £000	**Company 2012 £000**	Company 2011 £000
Cash and cash equivalents	**1,874**	2,002	**1**	11

Cash and cash equivalents include cash in hand, deposits held at call with banks and other short term highly liquid investments. Cash denominated in currencies other than Sterling comprise £682,000 *(2011: £986,000)* all in Euro.

11. OTHER INTEREST-BEARING LIABILITIES

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

Non-current liabilities	**Group 2012 £000**	Group 2011 £000	**Company 2012 £000**	Company 2011 £000
Bank loans	**23**	109	-	-
Current liabilities				
Current portion of finance lease liabilities	**-**	200	**-**	-
Current portion of bank loans	**80**	121	**-**	-
Loan notes	**-**	355	**-**	355
	80	676	**-**	355

Finance lease liabilities

	Minimum lease payments 2012 £000	**Interest 2012 £000**	**Principal 2012 £000**	Minimum lease payments 2011 £000	Interest 2011 £000	Principal 2011 £000
Group						
Less than one year	-	-	-	202	2	200

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 lease payments 2012 £000	**Interest 2012 £000**	**Principal 2012 £000**	Minimum lease payments 2011 £000	Interest 2011 £000	Principal 2011 £000
Group						
Less than one year	**83**	**3**	**80**	132	11	121
Between one and five years	**23**	**-**	**23**	112	3	109
	106	**3**	**103**	244	14	230

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

12. TRADE AND OTHER PAYABLES

	Group 2012 £000	Group 2011 £000	**Company 2012 £000**	Company 2011 £000
Other trade payables	**2,889**	3,340	**34**	15
Accruals and deferred income	**1,315**	1,392	**33**	30
Other liabilities	**243**	231	**-**	-
	4,447	4,963	**67**	45

Other trade payables denominated in currencies other than Sterling comprise £933,000 *(2011: £7,000)* denominated in Euro.

13. EMPLOYEE BENEFITS

Share-based payments

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

Group employees

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

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

Share options	**Weighted average exercise price 2012**	**Number of options 2012**	Weighted average exercise price 2011	Number of Options 2011
Outstanding at the end of the period	**32.5p**	**2,007,500**	32.5p	2,007,500

The total expense recognised for the period arising from share based payments in respect of employees was £nil *(2011: £nil).*

Third parties

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

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

Share options	**Weighted average exercise price 2012**	**Number of options 2012**	Weighted average exercise price 2011	Number of Options 2011
Outstanding at the beginning of the period	**45.71**	**1,435,000**	41.43	1,910,000
Forfeited during the period	**55.85**	**(775,000)**	28.49	(475,000)
Outstanding at the end of the period	**33.80**	**660,000**	45.71	1,435,000

The total expenses recognised for the period arising from share based payments in respect of Franchisees was £nil *(2011: £nil).*

14. SHARE CAPITAL

Share capital - Group and Company

In thousands of shares	**Ordinary shares 2012**	Ordinary shares 2011
On issue at 31 March 2011	**46,942**	44,993
Issued as acquisition consideration	**616**	1,949
On issue at 31 March 2012 – fully paid	**47,558**	46,942

	£000	£000
Allotted, called up and fully paid	**475**	469
46,941,927 *(2011: 44,993,465)* ordinary shares of £0.01 each	**-**	-
63 deferred shares of £0.10 each		
Total allotted, called up and fully paid	**475**	469

Earnings per share

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

	2012 £000	2011 £000
Profit after taxation for the financial year	**1,100**	926

Weighted average number of shares	**2012 Number of Shares**	2011 Number of shares
For basic earnings per ordinary share	**47,302,191**	45,407,444
Exercise of share options	**203,901**	500,175
For diluted earnings per ordinary share	**47,506,092**	45,907,619

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 615,908 ordinary shares as the final element of the consideration for the acquisition of Media Facility Group BV.

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 0.21 *(2011: 0.20)* at the year end. The Board of Directors also monitors the level of dividends to ordinary shareholders.

At present employees hold 30.41% of ordinary shares, assuming that all outstanding share options are exercised.

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

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

14. SHARE CAPITAL (CONTINUED)

Dividends

	2012 £000	2011 £000
Final dividends paid in respect of prior year but not recognised as liabilities in that year	**993**	932
Interim dividends paid in respect of the current year	**499**	493
Total dividend paid in the year	**1,492**	1,425

After the balance sheet date dividends of £713,000/1.50p per qualifying ordinary share *(2011: £993,000/2.10p per qualifying ordinary share)* were proposed by the Directors. The dividends have not been provided for.

15. FINANCIAL INSTRUMENTS

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

The Group's policy during the financial year ended 31 March 2012 and 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.

Credit risk

Group

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

During the year the Group has continued to use the Pay As You Go (PAYG) model to manage debtors and mitigate the credit risk through structured payments. This model ensures that total debts do not increase while continuing to serve the customer base. Interest of between 3.5% and 5.5% was charged on PAYG debts during the year. Repayment plans have been entered into separately for certain PAYG debtors and make up £832,000 of total gross debtors. The Group retains the right to re-call debts ahead of the payment plans agreed.

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

	31 March 2012 Total £000	31 March 2012 Impairment £000	31 March 2011 Total £000	31 March 2011 Impairment £000
Not past due	**1,660**	**-**	2,008	-
Past due 0 – 30 days	**478**	**-**	504	-
Past due 31 – 90 days	**320**	**-**	455	-
Past due 90 days and over	**423**	**(363)**	576	(383)
Total receivables due from Franchisees	**2,881**	**(363)**	3,543	(383)

15. FINANCIAL INSTRUMENTS (CONTINUED)

Impairment

	£000
Balance at 3 April 2010	338
Impairment loss recognised	(289)
Increase in impairment allowance	334
Balance at 31 March 2011	383
Impairment loss recognised	(160)
Increase in impairment allowance	140
Balance at 31 March 2012	**363**

Of the total impairment provision £185,000 relates to Franchises that have ceased trading.

Company

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

Interest rate risk

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

Liquidity risk

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

31 March 2012

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

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
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
Total financial liabilities	5,573	5,635	5,327	180	100	28

All trade receivables are contractually due within 6 months.

15. FINANCIAL INSTRUMENTS (CONTINUED)

Foreign currency risk

Group

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

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

	31 March 2012 Euro £000	**31 March 2012 GBP £000**	31 March 2011 Euro £000	31 March 2011 GBP £000
Trade receivables	**552**	**2,802**	815	3,076
Cash and cash equivalents	**682**	**1,192**	986	1,016
Trade payables	**(693)**	**(2,196)**	(933)	(2,336)
Bank Loans	**(103)**	**-**	(230)	-
Loan Notes	**-**	**-**	(355)	-
Total foreign currency risk	**438**	**1,798**	283	1,756

Sensitivity analysis

Where the Group operate in Europe both revenues and costs are in the local currency therefore the level of exchange risk is low. In the Eurozone the Group have a presence in Holland, Belgium, France, and Ireland. In managing interest rate and currency risks the Company and Group aims to reduce the impact of short-term fluctuations on the Company and Group's earnings.

At 31 March 2012, it is estimated that a general increase of one percentage point in the value of the Euro would increase the Group's profit before tax by approximately £5,000 *(2011: £3,000)* with an equal adjustment to equity.

Fair values

There is a difference of £18,000 (2011: £53,000) between fair values and carrying amounts on the balance sheet arising solely on Bank Loans (2011: Bank Loans, Loan Notes and Finance lease liability).

Determination of fair values

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

Trade and other receivables

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

Trade payables

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

Finance lease liability / Bank Loans

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

16. OPERATING LEASES

Non-cancellable operating lease rentals are payable as follows:

	Group 2012 £000	Group 2011 £000	**Company 2012 £000**	Company 2011 £000
Plant and machinery				
Less than one year	**13**	50	**-**	-
Between one and five years	**6**	10	**-**	-
Land and buildings				
Less than one year	**429**	398	**-**	-
Between one and five years	**504**	742	**-**	-
More than five years	**43**	72	**-**	-
Total operating lease rentals	**995**	1,272	**-**	-

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

Group

During the year £518,000 *(2011: £433,000)* was recognised as an expense in profit and loss in respect of operating leases.

17. CAPITAL COMMITMENTS

The Group and Company have no commitments to incur capital expenditure at the year end (2011:£nil).

18. CONTINGENCIES

Neither the Group nor the Company had contingencies at the year end (2011: £nil).

19. RELATED PARTIES

The Company receives dividends from its subsidiaries Printing.com Europe Limited and Media Facility Group BV. In the year ended 31 March 2012 dividends of £1,108,000 were received *(2011: £1,411,000)*. Total sales to subsidiary undertakings were £nil *(2011: £nil)* and total expenses incurred from subsidiary undertakings were £nil *(2011: £nil)*. The amounts outstanding at the year-end from subsidiary undertakings are shown in note 9.

Transactions with key management personnel

Directors of the Company control 27.84 per cent of the voting shares of the Company.

The compensation of the Directors, who are the key management personnel, is disclosed in the Directors Remuneration Report see pages 24 to 26 and note 4.

ADVISERS AND COMPANY INFORMATION

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Financial PR	**Cubitt Consulting** 30 Coleman Street LONDON EC2R 5AL
Solicitors to the Company	**Grateley (Manchester) LLP** Ship Canal House 98 Kings Street MANCHESTER M2 4WU
Auditors to the Company	**KPMG Audit plc** St. James' Square MANCHESTER M2 6DS
Registrars and Receiving Agents to the Company	**Capita Registrars** Northern House Woodsome Park Fenay Bridge HUDDERSFIELD HD8 0LA
Bankers to the Group	**The Royal Bank of Scotland plc** 1 Spinningfields Square MANCHESTER M3 3AP

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