PLACING AND ADMISSION TO AIM

Arranged by
Brewin Dolphin Securities Limited
Nominated Adviser and Broker

printing.com plc


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printing.com


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printing.com

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A copy of this document, which comprises an AIM admission document drawn up to include information equivalent to that required by the Public Offers of Securities Regulations 1995 and the AIM Rules shall be made available in accordance with Rule 3 of the AIM Rules. Application will be made for admission of the New Ordinary Shares and of the Existing Shares to trading on AIM. It is expected that such admission will take place and that dealings in the Ordinary Shares will commence on 11 August 2004. A copy of this document has been delivered to the registrar of Companies in England and Wales in Accordance with Regulation 4 (2) of the regulations.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the official list of the United Kingdom Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. London Stock Exchange plc has not itself examined or approved the contents of this document.

Printing.com plc

(Incorporated and registered in England and Wales under the Companies Act 1985 with Registered Number 3983312)

Placing of 3,833,333 New Ordinary Shares at 30p per share
Admission to trading on the Alternative Investment Market

arranged by Nominated Adviser and Broker

Brewin Dolphin Securities
Corporate Finance

The Directors of Printing.com, whose names appear on page 2 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and makes no omission likely to affect the import of such information.

Brewin Dolphin, which is a member of the London Stock Exchange and is authorised and regulated by the Financial Services Authority, is acting only for Printing.com in connection with the Placing and the Admission and is not acting for any other person and will not be responsible to any person other than Printing.com for providing the protections afforded to customers of Brewin Dolphin. In particular, the information contained in this document has been prepared solely for the purposes of the placing and admission to trading and it is not intended to be relied on by any subsequent purchases of Ordinary Shares (whether on or off Exchange) and accordingly no duty of care is owed to them.

This document does not constitute an offer to sell, or a solicitation of an offer to buy, Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful. In particular, this document is not for distribution in or into the United States of America, Canada, Australia, South Africa, the Republic of Ireland or Japan. The Ordinary Shares have not been and will not be registered under the United States Securities Act of 1933 (as amended) or under the securities legislation of any state of the United States of America or any province or territory of Canada, Australia, South Africa, the Republic of Ireland or Japan or in any country, territory or possession where to do so may contravene local securities laws or regulations. Accordingly, the Ordinary Shares may not, subject to certain exceptions, be offered or sold, directly or indirectly in or into the United States of America, Canada, Australia, South Africa, the Republic of Ireland or Japan or to any national, citizen or resident of the United States of America, Canada, Australia, South Africa, the Republic of Ireland or Japan.

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PLACING STATISTICS

Issue Price	30p
Number of New Ordinary Shares being issued	3,833,333
Percentage of enlarged issued ordinary share capital being issued	8.98%
Number of Ordinary Shares in issue following Admission	42,697,473
Net proceeds from the issue receivable by the Company	£900,000

KEY INFORMATION

The Printing.com business

Printing.com combines a franchised customer-facing high street presence with a state of the art centralised printing hub to provide a high quality and low cost printing solution for small and medium sized enterprise and small office/home office customers that competes with on demand printers ("ODP") in the UK and Ireland such as high street digital imaging and photocopy bureaus, small commercial printers and print shops. A wide range of full colour print items such as leaflets, brochures, booklets, posters, postcards, promotional cards, invitations, letterheads and business cards are offered in its buying guide which is made available to existing and prospective customers.

Service is provided within the UK and Ireland from:

- its estate of 25 high street Stores (of which 11 are Group-owned and 14 are franchised);
- 57 "bolt-on" franchises within established print, copy and graphic design shops whereby an established ODP business is embraced as a distribution partner, with a licence to utilise the Printing.com brand and system; and
- a division which markets to various accounts under the banner "Printing.com@the Agency".

The Printing.com model is based on a centralised Production Hub ("Hub"), located in Trafford Park, Greater Manchester, coupled with localised outlets. No lithographic printing takes place at Printing.com Stores, instead the Group's Hub prints orders with the entire process being controlled and linked to the Stores by 'Flyerlink®', the Group's proprietary software, which operates over the Internet. The centralising of production allows many independent print orders with a common specification to be grouped together thereby exploiting the usual efficiencies of a mass production process. It is this alternative business structure that gives Printing.com its competitive advantage.

The outlet network

The Group operates through a network of Printing.com-branded Stores across the UK and Ireland together with a wider network of Bolt-on franchisees. The majority of the Stores are operated under franchises. Each Store sits within a territory in which Bolt-on franchises can be granted to established printers, copy shops and graphic designers. It is the responsibility of the Store to seek out and support new Bolt-on franchisees.

Franchised Stores and Bolt-on franchise outlets offer Printing.com's products at the same price point as any Group-owned Store, with the Hub charging a predefined 'transfer price' for the fulfilment of each order. This ongoing income in respect of each order provides the majority of Printing.com's income stream from franchises.

Ongoing expansion is founded on the Group's Territory franchise driven business model. This model has been configured in such a way that each additional outlet should yield a positive contribution at all stages of its operation both before and after opening. The model is designed to insulate the Group from the negative contribution that would normally be incurred in the initial stages if a new Group owned outlet was opened. The model is also designed to insulate the Company from the negative contribution that may be incurred by an under performing Store.

Across the UK 66 Territories have been defined with each Territory being designed to accommodate the development of between three and eight Bolt-on Franchises. If successfully exploited, this structure could result in the Printing.com estate exceeding 300 outlets.

The benefits of adopting a franchise strategy

Prior to 2002, all outlets were directly operated by the Group whilst the details of the business model were being developed and refined. However, since then a franchising strategy has been adopted to facilitate a rapid rollout of the outlet network whilst reducing the investment required and the exposure to financial risks in such a rollout.

The Directors consider that the principal benefits are that:

- the finance for further outlets is provided by the franchisee without depleting the Group's cash reserves or exposing the Company's shareholders to potential dilution from further issues of Ordinary Shares;
- each new franchised outlet should make an immediate positive impact on the Group's earnings as the initial support and licence fees should cover the corresponding training and support obligations and contribute to investment in central infrastructure thereby insulating the Group from the negative contribution phase of a new Group owned outlet; and
- the Group is shielded from the negative contribution from an under-performing outlet.

In addition, the Directors believe that expanding through franchising allows the Group to focus on the provision of a robust and scaleable Hub and infrastructure without being distracted by the details of day to day Store operations.

Market and competitors

The UK ODP market is estimated to be worth in excess of £1 billion and may be in excess of £2 billion if small commercial printers are also taken into account. With the exception of the Kall Kwik and Prontaprint chains, the sector is highly fragmented.

The Directors believe that there are significant barriers to entry for new competitors to the Group including:

- that the Directors are not aware of any 'off the shelf' software package that replicates the functionality of Flyerlink®;
- that the high volume of orders that are required to efficiently and profitably exploit the Printing.com centralised model would not be available to most of the Group's existing competitors;
- that the Group's larger competitors would have to radically restructure their business models to replicate the Printing.com model; and
- no other competitor has experience of operating all of the components of the Printing.com business model.

Financial track record

The financial track record of the Group is included in Part 3 of this document and summarised below:

	Year ended 31 March		
	2002	**2003**	**2004**
	£000	**£000**	**£000**
Turnover	5,598	7,694	9,328
(Loss)/profit on ordinary activities before taxation	(776)	511	941
Shareholders' funds	194	2,123	2,718
(Loss)/earnings per share (post notional tax charge)	(2.41)p	0.92p	1.69p
Number of outlets	38	50	65

Until the year ended 31 March 2002, losses were incurred whilst Printing.com was gaining sufficient critical mass. Profitable trading was achieved during the year ended 31 March 2003 as more units, predominantly franchises, were added to the estate and this profitability has progressed as the number of franchised outlets has further increased during 2004.

Prospects

The Directors believe that additional ongoing revenues will be derived from the current pipeline of new franchises and that additional suitable franchise partners will continue to be found. The Hub still has sufficient unutilised capacity to permit additional revenues to be enjoyed with only a marginal increase in central overhead. With newly launched franchised outlets expected to yield increasing contributions and the strong pipeline of prospective franchisees, the Directors are optimistic about the future prospects of Printing.com.

The Directors remain committed to the previously stated objective of achieving a total of 175 outlets by September 2005. Future plans include the development of a subsidiary Hub in Kent which would be well positioned to service a network of outlets in north-western Europe as well as southern England. The Directors believe that there are also opportunities in the longer term to transfer the Printing.com model to North America and other territories by means of master franchise agreements or joint ventures.

Details of the Placing

Brewin Dolphin, as agent for the Company, has agreed conditionally to place firm a total of 3,833,333 Placing Shares at the Issue Price of 30p per share, representing 8.98 per cent. of the Company's issued share capital following Admission, which will raise approximately £1.15 million before expenses for the Company. The Placing Shares will, when issued, rank *pari passu* in all respects with the Existing Shares, including the right to receive all dividends and distributions declared, paid or made after the date of this document.

Application will be made for the whole of the issued ordinary share capital of the Company to be admitted to trading on AIM. No application is being made for any of the Ordinary Shares to be admitted to the Official List of the UK Listing Authority or to the London Stock Exchange's market for listed securities. It is anticipated that trading in the Ordinary Shares will commence at 8.00 am on 11 August 2004.

Potential tax reliefs for investors

The Company has obtained approval in relation to previous share issues that it is a qualifying company for the purposes of investment under the EIS legislation. The Directors anticipate that the Company will continue to be treated as a qualifying company following the proposed transactions, although no guarantee can be given in this regard.

PART 1: INFORMATION ON PRINTING.COM

Introduction

Printing.com combines a franchised customer-facing high street presence with a state of the art centralised printing hub to provide a high quality and low cost printing solution for small and medium sized enterprises ("SME") and small office/home office ("SOHO") customers that competes with on demand printers ("ODP") in the UK and Ireland such as high street digital imaging and photocopy bureaus, small commercial printers and print shops. A wide range of full colour print items such as leaflets, brochures, booklets, posters, postcards, promotional cards, invitations, letterheads and business cards are offered in its buying guide which is made available to existing and prospective customers.

Service is provided within the UK and Ireland from:

- its estate of 25 Stores (of which 11 are Group-owned and 14 are franchised);
- 57 "bolt-on" franchises within established print, copy and graphic design shops whereby an established ODP business is embraced as a distribution partner, with a licence to utilise the Printing.com brand and system; and
- a division which markets to various accounts under the banner "Printing.com@the Agency".

The Directors believe that Printing.com has the potential to be the pre-eminent supplier of printing to SME and SOHO businesses throughout the UK due to its competitive advantage over a typical ODP business. The Group's competitive advantage arises from offering an enhanced full colour printing specification at a more favourable price point than would typically be charged within the ODP sector for printing of a more basic 'two colour' specification.

The Printing.com model is based on a centralised Production Hub ("Hub") coupled with localised outlets. In common with the ODP sector at large, these local outlets manage the client relationships and provide a graphic design service. However, unlike most ODPs which offer localised lithographic printing, no such printing takes place at Printing.com Stores. Instead Printing.com Stores utilise the Group's Hub to print orders with the entire process linked and controlled by 'Flyerlink®', the Group's proprietary software, which operates over the Internet.

The centralising of production allows many independent print orders with a common specification, such as leaflets, post cards or letterheads to be grouped together thereby exploiting the usual efficiencies of a mass production process.

It is the above alternative business structure that gives Printing.com its competitive advantage.

The Company has now reached a stage in its development where it would benefit from the increased public profile that a quotation on AIM can offer.

History and development

The Printing.com business was established by Tony Rafferty in 1992 after he left University. Whilst a student at the University of Sheffield, he became involved in running student events. Subsequently, he devised a concept for producing small advertising leaflets or flyers in full colour batches more efficiently. Initially the business was centred on the UK discotheque market, servicing many of the larger public and private leisure companies. The Directors believe that the introduction of the Flyerlink® software in 1994 subsequently enabled the scalability of the business.

From 1995 the business extended its product range to include leaflets, flyers, business cards, stationery, membership cards, mailing cards and a variety of items suitable for direct mail (which typically require a print-run of between 500 and 20,000 copies) so that it could expand its target market to include the SME and SOHO type businesses.

In 1995 the business also raised equity of £200,000 from a syndicate of private investors which enabled it to more fully integrate the production process. Both indirect and direct marketing channels were explored prior to the opening of the business's first Store in 1998.

By 1999, two Stores had been opened, in Edinburgh and Sheffield, Flyerlink® was being upgraded and senior staff were being recruited to roll out what was to become the Printing.com format of high street outlets connected to a central printing hub via Flyerlink®. In early 2000 the business raised a further £185,000 from private investors.

In 2000, the Company acquired the original Printing.com business and floated on Ofex, raising approximately £1.9 million. At this time the estate had expanded to five units and by March 2001 this had increased to 15. A small equity fundraising of £312,000 was carried out in June 2001 to provide further working capital.

In late 2001 the group announced a strategy for expansion through franchised outlets, the first of which were granted in early 2002. Shortly afterwards the Company raised a further £1 million via public offering in order to support the accelerating outlet roll out. The Group moved to a new, larger Hub and National Training Centre located at Trafford Park in Manchester in 2003.

Products and services

Printing.com outlets offer a broad range of printed products intended to meet most of the print needs for the SME, SOHO and corporate business communities. The range covers:

- appointment cards
- banners
- booklets
- bookmarks
- business cards
- case calendars
- compliment slips
- continuation sheets
- corporate folders
- credit card passes
- cut-out cards
- desk calendars
- desk notepads
- envelopes
- exhibition stands
- folder inserts
- glossy postcards
- greeting cards
- hanging calendars
- invitations
- laser forms
- laser mailers
- large format posters
- leaflets
- letterheads
- litho posters
- menus
- mini brochures
- one-piece mailers
- pocket calendars
- presentation folders
- promotional flyers
- scratch cards
- shelf strips
- showcards
- stationery packs
- stickers
- swing tickets
- tent cards
- wallplanners
- wobblers
- wrapping paper

Turnarounds of between 48 and 72 hours are available on mainline orders, with a premium same day service also available.

The outlet network

Overview

The Group operates through a network of Printing.com-branded Stores across the UK and Ireland together with a wider network of Bolt-on franchisees. Each Store sits within a territory in which Bolt-on franchises can be granted to established printers, copy shops and graphic designers. There are a total of 66 such territories in the UK.

All franchisees are governed by a franchise agreement and a detailed operations manual, which set out the expected operational standards. A franchise agreement may be terminated if the required standards are not maintained.

Stores are typically positioned in 'secondary retail locations', either just off the high street or on busy arterial routes. Very often they are located near, or even adjacent, to other well known printing stores. This approach is a deliberate strategy to attract additional customers by emphasising the difference in the Printing.com model.

The table below illustrates the expansion of the Printing.com estate over the current financial year and highlights the current pipeline of prospective Franchisees, who have already taken out an option on a territory.

	31 March 2003	31 March 2004
Total Outlets:	**52**	**85**
Open for more than one year	28	44
Open for less than one year	19	21
Pre Opening	3	13
Under option	2	7

Owned Stores

The Group opened its first Store in Edinburgh during November 1998 and by March 2001 had opened an additional 14 in locations across the UK. Although the Group was not profitable after this initial roll-out of Stores, the Directors considered that the potential of the Company's business model had been validated. The opening of a Store in Dublin during April 2003 proved the ability of the Group's systems to run successfully within the Euro zone as well.

Since March 2003, six Stores have been franchised reducing the Group owned estate to nine. More recently a new Group owned Store has been opened at the Hub. This outlet also functions as a training facility and for demonstration purposes. No additional Group owned Stores are currently planned and it is intended to franchise further Group owned Stores, although some may be retained for training and development purposes.

Franchised Stores

The Group began marketing Store Franchises in September 2002. The first Store Franchise was granted in March 2003 when the Group owned Store at Liverpool was franchised via a management buy-in. In June 2003 the first start-up Store Franchise opened in Plymouth. Store Franchises offer Printing.com's products at the same price point as any Group owned Store, with the Hub charging a predefined 'transfer price' for the fulfilment of each order. This ongoing income in respect of each order provides the majority of Printing.com's income stream from franchises. The Store Franchise offering has now been superseded by the Territory Franchise and the original Store Franchises have been upgraded to the Territory offering. Store and Territory Franchises are granted for ten years.

Territory Franchises

A Printing.com Territory Franchise enables a franchisee to launch a Printing.com Store and then develop a network of Bolt-on Franchises within an extended geographic area, typically the size of a county. The Group launched its Territory Franchise programme using the strap-line "Start a Store - Build a Territory" in September 2003. The Directors believe that the Territory Franchise model facilitates a more effective support of the Group's network of Bolt-on Franchises by leveraging the local expertise of each Territory Franchisee. It also enables each Territory Franchisee to exploit their local knowledge of the best potential Bolt-on Franchise partners in their territory by acting as a marketing agent for the Bolt-on Franchise opportunity.

The Directors believe that this structure, embracing every Territory Franchisee in the marketing and support of Bolt-on Franchises, will accelerate the growth of the network measured by both the number of Bolt-on Franchises and the success of each outlet. They further believe that the dual facets of the Territory Franchise opportunity namely "Start a Store - Build a Territory," adds to the appeal of the franchise offering and assists in recruiting pre-eminent franchisees.

The Territory Franchisee is incentivised to expand and support the network of Bolt-on Franchises with a reward structure based on a share of the additional license fees and commission on ongoing 'transfer price' revenues.

Under the Territory Franchise Agreement a licence fee typically in the range of £18,000 to £24,000 is charged at the outset together with a support fee of £18,000. In subsequent years a fee of £10,000 is charged. However, the majority of the Group's revenues on an ongoing basis arise from the transactions at 'transfer price' between the Territory Franchise and the Hub.

The contractual process by which a Territory Franchise is granted involves the prospective franchisee first entering into an Option Agreement and paying a non-refundable fee of typically £6,000. This allows the franchisee a period, typically six months, in which with the assistance of the Group he or she can organise the necessary finance, secure suitable retail property and commence training.

At the date of this document 14 Territory Franchises are operating arising from two Store transfers to ex-employees of the Group, four Store transfers to external franchisees and eight new Store start-ups. There are currently seven options in place and the Directors are optimistic that the majority of these will progress to operating Territory Franchises.

Across the UK 66 Territories have been defined with each Territory being designed to accommodate the development of between three and eight Bolt-on Franchises. If successfully exploited, this structure could result in the Printing.com estate exceeding 300 outlets.

Bolt-on Franchises

A Bolt-on Franchise enables established ODP's, Graphic Designers, Marketing Agencies and similar graphic arts businesses to interface with the Group's Hub via its proprietary Flyerlink® software and thereby offer their clients the Printing.com range of products. In doing so, the Directors believe this extends the Group's distribution and brand penetration. A Bolt-on Franchise continues to trade under its existing business name but using the branded format of 'Printing.com@existing business name'. On 30 January 2002 the Company announced its first tranche of six Bolt-on Franchise agreements. As at the date of this document the Bolt-on Franchise estate has increased to 57.

Under the Bolt-on Franchise agreement an initial licence fee, typically in the range of £6,000 to £18,000, is charged at the outset. In subsequent years an additional, smaller annual licence fee is also charged. The franchise is initially granted for a period of three years and successful Bolt-on Franchisees will be offered the opportunity to extend the agreement for a further period.

Operationally the Bolt-on Franchise works in much the same manner as a Store Franchise with the majority of the Company's ongoing income arising from the transfer pricing element. Based upon this transfer price a target is set for each Bolt-on Franchisee's second year of operation, which is typically in the region of between £30,000 and £90,000.

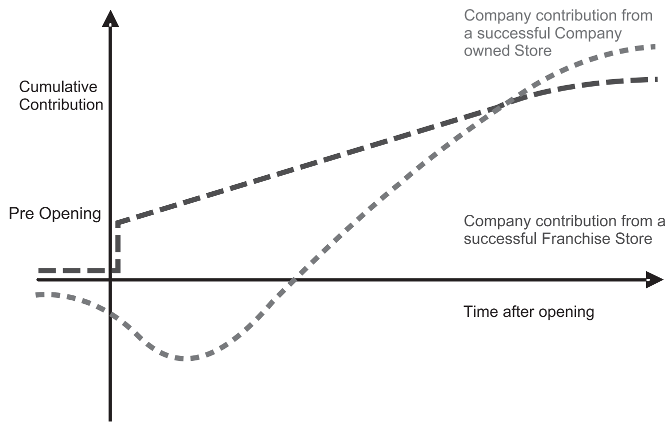
The Agency

Prior to the inception of the Group's first Store, its business was principally centred on the leisure sector. This operation has been referred to previously as the Group's 'Traditional Markets' it has now been re-branded in a fashion similar to a Bolt-on Franchise and trades as 'Printing.com@The Agency'. This division is also used to pioneer more sophisticated customer relationship management techniques which could subsequently be embraced more generally by Printing.com Stores and franchisees.

The benefits of adopting a franchise strategy

Prior to 2002, all outlets were directly operated by the Group whilst the details of the business model were being developed and refined. However, since then a franchising strategy has been adopted to facilitate a rapid rollout of the outlet network whilst reducing the investment required and the exposure to financial risks involved in such a rollout.

Set out below is a diagram that illustrates the cumulative contribution that should be enjoyed by the Group from a successful Printing.com owned Store versus a comparable franchised outlet and illustrates the benefits of expanding through franchising:



Note: the diagram is not to scale and is not intended to show any quantitative measure.

The Directors consider that the principal benefits are that:

- the finance for further outlets is provided by the franchisee without depleting the Group's cash reserves or exposing the Company's shareholders to potential dilution from further issues of Ordinary Shares;
- each new franchised outlet should make an immediate positive impact on the Group's earnings as the initial support and licence fees should cover the corresponding training and support obligations and contribute to investment in central infrastructure thereby insulating the Group contribution phase of a new Group owned outlet; and
- the Group is shielded from the negative contribution from an under-performing outlet.

Whilst a mature Group owned Store might provide a greater contribution than its franchised equivalent, the Directors believe that the avoidance of the substantial investment and financial risks of a Group owned Store outweighs the potential for this upside. In addition, the Directors believe that a franchisee may be better positioned to maximise the profitability of a Store, because:

- the provision of a business to business, printing and graphic-design service is a sophisticated and consultative led transaction requiring continuity of outlet management and this objective is most likely to be achieved through owner-managed (i.e. franchised) outlets;

- a franchisee would typically bring significant transferable business skills;
- a franchisee will be better motivated due to the financial commitment made by him or her;
- the positioning of the franchisee as an owner manager who will naturally meet other owner managers (who are potential clients) throughout the various local business enterprise networks.

In addition, the Directors believe that expanding through franchising allows the Group to focus on the provision of a robust and scaleable Hub and infrastructure without being distracted by the details of day to day Store operations.

Franchisee option scheme

As franchisees are central to the future success of Printing.com, the Company has established share option schemes for Territory Franchisees and for Bolt-on Franchisees, which are designed to incentivise them to drive forward the Printing.com business and to align their interests with the Company and its Shareholders.

Options are granted to franchisees when they enter their Franchise Agreement. Once granted, options only vest in tranches, when pre-defined revenue targets are met. The Directors set these targets to be challenging to the franchisee and beneficial to the Company and its Shareholders. Subsequently, vested options may only be exercised when the price of Ordinary Shares has exceeded certain levels for a period of not less than 200 days.

A total of 1,400,000 options have been granted under the schemes as at the date of this document and the Board intends to grant a further 1,200,000 options in the near future. The first hurdle price for exercise of these options is 40p per share. Further details of the share option schemes are set out in paragraphs 10.2.6 and 10.2.7 of Part 4.

Franchisee selection and training

The Group seeks prospective Territory Franchisees who are looking for a more sophisticated management component. The preferred commercial background for a franchisee will have involved sales, marketing and/or management experience. As well as the right commercial background, territory franchisees need to demonstrate a personal drive to run their own business if they are to be selected. The Territory Franchisee plays a pivotal role in driving sales and building close effective working relationships with key customers.

The Group's business model is founded on 'Quality Assurance' principles and the 'internal customer' concept. This requires process discipline on the part of a territory franchisee to maintain operational standards themselves and also develop other team members to a high level. The initial training classroom sessions at our National Training Centre are supplemented with a home study course focusing on graphic design principles. Previous graphic design skills are not required and the training courses have been successful in equipping, marketers, computer programmers and sales professionals with the necessary skills to produce effective design.

Once the initial training courses have been completed and the new Store opened, the Territory Franchisee is entitled to 40 days of on-site support over the first year of operation helping the Territory Franchisee's business to develop from its Store base through to its Territory potential.

The suitability of prospective Bolt-on Franchisees is assessed by the Territory Franchisees using the Group's Bolt-on Franchisee model which includes an assessment of their operational and financial capability. Selected Bolt-on Franchisees will then undergo an abridged programme of classroom training followed by extensive onsite support from their related Territory Franchisee.

Flyerlink®

Printing.com's proprietary software, Flyerlink®, provides the backbone for all of its operational practices. Each outlet uses Flyerlink® to manage the workflow including prioritising which jobs need designing first and which orders are approved for printing. Flyerlink® produces the necessary order forms, confirming the exact specification of a customer's order. This enables the interrogation of commercial data to provide management information such as value added profitability by sector and key performance indicators. Via Flyerlink®, outlets control the exact specification of the printing, including the type of paper and turnaround, together with finishing options such as lamination. Flyerlink® is also directly linked to the Group's carrier, giving outlets control over where goods are delivered and also the time at which they will arrive at the chosen destination.

A project is in place to upgrade the Company's Flyerlink® software. This second generation Flyerlink® running within a Linux environment is believed by the Director's to be suitable to provide the Company's software infrastructure for the foreseeable future. The project is nearing its completion and will be introduced following successful performance in field trials.

Intellectual Property

The Group relies on its use of its Flyerlink® software for the effective operation of its business and retains the ownership of the intellectual property rights in respect of this software. The upgrade of Flyerlink® has been carried out by an external consultant who jointly owns the intellectual property in the upgraded software with the Company. The upgraded software cannot be used by anyone outside the Group in the printing environment.

The Hub

Printing.com's UK Hub is located in Trafford Park, Greater Manchester and embraces both leading edge production facilities and a well equipped training suite, the National Training Centre. The training suite can accommodate up to 40 people in three well-equipped seminar rooms. The training suite is utilised most days, reflecting the importance given to the development of Group employees, the employees of its Franchises and the Franchisees themselves.

Most ODPs produce each order on a job-by-job basis with each colour added individually. As a result, it would be usual to pay more, say, for a two colour business card than for a single colour card, with a three colour business card being even more expensive. To provide this service an ODP would normally have 'small format' printing equipment located at its shop premises, requiring capital investment and ongoing labour costs.

By contrast Printing.com has centralised printing facilities utilising leading technology to achieve economies of scale. The Group's systems allow many printing orders to be processed together on large format sheets of card or paper. For example, up to 121 sets of business cards can be produced simultaneously, effectively spreading the set up costs associated with the printing process across the number of orders being produced. All work is produced in 'process colour' or 'four colour', more commonly referred to as "full colour", whereby four primary inks (cyan, magenta, yellow and black) are utilised to reproduce a wide range of colours.

The Directors believe that this centralised approach yields the following benefits:

- numerous colours can be incorporated into the graphic design without additional printing costs being incurred;
- colour photographs can be included at no extra production cost;
- the unit production cost is lower than the traditional 'small format' method; and
- by passing on to clients the cost savings, substantial competitive advantage may be achieved.

The Hub was relocated to new premises between February and August 2003, which at approximately 30,000sq/ft are substantially larger than the previous facilities. To facilitate this move, significant additional capital equipment was procured earlier than would have otherwise been required so as to enable a smooth transition between old and new Hubs. Following the move, the Directors estimate that the Hub's capacity (measured as the full retail value of output) is in the order of £20m to £25m, which compares with the current level of utilisation estimated to be approximately £14m. This suggests that significant additional volume could be transacted by incurring only the additional cost of raw material and manufacturing wages. A programme of ongoing investment is planned, albeit at a substantially lower level than previously incurred, with the aim of providing even greater operational efficiencies.

Market and competitors

The UK ODP market is estimated to be worth in excess of £1billion, and may be in excess of £2billion if small commercial printers are also taken into account. With the exception of the Kall Kwik and Prontaprint chains, the sector is highly fragmented.

The Directors believe that Printing.com's competitive advantage is the combination of a full colour print offering as standard at an advantageous price point, as illustrated below by reference to a selection of popular products:

	Full colour Printing.com price	Full colour ODP sector price [2]	Two-colour ODP sector price[3]
500 Business Cards *Litho printed 400gsm board*	£49	£169	£91
1,000 Letter Heads *115gsm wove of a good quality*	£104	£232	£135
5,000 single sided passes (A5) *280gsm gloss art board*	£159	£398	£198
10,000 A5 leaflets *150g gloss artboard*	£155	£386	£194

Notes:

1. All prices exclude VAT.
2. Comparative ODP sector prices are derived from a Nationwide Survey 2004
3. Comparative ODP sector prices are derived from a Nationwide Survey 2004 and "Store Checker" price comparison February 2004

The Directors believe that there are significant barriers to entry for new competitors to the Group including:

- that the Directors are not aware of any 'off the shelf' software package that replicates the functionality of Flyerlink®;
- that the high volume of orders that are required to efficiently and profitably exploit the Printing.com centralised model would not be available to most of the Group's existing competitors;
- that the Group's larger competitors would have to radically restructure their business models to replicate the Printing.com model; and
- no other competitor has experience of operating all of the components of the Printing.com business model.

The Company's competitive advantage coupled with these barriers to entry leads the Directors to believe that Printing.com has the potential to become the premier supplier of its product range to the SME and SOHO community within the UK.

Board and management

The Board comprises the following directors:

Reginald George Hardie FCA, FCT (age 65) - Non-executive 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.

Anthony Rafferty (age 36) - 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 plc'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 Limited 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.

Alan Quine Roberts ACMA (age 48) - Finance Director

Alan qualified as a Chartered Management Accountant in 1981 at Moon Brothers Engineering Limited. Following a period as Divisional Accountant at Edward Billington Group Limited he joined Dalgety plc as group accountant for its Merseyside production facilities. He moved to CQR Limited in 1987, which was acquired by Expamet International plc in 1988 and was subsequently appointed as Financial Director and company secretary of that company in 1991. After Expamet's acquisition by Channel Holdings plc in 1995, he was appointed operations director in 1997. He joined the Group in 1999.

Peter Robert Gunning MA (age 29) - 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 and the associated marketing and operations infrastructure. He was appointed to the Board in 2001.

Leslie Alan Wheatley FCA BSc (age 52) - Non-executive Director

Les joined Liverpool Football Club and Athletic Grounds PLC in May 2000 and was appointed to the Board, as Finance Director, in August 2001. Prior to joining Liverpool he was Chief Operating Officer at Newcastle United PLC. He gained logistics and change management experience at Ernst & Young before leading the employee buyout of GM Buses (South) Limited, where he subsequently became Chief Executive and which was sold to Stagecoach Group PLC in 1996. Les brings experience in the fields of corporate governance, finance, logistics, change management and affinity marketing to the Board and is Chairman of the Audit Committee. He was appointed to the Board in 2000.

Management incentivisation and share options

The Directors believe that the recruitment, motivation and retention of key employees is vital for the successful growth of the Group. The Directors consider that an important element in achieving these objectives in a competitive employee market place is to provide employees with a remuneration package which includes an element that is linked to the performance of the Group. The Directors believe that this is best achieved by the establishment of share incentive arrangements designed to provide continuing incentives to contribute to the Group's growth.

Accordingly the Directors have established an EMI Scheme, details of which are set out in Part 4, paragraph 10 of this document.

Corporate governance

The Group intends, following Admission and so far as is practicable and appropriate for a public company of its size, to comply with the principles of the Combined Code on Corporate Governance published in July 2003.

The Company has established an Audit Committee composed of the Non-Executive Directors and chaired by Les Wheatley. The Audit Committee meets no less than twice each year and is responsible for making recommendations to the Board on the appointment of the auditors and the audit fee, for reviewing the conduct and control of the annual audit and for reviewing the operation of the internal financial controls. It also has responsibility for the proper reporting of the financial performance of the Group and for reviewing financial statements prior to publication.

The Company has established a Remuneration Committee composed of the Non-Executive Directors and chaired by George Hardie. It reviews the performance of the executive directors and sets the scale and structure of their remuneration and the basis of their service agreements with due regard to the interests of shareholders. The Remuneration Committee also determines the allocation of share options to employees. It is a rule of the Remuneration Committee that no Director shall participate in discussions or decisions concerning his own remuneration.

Financial track record

The financial track record of the Group is included in Part 3 of this document and summarised below:

	Year ended 31 March		
	2002	2003	2004
	£000	£000	£000
Turnover			
● Franchise revenue	91	1,122	3,245
● Owned Store revenue	3,959	4,862	4,146
● The Agency	1,548	1,710	1,937
	5,598	7,694	9,328
(Loss)/profit on ordinary activities before taxation	(776)	511	941
Shareholders' funds	194	2,123	2,718
(Loss)/earnings per share (post notional tax charge)	(2.41)p	0.92p	1.69p
Number of outlets			
● Owned stores	14	14	10
● Franchised stores	-	-	12
● Bolt-on franchises	24	36	43
	38	50	65

Until the year ended 31 March 2002, losses were incurred whilst Printing.com was gaining sufficient critical mass. Profitable trading was achieved during the year ended 31 March 2003 as more units, predominantly franchises, were added to the estate and this profitability has progressed as the number of franchised outlets has further increased during 2004.

The Group's financial year runs to 31 March and it is intended to make a preliminary announcement of results each year around June, with interim results being announced around November.

Current trading and prospects

The Directors believe that additional ongoing revenues will be derived from the current pipeline of new franchises and that additional suitable franchise partners will continue to be found. The Hub still has sufficient unutilised capacity to permit additional revenues to be enjoyed with only a marginal increase in central overhead. With newly launched, franchised outlets expected to yield increasing contributions and the strong pipeline of prospective franchisees, the Directors are optimistic about the future prospects of Printing.com.

Ongoing expansion is founded on the Group's Territory franchise driven business model. This model has been configured in such a way that each additional outlet should yield a positive contribution at all stages of its operation both before and after opening. The model is designed to insulate the Group from the negative contribution that would normally be incurred in the initial stages if a new Group owned outlet was opened. The model is also designed to insulate the Company from the negative contribution that may be incurred by an under performing Store.

In a prospectus of the Company dated 19 February 2002, the Directors stated their objective was to achieve a total of 175 outlets by September 2005. The Directors remain committed to this objective. Future plans include the development of a subsidiary Hub in Kent which would be well positioned to service a network of outlets in north-western Europe as well as southern England. The Directors believe that there are also opportunities in the longer term to transfer the Printing.com model to North America and other territories by means of master franchise agreements or joint ventures.

Dividend policy

The Company intends to pursue a progressive dividend policy as soon as it is prudent to do so with interim and final dividends being paid in February and September of each year, roughly in the proportion of one third and two thirds of the total dividend for the year.

PART 2: INFORMATION ON THE PLACING AND RISK FACTORS

Details of the Placing

Brewin Dolphin, as agent for the Company, has agreed conditionally, *inter alia*, upon the passing of the Resolutions at the Extraordinary General Meeting, to place firm a total of 3,833,333 Placing Shares at the Issue Price of 30p per share, representing 8.98 per cent. of the Company's issued share capital following Admission, which will raise approximately £1.15 million before expenses for the Company.

The proceeds of the Placing will be utilised by the Company as follows:

	£
● Expenses of the Placing and Admission	250,000
● Expansion of the Company's working capital	900,000
	1,150,000

The Placing Shares will, when issued, rank *pari passu* in all respects with the Existing Shares, including the right to receive all dividends and distributions declared, paid or made after the date of this document.

The Directors, who together will control 33.13 per cent. of the issued share capital of the Company following Admission, have undertaken not to dispose of any Existing Shares for a period of one year following Admission without the prior consent of Brewin Dolphin, except in certain limited circumstances. The Directors have further undertaken to ensure that any disposal made by them of any Existing Shares for a period of one year following the first anniversary of Admission will be made in a manner that will ensure an orderly market can be maintained.

Further details of the Placing Agreement are set out in paragraph 9.1 of Part 4 of this document.

Admission and dealings

Application will be made for the whole of the issued ordinary share capital of the Company to be admitted to trading on AIM. No application is being made for any of the Ordinary Shares to be admitted to the Official List of the UK Listing Authority or to the London Stock Exchange's market for listed securities.

The Company's Ordinary Shares are already admitted to CREST. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place within the CREST system, if the relevant shareholders so wish. CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so. Persons acquiring Ordinary Shares under the Placing may, however, elect to receive Ordinary Shares in uncertificated form if, but only if, that person is a "system member" (as defined in The Uncertificated Securities Regulations (1995) in relation to CREST.

It is anticipated that trading in the Ordinary Shares will commence at 8.00 am on 11 August 2004.

Risk factors

Investing in the Company involves a degree of risk. You should carefully consider the risks and the other information contained in this document before you decide to invest in the Company. You should note that the risks described below are not the only risks faced by the Company, there may be additional risks that the Directors currently consider not to be material or of which they are not presently aware.

Equity investment

Investors should be aware that the value of the Ordinary Shares may be volatile and may go down as well as up and investors may not therefore recover their original investment.

Trading on AIM

No application is being made for the admission of the Ordinary Shares to the Official List. Admission to AIM should not be taken as to imply that there is a liquid market in the Ordinary Shares. AIM is a market designed for small and young companies. Both types of company carry higher than normal financial risk and tend to experience lower levels of liquidity than larger companies.

If any of the following risks were to materialise, the Company's business, financial condition and results of operations could be materially adversely affected.

Attracting suitable franchisees

The Group's expansion plans are dependent on the ability to attract and engage franchisees of suitable calibre. If suitable candidates can not be found then the rate of growth of the franchise network of outlets may be restricted reducing throughput at the Hub. Despite the Group's extensive selection and training programmes unsuitable franchisees may be engaged who will not develop the Group's outlets in the relevant territory in line with the Group's expectations. This could also restrict the rate of growth of throughput at the central Hub.

Sourcing suitable premises

It may not always be possible to source suitable premises in the right location when a potential franchisee becomes available. This may result in a delay in the establishment of a franchise or even the loss of a good quality potential franchisee if a solution can not be found in an appropriate timescale.

Financial management of outlets by franchisees

Franchisees may experience financial difficulties if they do not operate their franchises with sufficient discipline. Whilst the Group reserves the right to take direct management control of franchised Stores which do not perform, financially stressed franchises could divert management resources and inhibit the progress of the Group or damage the Printing.com brand in a particular location or territory.

Centralisation of production

The Group could experience a significant disruption to its business if a disaster were to befall its Hub. This risk will be significantly reduced once a second Hub is in operation.

Summary of potential tax reliefs for investors

The Company has obtained approval in relation to previous share issues that it is a qualifying company for the purposes of investment under the EIS legislation. The Directors anticipate that the Company will continue to be treated as a qualifying company following the proposed transactions, although no guarantee can be given in this regard.

Provisional approval has been obtained from the Inland Revenue that the New Ordinary Shares should qualify as eligible shares under the EIS legislation. Such approval could enable eligible investors under the relevant legislation who subscribe for Placing shares to qualify for tax reliefs. Provisional approval has also been obtained from the Inland Revenue that the provisions of Schedule 28B of the Income and Corporation Taxes Act 1988 will be met and that the New Ordinary Shares issued in the Placing will be a qualifying holding under that Schedule.

These approvals have been obtained on the basis that up to £1 million will be raised by the Placing. It should be noted that the obligation of placees to subscribe and the Placing Agreement is conditional upon the grant of provisional approval.

Although the Company presently expects to satisfy the relevant conditions contained in the EIS legislation, neither the Company nor the Directors make any warranty or give any undertaking that relief will be available in respect of any investment in the New Ordinary Shares pursuant to this document, nor do they warrant or undertake that the Company will keep its qualifying status throughout the relevant period or that, once given, such relief will not be withdrawn.

Details of other relevant taxation provisions are set out in section 12 of Part 4 of this document.

PART 3: FINANCIAL INFORMATION ON PRINTING.COM

The following is the full text of a report on Printing.com plc from Baker Tilly, the Reporting Accountants, to the Directors of Printing.com plc and Brewin Dolphin Securities Limited.

BAKER TILLY

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The Directors
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16 July 2004

Dear Sirs

Printing.com plc ("Printing.com" or "the Company")

We report in connection with the proposed placing of ordinary shares of the Company ("the Placing") and the admission to trading on the Alternative Investment Market ("AIM") of the Company's ordinary share capital. This report has been prepared for inclusion in the Prospectus dated 16 July 2004 ("the Prospectus").

Basis of preparation

The financial information set out below is based on the audited consolidated financial statements of Printing.com and its subsidiary undertakings ("the Group") for the three years ended 31 March 2004. The financial statements for the three years ended 31 March 2004 were audited by Baker Tilly, Chartered Accountants who gave unqualified reports thereon. No audited financial statements have been prepared in respect of any subsequent period.

Responsibility

The consolidated financial statements of Printing.com are the responsibility of the Directors of Printing.com ("the Directors"), who approved their issue. The Directors are also responsible for the contents of the Prospectus in which this report is included.

It is our responsibility to compile the financial information set out below from the Company's financial records and to make a report in accordance with paragraph 45 of Schedule 1 to the Public Offers of Securities Regulations 1995. Our work has been undertaken so that we might state those matters we are required to state in our report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone for any other purpose for our work, for this report or for the opinion we have formed.

Basis of Opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amount of and disclosures in the financial information. The evidence included that previously obtained during the audit of the financial statements underlying the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial statements and whether the accounting policies are appropriate to Printing.com's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information set out below, gives, for the purposes of the Prospectus, a true and fair view of the profits and losses, cash flows and recognised gains and losses of the Group for the three years ended 31 March 2004 and of the state of affairs of the Group for each of the years then ended.

Consolidated profit and loss accounts

	Note	Year ended 31 March 2002 £'000	Year ended 31 March 2003 £'000	Year ended 31 March 2004 £'000
Turnover	2	5,598	7,694	9,328
Changes in stocks of finished goods		47	14	(6)
		5,645	7,708	9,322
Other operating income	3	7	1	11
		5,652	7,709	9,333
Raw materials and consumables		(1,492)	(1,793)	(2,230)
		4,160	5,916	7,103
Staff costs	3	(2,339)	(2,776)	(2,998)
Depreciation and amortisation		(556)	(536)	(698)
Other operating charges		(1,901)	(1,976)	(2,212)
Operating (loss)/profit	5	(636)	628	1,195
Investment income	6	2	16	10
Interest payable and similar charges	7	(142)	(133)	(264)
(Loss)/profit on ordinary activities before taxation		(776)	511	941
Taxation on (loss)/profit on ordinary activities	8	-	384	(346)
Net (loss)/profit for the year		(776)	895	595
Earnings per ordinary share - basic	22	(2.41)p	2.31p	1.53p
Earnings per ordinary share - fully diluted	22	-	2.20p	1.43p
Earnings per ordinary share - post notional tax	22	(2.41)p	0.92p	1.69p

Turnover and operating (loss)/profit all derive from continuing operations.

Statement of total recognised gains and losses

There are no recognised gains or losses other than those stated above and therefore no separate statement of total recognised gains and losses has been presented.

Group balance sheets

	Note	As at 31 March 2002 £'000	As at 31 March 2003 £'000	As at 31 March 2004 £'000
Fixed assets				
Intangible assets	9	8	28	54
Tangible assets	10	2,421	3,109	3,900
		2,429	3,137	3,954
Current assets				
Stocks and work in progress	12	64	79	73
Debtors	13	542	1,444	1,716
Cash at bank		187	868	788
		793	2,391	2,577
Creditors: amounts falling due within one year	14	(2,068)	(2,033)	(2,316)
Net current assets/(liabilities)		(1,275)	358	261
Total assets less current liabilities		1,154	3,495	4,215
Creditors: amounts falling due after more than one year	15	(960)	(1,372)	(1,497)
Net assets		194	2,123	2,718
Capital and reserves				
Called up share capital	16	332	388	389
Share premium	17	1,897	2,875	2,876
Merger reserve	17	211	211	211
Other reserve	17	1	1	1
Profit and loss account	17	(2,247)	(1,352)	(759)
Equity shareholders' funds	17	194	2,123	2,718

Group cash flow statements

	Note	Year ended 31 March 2002 £'000	Year ended 31 March 2003 £'000	Year ended 31 March 2004 £'000
Net cash inflow from operating activities	18(a)	136	467	1,537
Returns on investments and servicing of finance				
Interest received		2	16	10
Interest paid		(23)	(11)	(14)
Interest element of hire purchase/finance lease contracts		(119)	(122)	(249)
Net cash outflow from returns on investment and servicing of finance		(140)	(117)	(253)
Capital expenditure and financial investment				
Purchase of tangible assets		(6)	(274)	(667)
Sale of tangible assets		262	30	79
Purchase of intangible assets		(2)	(24)	(41)
Net cash inflow/(outflow) from capital expenditure		254	(268)	(629)
Taxation		-	-	(12)
Net cash inflow before financing		250	82	643
Financing				
Issue of ordinary share capital		329	1,128	1
Issue costs		(24)	(94)	-
Other new long term loan		100	150	-
Repayment of bank loan		(48)	(72)	(113)
Capital element of hire purchase/finance lease contracts		(557)	(502)	(610)
Net cash (outflow)/inflow from financing		(200)	610	(722)
Increase/(decrease) in cash	18(b) & (c)	50	692	(79)

Notes to the financial information

1. Principal accounting policies

Basis of accounting

The financial information has been prepared under the historical cost convention in accordance with applicable accounting standards in the United Kingdom.

Basis of consolidation

The consolidated financial information incorporates the financial information relating to the Company and its subsidiary undertakings drawn up to 31 March each year.

The consolidated financial information of Printing.com Europe Limited and its subsidiaries The Flyer Store Limited and Creation Publicity (Sheffield) Limited using merger accounting as permitted by Financial Reporting Standard 6 - 'Acquisitions and Mergers'.

The consolidated financial information consolidates the accounts of Printing.com (UK Franchise) Limited using acquisition accounting as permitted by Financial Reporting Standard 6 - 'Acquisitions and Mergers'.

Turnover

Turnover represents the invoiced value, net of Value Added Tax, of goods sold and services provided to customers outside the Group. Turnover also includes franchise fee income.

Intangible fixed assets

Development costs are stated at cost less accumulated amortisation. Amortisation is calculated to write off the cost in equal annual instalments over 20 years.

Tangible fixed assets

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost of each asset over its estimated useful life. The rates of depreciation used were as follows:

Fixtures and fittings	20% - 33% straight line
Plant and machinery	10% - 30% straight line
Domain name and website costs	5% straight line
Leasehold additions	over remaining lease life
Motor vehicles	20% - 30% straight line

Investments

Long term investments are described as participating interests and are classified as fixed assets. Short term investments are classified as current assets.

Participating interests are stated at cost. Other investments listed on a recognised stock exchange are valued at the lower of cost and mid-market value at the balance sheet date. Unlisted investments are stated at cost.

Provision is made for any permanent diminution in the value of fixed asset investments.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Group's taxable profits and its results as stated in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Stock

Stock is valued at the lower of cost and net realisable value. Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal. Provisions are made for obsolete and slow moving items.

Leased assets and obligations

Where assets are financed by leasing agreements that give rights approximating to ownership ("finance leases"), the assets are treated as if they have been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor.

These payments are treated as consisting of capital and interest elements and the interest is charged to the profit and loss account in proportion to the remaining balance outstanding.

All other leases are "operating leases" and the annual rentals are charged to the profit and loss account on a straight line basis over the lease term.

Research and development

Development expenditure is carried forward when its future recoverability can be foreseen with reasonable assurance and is amortised in line with sales from the related service or product. All research and other development costs are written off as incurred.

Retirement benefits

The amount charged to the profit and loss account in respect of pension costs represents the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

2. Turnover and (loss)/profit on ordinary activities before taxation

The principal components of turnover are the design and production of publicity and marketing material, and franchise fee income. All of the turnover is in one continuing business segment being the development of the Printing.com Franchise and originates in the United Kingdom and Republic of Ireland. The directors believe that full compliance with SSAP25 'Segmental Reporting' would be seriously prejudicial to the interests of the Group as it would require disclosure of commercially sensitive information.

An analysis of turnover by geographical segment is given below:

	Year ended 31 March 2002 £'000	Year ended 31 March 2003 £'000	Year ended 31 March 2004 £'000
United Kingdom	5,598	7,694	9,201
Republic of Ireland	-	-	127
	5,598	7,694	9,328

An analysis of turnover by category is given below:

	Year ended 31 March 2002 £'000	Year ended 31 March 2003 £'000	Year ended 31 March 2004 £'000
Franchise revenue	91	1,122	3,245
Owned store revenue	3,959	4,862	4,146
Traditional	1,548	1,710	1,937
	5,598	7,694	9,328

3. Staff Costs

The average weekly number of persons, including Directors, employed by the Group during the period was:

	Year ended 31 March 2002 No.	Year ended 31 March 2003 No.	Year ended 31 March 2004 No.
Administration	13	13	12
Sales and distribution	73	80	75
Production	21	22	27
	107	115	114

Staff costs for the above persons:

	Year ended 31 March 2002 £'000	Year ended 31 March 2003 £'000	Year ended 31 March 2004 £'000
Wages and salaries	2,143	2,547	2,730
Social security costs	195	227	256
Other pension costs	1	2	12
	2,339	2,776	2,998

4. Directors' remuneration

	Year ended 31 March 2002 £'000	Year ended 31 March 2003 £'000	Year ended 31 March 2004 £'000
Total aggregate emoluments for Directors	224	326	284
Amounts paid to money purchase pension schemes	1	2	8
	225	328	292
Emoluments of highest paid director	77	140	110
Group contributions to money purchase schemes	1	2	8
	78	142	118

One director has retirement benefits accruing under the money purchase pension scheme (2003: one; 2002: one).

5. Operating (loss)/profit

Operating (loss)/profit is stated after charging:

	Year ended 31 March 2002 £'000	Year ended 31 March 2003 £'000	Year ended 31 March 2004 £'000
Amortisation of intangible fixed assets	-	4	15
Depreciation and amounts written off tangible fixed assets:			
Charge for the year:			
owned assets	348	285	288
leased assets	207	248	395
Operating lease rentals:			
Plant and machinery	111	58	29
Land and buildings	366	337	349
Profit/(loss) on sale of fixed assets	8	1	(11)
Auditors' remuneration:			
Audit services	15	16	17
Further assurance services	14	6	10
Tax services			
- compliance services	3	4	8
- advisory services	7	5	6
Other services			
- accountancy and training	-	6	-
- information technology	-	5	-
- corporate finance	9	16	-
	48	58	41

In addition the auditors charged training fees of £10,000 in 2004 which have been capitalised in intangible fixed assets.

6. Investment income

	Year ended 31 March 2002 £'000	Year ended 31 March 2003 £'000	Year ended 31 March 2004 £'000
Bank interest received	2	16	10

7. Interest payable and similar charges

	Year ended 31 March 2002 £'000	Year ended 31 March 2003 £'000	Year ended 31 March 2004 £'000
Interest payable on overdraft and bank loans repayable within five years	14	11	15
Lease finance charges	119	122	249
Factor interest	7	-	-
Other interest payable	2	-	-
	142	133	264

8. Tax on (loss)/profit on ordinary activities

	Year ended 31 March 2002 £'000	Year ended 31 March 2003 £'000	Year ended 31 March 2004 £'000
Current tax			
UK corporation tax on (loss)/profit for the year	-	23	-
Overprovision in prior year	-	-	(11)
Total current tax	-	23	(11)
Deferred tax			
Origination of losses	-	(557)	-
Released in year	-	150	357
	-	(407)	357
Tax on (loss)/profit on ordinary activities	-	(384)	346

Factors affecting the tax charge/(credit) for the year:

	Year ended 31 March 2002 £'000	Year ended 31 March 2003 £'000	Year ended 31 March 2004 £'000
(Loss)/profit on ordinary activities before tax	(776)	511	941
(Loss)/profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2003: 19% 2002: 20%)	(155)	97	282
Effects of:			
Non deductible expenses	14	18	47
Adjustments to previous periods			
Depreciation add back	65	82	210
Capital allowances	(119)	(172)	(296)
Losses utilised	-	(12)	(200)
Other adjustments	195	10	(44)
Adjustments to previous period	-	-	(10)
Current tax charge/(credit) for the year	-	23	(11)

9. Intangible fixed assets

Franchise development costs

	As at 31 March 2002 £'000	As at 31 March 2003 £'000	As at 31 March 2004 £'000
Cost			
Brought forward	6	8	32
Additions	2	24	41
Carried forward	8	32	73
Amortisation			
Brought forward	-	-	4
Charge for the year	-	4	15
Carried forward	-	4	19
Net book value			
Carried forward	8	28	54
Brought forward	6	8	28

10. Tangible fixed assets

	Domain name and Website costs £'000	Motor vehicles £'000	Leasehold additions £'000	Fixtures, plant and equipment £'000	Total £'000
Cost					
At 1 April 2001	337	27	156	2,687	3,207
Additions	-	-	4	1,104	1,108
Disposals	-	-	-	(628)	(628)
Reclassification	-	-	(20)	20	-
At 31 March 2002	337	27	140	3,183	3,687
Additions	-	-	1	1,250	1,251
Disposals	-	(14)	(6)	(49)	(69)
At 31 March 2003	337	13	135	4,384	4,869
Additions	-	-	401	1,163	1,564
Disposals	-	-	(77)	(839)	(916)
Reclassification	-	-	81	(81)	-
At 31 March 2004	337	13	540	4,627	5,517
Depreciation					
At 1 April 2001	15	14	57	999	1,085
Charge for the year	17	4	34	500	555
On disposals	-	-	-	(374)	(374)
At 31 March 2002	32	18	91	1,125	1,266
Charge for the year	17	4	17	496	534
On disposals	-	(12)	(3)	(25)	(40)
At 31 March 2003	49	10	105	1,596	1,760
Charge for the year	17	2	41	623	683
On disposals	-	-	(69)	(757)	(826)
At 31 March 2004	66	12	77	1,462	1,617
Net book value					
As at 31 March 2002	305	9	49	2,058	2,421
As at 31 March 2003	288	3	30	2,788	3,109
As at 31 March 2004	271	1	463	3,165	3,900

Included above are assets held under finance leases and hire purchase contracts as follows:

	Leasehold additions £'000	Motor vehicles £'000	Fixtures, plant and equipment £'000	Total £'000
Net book value				
31 March 2004	-	-	2,488	2,488
31 March 2003	-	-	1,999	1,999
31 March 2002	-	9	1,280	1,289

11. Investments

Printing.com plc owns the whole of the issued share capital of the following undertakings:

Subsidiary Undertaking	Country of registration or incorporation	Nature of Business
Printing.com Europe Limited	England & Wales	Printing
The Flyer Store Limited *	England & Wales	Dormant
Creation Publicity (Sheffield) Limited *	England & Wales	Dormant
Printing.com (UK Franchise) Limited	England & Wales	Franchise contracts

* These holdings are held indirectly through Printing.com Europe Ltd

The aggregate amount of capital and reserves and the results of these undertakings were as follows:

	Capital and reserves			Profit/(loss) for the year/period		
	As at 31 March 2002 £'000	As at 31 March 2003 £'000	As at 31 March 2004 £'000	As at 31 March 2002 £'000	As at 31 March 2003 £'000	As at 31 March 2004 £'000
Printing.com Europe Limited	(1,761)	(1,025)	(324)	(769)	746	701
The Flyer Store Limited	-	-	-	-	-	-
Creation Publicity (Sheffield) Limited	1	1	1	-	-	-
Printing.com (UK Franchise) Limited	76	61	61	76	-	-

12. Stocks and work in progress

	As at 31 March 2002 £'000	As at 31 March 2003 £'000	As at 31 March 2004 £'000
Raw materials and consumables	55	76	70
Work in progress	3	3	3
Finished goods	6	-	-
	64	79	73

13. Debtors

	As at 31 March 2002 £'000	As at 31 March 2003 £'000	As at 31 March 2004 £'000
Trade debtors	340	882	1,235
Other debtors	12	19	265
Prepayments and accrued income	190	136	166
Deferred tax asset	-	407	50
	542	1,444	1,716

The deferred tax asset is recoverable after more than one year. Deferred tax is provided as follows:

	£'000
At 1 April 2001	-
Movement during the year	-
At 31 March 2002	-
Tax losses recognised	557
Released during the year	(150)
At 31 March 2003	407
Released during the year	(357)
At 31 March 2004	50

The balance of the deferred taxation account consists of the tax effect of timing differences in respect of:

	As at 31 March 2002 £'000	As at 31 March 2003 £'000	As at 31 March 2004 £'000
Accelerated capital allowances	-	-	(286)
Tax losses available	-	407	336
	-	407	50

14. Creditors: amounts falling due within one year

	As at 31 March 2002 £'000	As at 31 March 2003 £'000	As at 31 March 2004 £'000
Bank loans and overdrafts	85	120	110
Obligations under finance leases	374	469	528
Trade creditors	652	572	583
Corporation tax	-	22	-
Other taxation and social security costs	214	155	353
Other creditors	358	-	-
Accruals and deferred income	385	695	742
	2,068	2,033	2,316

15. Creditors: amounts falling due after more than one year

	As at 31 March 2002 £'000	As at 31 March 2003 £'000	As at 31 March 2004 £'000
Bank loans	128	160	58
Obligations under finance leases	832	1,212	1,439
	960	1,372	1,497
Repayable by instalments			
Bank loans			
- repayable within one year	85	120	110
- repayable between 1 - 2 years	85	110	58
- repayable between 2 - 5 years	43	50	-
	213	280	168
Obligations under finance leases and hire purchase contracts:			
within one year	494	685	736
between two and five years	1,002	1,561	1,745
	1,496	2,246	2,481
Finance charges and interest allocated to future accounting periods	(290)	(565)	(514)
	1,206	1,681	1,967
Included in current liabilities	(374)	(469)	(528)
	832	1,212	1,439

The bank loan is secured by a fixed and floating charge over the assets of Printing.com Europe Limited.

Obligations under finance leases and hire purchase contracts are secured on the related assets.

16. Called up share capital

	As at 31 March 2002 £'000	As at 31 March 2003 £'000	As at 31 March 2004 £'000
Authorised			
53,999,370 (2003 - 53,999,370, 2002 - 45,999,370) ordinary shares of 1p each	460	540	540
63 Deferred shares of 10p each	-	-	-
	460	540	540
Allotted, issued and fully paid			
38,864,140 (2003 - 38,837,900, 2002 - 33,147,923) ordinary shares of 1p each	332	388	389
63 Deferred shares of 10p each	-	-	-
	332	388	389

On 13 July 2001, 352,170 ordinary shares of 1p each were issued for a consideration of £17,608, giving rise to a premium of 4p per share.

On 3 October 2001, 1,734,445 ordinary shares of 1p each were issued for a consideration of £312,200, giving rise to a premium of 17p per share.

On 16 October 2001 the authorised share capital of the Company was increased from £400,000 to £460,000 by the creation of an additional 6,000,000 ordinary shares of 1p each.

On 5 April 2002, 5,612,000 ordinary shares of 1p each were issued for a consideration of £1,122,400, giving rise to a premium of 19p per share.

On 8 April 2002, 15,000 ordinary shares of 1p each were issued for a consideration of £3,000, giving rise to a premium of 19p per share.

On 23 September 2002 the authorised share capital of the Company was increased from £460,000 to £540,000 by the creation of an additional 8,000,000 ordinary shares of 1p each.

On 21 November 2002, 49,857 ordinary shares of 1p each were issued for a consideration of £2,493, giving rise to a premium of 4p per share.

On 12 March 2003, 13,120 ordinary shares of 1p each were issued for a consideration of £656, giving rise to a premium of 4p per share.

On 15 October 2003, 26,240 ordinary shares of 1p each were issued for a consideration of £1,307, giving rise to a premium of 4p per share.

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

The Company has granted options, which remain exercisable, to subscribe for ordinary shares of 1p each, as follows:

Grant Date	Subscription price per share	Period within which options are exercisable	Number of shares for which rights are exercisable		
			31.03.02	31.03.03	31.3.04
7 July 2000	5p	7 July 2002 to 7 July 2007	666,506	556,298	530,058
7 July 2000	5p	7 July 2000 to 7 July 2010	1,408,680	1,408,680	1,408,680
Between 24 January 2002 and 27 March 2002	25p	Between 24 January 2002 and 27 March 2007	112,898	120,565	105,565
Between 24 January 2002 and 27 March 2002	28p	Between 24 January 2002 and 27 March 2007	56,000	56,000	56,000
2 October 2002	20p	Between 2 October 2002 and 1 October 2012	-	425,000	425,000
4 August 2003	22p	Between 4 August 2005 and 4 August 2010	-	-	25,000

Options were granted as follows:

In the year ended 31 March 2002, 112,898 options at 25p each and 56,000 of 28p each were granted.

In the year ended 31 March 2003, 425,000 options at 20p each and 7,667 of 25p each were granted.

In the year ended 31 March 2004, 25,000 options at 22p each were granted.

Options were exercised as noted below:

Year end		Number	Nominal value	Consideration
31.3.03	Shares issued in the year	62,977	£630	£3,149
31.3.04	Shares issued in the year	26,240	£262	£1,307

Options lapsed as follows:

In the year ended 31 March 2003, the rights to 47,231 options of 5p each lapsed.

In the year ended 31 March 2004, the rights to 15,000 options of 25p each lapsed.

Since 31 March 2004, options over 1,400,000 ordinary shares have been granted to the Territory Franchisees of 14 Territories at a subscription price of 28.5 pence per share, which was the prevailing market price when the Board approved the grant of the options.

17. Reconciliation of equity shareholders' funds and movements on reserves

	Share capital £'000	Share premium £'000	Merger Reserve £'000	Other Reserve £'000	Profit and loss account £'000	Total Share-holders' funds £'000
At 1 April 2001	311	1,613	211	1	(1,472)	664
Issue of shares	21	-	-	-	-	21
Premium on issues of shares	-	308	-	-	-	308
Issue costs	-	(24)	-	-	-	(24)
Loss for the year	-	-	-	-	(775)	(775)
At 31 March 2002	332	1,897	211	1	(2,247)	194
Issue of shares	56	-	-	-	-	56
Premium on issues of shares	-	1,072	-	-	-	1,072
Issue costs	-	(94)	-	-	-	(94)
Profit for the year	-	-	-	-	895	895
At 31 March 2003	388	2,875	211	1	(1,352)	2,123
Issue of shares	1	-	-	-	-	1
Premium on issues of shares	-	1	-	-	-	1
Issue costs	-	-	-	-	-	-
Profit for the year	-	-	-	-	593	593
At 31 March 2004	389	2,876	211	1	(759)	2,718

18. Cash flows

(a) Reconciliation of operating profit to net cash inflow from operating activities:

	Year ended 31 March 2002 £'000	Year ended 31 March 2003 £'000	Year ended 31 March 2004 £'000
Operating (loss)/profit	(636)	628	1,193
Amortisation	-	4	15
Depreciation	555	534	683
(Increase)/decrease in stocks	(47)	(14)	6
Decrease/(increase) in debtors	46	(495)	(621)
Increase/(decrease) in creditors	225	(189)	272
(Profit)/loss on disposal of fixed assets	(7)	(1)	(11)
	136	467	1,537

(b) Reconciliation of net cash flow to movement in net debt

	Year ended 31 March 2002 £'000	Year ended 31 March 2003 £'000	Year ended 31 March 2004 £'000
Increase/(decrease) in cash in the year	50	692	(79)
Cash outflow from decrease in debt financing	505	424	723
Change in net debt resulting from cash flows	555	1,116	644
New finance leases	(1,101)	(977)	(897)
Movement in net debt in the year	(546)	139	(253)
Net debt brought forward	(686)	(1,232)	(1,093)
Debt carried forward	(1,232)	(1,093)	(1,346)

(c) Analysis of debt

	Opening Balance £'000	Cash Flows £'000	Other Changes £'000	Closing Balance £'000
Net cash at 1 April 2001:				
Cash at bank and in hand	126	61	-	187
Overdraft	-	(11)	-	(11)
	126	50	-	176
Debt:				
Finance leases	(662)	557	(1,101)	(1,206)
Debts falling due within 1 year	(37)	(37)	-	(74)
Debts falling due after 1 year	(113)	(15)	-	(128)
	(812)	505	(1,101)	(1,408)
Net Debt at 31 March 2002	(686)	555	(1,101)	(1,232)
Net Cash:				
Cash at bank and in hand	187	681	-	868
Overdraft	(11)	11	-	-
	176	692	-	868
Debt:				
Finance leases	(1,206)	502	(977)	(1,681)
Debts falling due within 1 year	(74)	72	(118)	(120)
Debts falling due after 1 year	(128)	(150)	118	(160)
	(1,408)	424	(977)	(1,961)
Net Debt at 31 March 2003	(1,232)	1,116	(977)	(1,093)
Net Cash:				
Cash at bank and in hand	868	(79)	-	789
Debt:				
Finance leases	(1,681)	610	(897)	(1,968)
Debts falling due within 1 year	(120)	71	(60)	(109)
Debts falling due after 1 year	(160)	42	60	(58)
	(1,961)	723	(897)	(2,135)
Net Debt at 31 March 2004	(1,093)	644	(897)	(1,346)

19. Commitments under operating leases

	As at 31 March 2002 £'000	As at 31 March 2003 £'000	As at 31 March 2004 £'000
Land and buildings:			
Expiring in the first year	50	74	39
Expiring in the second to fifth year	264	203	242
Expiring after five years	-	70	127
Plant and machinery:			
Expiring in the first year	11	1	21
Expiring in the second to fifth year	132	56	23

20. Capital commitments

	As at 31 March 2002 £'000	As at 31 March 2003 £'000	As at 31 March 2004 £'000
Capital expenditure contracted for but not provided in the financial information	-	265	91

21. Pension costs

The Group operates a defined contribution pension scheme whose assets are held separately from those of the Group in an independently administered fund. The pension cost charge represents total contributions payable by the Group and amounted to £11,967 (31 March 2003: £2,310; 2002 - £1,200).

22. Earnings per share

Earnings and the number of shares used in the calculations of earnings per ordinary share are set out below:

	Year ended 31 March 2002	Year ended 31 March 2003	Year ended 31 March 2004
Basic:			
(Loss)/Profit after tax	£(775,813)	£894,897	£593,415
Weighted average number of shares	32,163,725	38,716,158	38,849,906
EPS	(2.41)p	2.31p	1.53p
Fully Diluted:			
Profit after tax	N/A	£894,897	£593,415
Weighted average number of shares	N/A	40,730,992	41,390,209
EPS	N/A	2.2p	1.43p

Weighted average number of shares:

	Year ended 31 March 2002 No. of shares	Year ended 31 March 2003 No. of shares	Year ended 31 March 2004 No. of shares
For basic earnings per share	32,163,725	38,716,158	38,849,906
Share options in issue	2,320,187	2,027,954	2,540,303
Lapse of share options	-	(13,120)	-
For diluted earnings per share	34,483,912	40,730,992	41,390,209

No fully diluted earnings per share figure is given for 31 March 2002 in view of the losses for the year.

	Year ended 31 March 2002	Year ended 31 March 2003	Year ended 31 March 2004
Notional:			
Profit/(loss) after notional tax at 30%	£(775,813)	£357,278	£657,764
Weighted average number of shares	32,163,725	38,716,158	38,849,906
EPS	(2.41p)	0.92p	1.69

In view of the material and non recurring impact of the deferred tax charge (2003: credit) in the year ended 31 March 2004, the directors are of the opinion that an earnings figure based on a notional tax charge on pre tax profits provides a better measure of performance for EPS purposes both for 2003 and, for comparability, 2004, than the basic earnings figure.

Profit before tax:

	Year ended 31 March 2002 £	Year ended 31 March 2003 £	Year ended 31 March 2004 £
For basic earnings per share	(775,813)	510,397	939,662
Less: notional tax charge	-	(153,119)	(281,898)
For notional earnings per share	(775,813)	357,278	657,764

23. Control

In the opinion of the Directors, there is no single controlling party of the Group.

24. Nature of financial information

The financial information presented in respect of the three years ended 31 March 2004 does not constitute statutory accounts for each of the periods. Statutory accounts for the two years ended 31 March 2003 have been delivered to the Registrar of Companies. In respect of the statutory accounts for the two years to 31 March 2003 we, Baker Tilly, Chartered Accountants, have made an unqualified report under Section 235 of the Companies Act 1985 and such report did not contain any statement under Section 237(2) or (3) of that Act.

25. Consent

We consent to the inclusion of this report in the Prospectus dated 16 July 2004 and accept responsibility for this report for the purposes of paragraph 45 of Schedule 1 to the Public Offerings of Securities Regulations 1995.

Yours faithfully

Baker Tilly
Registered Auditor
Chartered Accountants
Manchester

PART 4: ADDITIONAL INFORMATION

1. The Company

1.1 The Company was incorporated and registered in England and Wales on 28 April 2000 under the Act as a public company limited by shares with the name Hallco 442 plc and with registration number 3983312. On 4 July 2000, the Company changed its name to printing.com plc.

1.2 The principal legislation under which the Company operates is the Act and the regulations made thereunder.

1.3 The Company's registered office and principal place of business is at Third Avenue, The Village, Trafford Park, Manchester M17 1FG.

2. Subsidiaries

The Company is the holding company of the following subsidiary companies which are registered in England and Wales with registered addresses at Third Avenue, The Village, Trafford Park, Manchester M17 1FG, details of which are as follows:

Company	Date of Incorporation	Company Number	Activity
Printing.com (UK Franchise) Limited	29 January 2002	4362849	Franchise Contracts
Printing.com Europe Limited	2 July 1992	2728004	Printing
The Flyer Store Limited*	18 November 1997	3467274	Dormant
Creation Publicity (Sheffield) Limited *	5 April 1995	3042480	Dormant

* These subsidiaries are held through Printing.com Europe Limited.

3. Share Capital

3.1 On incorporation, the authorised share capital of the Company was £50,000 divided into 50,000 shares of £1 each, two of which were issued credited as fully paid to the subscribers to the Company's memorandum of association.

3.2 On 25 September 2003 by or pursuant to resolutions of the Company passed on that date:

3.2.1 for the purposes of and pursuant to section 80 of the Act, the directors of the Company were generally and unconditionally authorised and empowered to exercise all the powers of the Company to allot the relevant securities (as detailed in section 80(2) of the Act) up to an aggregate nominal amount of £540,000 (such amount inclusive of the issued share capital of the Company) to such persons at such times and upon such terms and conditions as they may determine (subject always to the articles of association of the Company) provided this authority and power shall, unless renewed, varied or revoked, expires at the conclusion of the next annual general meeting or 15 months from the date of the passing of this resolution (whichever is the earlier) and provided further that the Company may before the expiry of such period make any offer, agreement or arrangement which would or might require relevant securities to be allotted after the expiry of such period and the directors of the Company may then allot relevant securities pursuant to any such offer, agreement or arrangement as if the authority or power hereby conferred had not expired; and

3.2.2 for the purposes of and pursuant to section 95(1) of the Act, the directors of the Company were authorised and empowered to allot equity securities (within the meaning of section 94 of the Act and in substitution for any other subsisting authorities under the Act) pursuant to the general authority and power conferred by the resolution referred to in 3.2.1 above as if section 89(1) of the Act did not apply to any such allotment provided that this authority and power shall, unless renewed, varied or revoked, expire at the conclusion of the next annual general meeting or 15 months from the date of the passing of this resolution (whichever is the earlier) of the Company save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors of the Company may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired and provided further that this authority and power shall be limited to:

(a) the allotment of equity securities pursuant to a rights issue or similar offer to ordinary shareholders where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate or as nearly as practical (and taking into account any prohibitions against or difficulties concerning the making of an offer or allotment to shareholders whose registered address or place of residence is overseas and subject to such exclusions as the directors of the Company may deem necessary or expedient to deal with fractional entitlement or record dates) to the respective numbers of ordinary shares held by them;

(b) the allotment (otherwise than pursuant to paragraph (a) above) for cash of equity securities up to an aggregate nominal amount of £39,839 or 10 per cent. of the current issued share capital of the Company.

3.3 At the Extraordinary General Meeting the following resolutions will be proposed:

3.3.1 for the purposes of and pursuant to section 80 of the Act, to authorise and empower generally and unconditionally the directors of the Company to exercise all the powers of the Company to allot the relevant securities (as detailed in section 80(2) of the Act) up to an aggregate nominal amount of £540,000 (such amount inclusive of the issued share capital of the Company) to such persons at such times and upon such terms and conditions as they may determine (subject always to the articles of association of the Company) provided this authority and power shall, unless renewed, varied or revoked, expire at the conclusion of the next annual general meeting or 15 months from the date of the passing of this resolution (whichever is the earlier) and provided further that the Company may before the expiry of such period make any offer, agreement or arrangement which would or might require relevant securities to be allotted after the expiry of such period and the directors of the Company may then allot relevant securities pursuant to any such offer, agreement or arrangement as if the authority or power hereby conferred had not expired; and

3.3.2 for the purposes of and pursuant to section 95(1) of the Act, to authorise and empower the directors of the Company to allot equity securities (within the meaning of section 94 of the Act and in substitution for any other subsisting authorities under the Act) pursuant to the general authority and power conferred by the resolution referred to in 3.2.1 above as if section 89(1) of the Act did not apply to any such allotment provided that this authority and power shall, unless renewed, varied or revoked, expire at the conclusion of the next annual general meeting or 15 months from the date of the passing of this resolution (whichever is the earlier) of the Company save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors of the Company may allot relevant securities in pursuant of such offer or agreement as if the authority conferred hereby had not expired and provided further that this authority and power shall be limited to:

(a) the allotment of equity securities pursuant to a rights issue or similar offer to ordinary shareholders where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate or as nearly as practical (and taking into account any prohibitions against or difficulties concerning the making of an offer or allotment to shareholders whose registered address or place of residence is overseas and subject to such exclusions as the directors of the Company may deem necessary or expedient to deal with fractional entitlement or record dates) to the respective numbers of ordinary shares held by them;

(b) the allotment of 3,833,333 Ordinary Shares pursuant to the Placing;

(c) the allotment (otherwise than pursuant to paragraph (a) above) for cash of equity securities up to an aggregate nominal amount of £39,839 or 10 per cent of the current issued share capital of the Company.

3.4 The Company's authorised and issued ordinary share capital, at the date of this document is, and immediately following the Placing (assuming full subscription thereunder) will be, as follows:

	At date of this document		Following Admission	
	Nominal value £	**Number of Ordinary Shares**	**Nominal value £**	**Number of Ordinary Shares**
Authorised	539,994	53,999,370	539,994	53,999,370
Issued and fully paid	388,641	38,864,140	426,975	42,697,473

3.5 The Company has 63 deferred shares of 10p each in issue. The holders of deferred shares are not entitled to participate in the assets or profits of the Company nor do they have any voting rights.

3.6 Save as disclosed in the foregoing sub-paragraphs of this paragraph other than in respect of the Placing, and options granted:

3.6.1 no shares or loan capital of the Company or any of its subsidiaries has within the 3 years immediately preceding the date of this document been issued or agreed to be issued or is now proposed to be issued fully or partly paid, for cash or any other consideration or has been purchased by the Company or any of its subsidiaries;

3.6.2 no commissions, discounts, brokerages or other special terms have been granted by the Company or any of its subsidiaries in connection with the issue or sale of any share capital; and

3.6.3 no share or loan capital of the Company, or of any other company within the Group, is under option or has been agreed, conditionally or unconditionally, to be put under option.

3.7 The provisions of section 89(1) of the Act (which confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash other than by way of allotment to employees under an employee's share scheme as defined in section 743 of the Act) will apply to the authorised but unissued share capital of the Company to the extent not disapplied as described in paragraph 3.3.2 above.

4. Memorandum and Articles of Association

4.1 The objects of the Company are set out in full in clause 4 of its Memorandum of Association and include the carrying on of business as a general commercial company.

4.2 The Articles of Association of the Company, which were adopted pursuant to a resolution of the Company passed on 4 July 2000 contain provisions, *inter alia*, to the following effect:

4.2.1 Voting Rights

Subject to any rights or restrictions attached to the shares (including as a result of unpaid calls) and/or as mentioned below, on a show of hands every member who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative and is entitled to have a vote shall have one vote and on a poll every member who is present in person or by proxy and entitled to vote shall have one vote for every share of which he is the holder. Where, in respect of any shares, any registered holder or any other person appearing to be interested in such shares fails to comply with any notice given by the Company under Section 212 of the Act, then such person shall not be entitled to be present or vote at any general meeting of the Company in person or by proxy.

4.2.2 Variation of Rights

Subject to the Act and every other statute for the time being in force concerning companies and affecting the Company (the "Statutes"), if at any time the capital of the Company is divided into different classes of shares, all or any of the rights and privileges attached to any class of share may be varied or abrogated either (i) in such a manner (if any) as may be provided by the rights attaching to such class or (ii) in the absence of any such provision, with the consent in writing of the holders of at least 75 per cent. of the nominal amount of the issued shares of the relevant class or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of the shares of the relevant class. At any such separate meeting the holders present in person or by proxy of one third of the issued shares of the class in question shall be a quorum. Unless otherwise provided by the rights attaching to any shares, these rights shall be deemed to be varied by the creation or issue of further shares ranking in any respect in priority thereto.

4.2.3 Alteration of Capital

The Company may from time to time by ordinary resolution increase its share capital, consolidate and divide all or any of its share capital into shares of a larger amount, sub-divide all or any of its shares into shares of a smaller amount and cancel any shares not taken or agreed to be taken by any person.

The Company may, subject to the Statutes, by special resolution reduce its share capital, any capital redemption reserve and any share premium account. Subject to and in accordance with the provisions of the Statutes, the Company may purchase its own shares (including redeemable shares).

4.2.4 Transfer of Shares

Transfers of shares in certificated form may be effected by instrument in writing in any usual or common form or in any other form acceptable to the Directors. Any instrument of transfer shall be signed by or on behalf of the transferor and (except in the case of fully paid shares) by or on behalf of the transferee. The transferor shall be deemed to remain the holder of the shares until the name of the transferee is entered in the Register of Members.

The Directors may refuse to register the transfer of a share which is in respect of a share which is not fully paid, or which is in favour of more than four transferees or which is in respect of more than one class of shares or which has not been presented for registration duly stamped accompanied by the share certificates for the shares to which the transfer relates and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer.

Where in respect of any shares any registered holder or any other person appearing to be interested in such shares fails to comply with any notice given by the Company under Section 212 of the Act, then the Company may prohibit transfers of such shares otherwise than following a sale shown to the satisfaction of the Directors to be of the full legal and beneficial ownership of such shares at arm's length. The registration of transfers may be suspended by the Directors for any period not exceeding 30 days in a year.

4.2.5 Dividends and other distributions

Subject to the provisions of the Statutes, the Company may by ordinary resolution declare dividends in accordance with the respective rights of the members, but not exceeding the amount recommended by the Directors. The Directors may pay interim dividends if it appears to them that they are justified by the profits of the Company. Except as otherwise provided by the Articles or the rights attached to any shares issued by the Company, the holders of shares are entitled *pari passu* amongst themselves to share in the whole of the profits of the Company paid out as dividends and the whole of any surplus in the event of liquidation of the Company. A liquidator may, with the sanction of an extraordinary resolution, divide the assets among the members in specie. The Directors may, with the sanction of an ordinary resolution, offer the shareholders or any class of them (other than those not entitled to the relevant dividend or dividends) the right to elect to receive Ordinary Shares, credited as fully paid, instead of cash in respect of the whole or part of any dividend or dividends which are the subject of the ordinary resolution.

Where, in respect of any shares, any registered holder or any other person appearing to be interested in shares of the Company fails to comply with any notice given by the Company under Section 212 of the Companies Act, then, provided that the shares concerned represent at least 0.25 per cent. in nominal amount of the issued shares of the relevant class, the Company may withhold dividends on such shares.

All unclaimed dividends may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. Any dividend which is unclaimed for a period of 12 years from the date on which the dividend became due for payment shall be forfeited and cease to remain owing by the Company.

5. Substantial Shareholders

5.1 At the date of this document and immediately following the Placing, so far as the Directors are aware, the only persons, other than the Directors, who are or will be interested in 3 per cent. or more of the issued Ordinary Share capital of the Company are as follows:

	At the date of this document		Immediately following Admission	
Name	**Number of Ordinary Shares**	**Percentage of Issued Ordinary Share Capital**	**Number of Ordinary Shares**	**Percentage of Issued Ordinary Share Capital**
Brewin Dolphin Securities Ltd	1,653,053	4.3%	2,319,720	5.43%
Peter Gordon	1,410,664	3.6%	1,410,664	3.30%
Samantha Haedrich	1,410,660	3.6%	1,410,660	3.30%
Charles Martin Edwards	1,262,372	3.2%	1,262,372	2.96%
Rathbone Investment Management Limited	1,150,000	3.0%	2,566,667	6.01%
Unicorn Asset Management Limited	-	-	1,333,333	3.12%

6. Directors' Interests

6.1 The interests of the Directors (all of which are beneficial) in the issued share capital of the Company as at the date of this document and following the Placing (assuming full subscription thereunder) such interests being those which are required to be notified by each Director to the Company under the provisions of section 324 or 328 of the Act or which are required to be entered in the register of interests required to be maintained pursuant to section 325 of the Act or which are interests of persons connected with the Director within the meaning of section 346 of the Act, the existence of which is known or which could, with reasonable diligence, be ascertained by a Director, are as follows:

	At the date of this document		Immediately following Admission	
Director	**Number of Ordinary Shares**	**Percentage of Issued Ordinary Share Capital**	**Number of Ordinary Shares**	**Percentage of Issued Ordinary Share Capital**
R G Hardie	1,544,093	3.97%	1,544,093	3.62%
A Rafferty	11,619,024	29.90%	11,619,024	27.21%
A Q Roberts	320,000	0.82%	320,000	0.75%
P R Gunning	663,840	1.71%	663,840	1.55%
L A Wheatley	-	-	-	-

6.2 In addition Alan Roberts and Peter Gunning have been granted options under the Company's EMI option scheme over 300,000 Ordinary Shares each. These options are subject to performance criteria relating to earnings per Ordinary Share and are exercisable in tranches of 75,000 Ordinary Shares at a subscription price of 32.5 pence per Ordinary Share. Further details of the Company's EMI option scheme are set out in paragraph 10.1 of Part 4.

6.3 Save as disclosed in this section 6, and in so far as the Company has the information, the Directors are not aware of any person or persons who either alone or, if connected jointly following the completion of the Placing will (directly or indirectly) exercise or could exercise control over the Company.

7. Additional Information on the Directors

7.1 Other than directorships of Group companies, the Directors have held the following directorships or been partners in the following partnerships within the five years prior to the date of this document:

Director	**Current**	**Past**
R G Hardie	Alpha Solway Limited Cherry Tree Machines Limited Carpathia Investments Limited	Declan Telford Limited Royle Golf (Holdings) plc DMTRFS Limited Electronique Group Limited Bostwick Doors Limited Ring Limited Cable Industries Limited Carbo PLC Harbury Group Limited
A Rafferty	None	None
A Q Roberts	None	None
P R Gunning	None	The Design Foundry (Scotland) Limited
L A Wheatley	Liverpool Football Club and Athletic Grounds plc (The)	Newcastle United plc Liverpool FC.TV Limited

7.2 R G Hardie was a director of Amalgamated Holdings Limited a company acquired in 1981 by Johnson Firth Brown Limited of which Mr Hardie was group financial director. In 1981, as a result of liabilities incurred prior to its acquisition and following Mr Hardie's appointment as a nominee director, Amalgamated Industries Holdings Limited was placed in liquidation.

7.3 R G Hardie was a director of Royle Golf (Holdings) plc which went into voluntary liquidation on 28 August 2003.

R G Hardie was a director of Harbury Group Limited which went into receivership on 13 December 2002.

7.4 Save as disclosed in this document, none of the Directors has:

7.4.1 any unspent convictions in relation to indictable offences;

7.4.2 had any bankruptcy order made against him or entered into any voluntary arrangements;

7.4.3 been a director of a company which has been placed in receivership, compulsory liquidation, administration, been subject to a voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors, whilst he was a director of that company or within the 12 months after he had ceased to be a director of that company;

7.4.4 been a partner in any partnership with has been placed in compulsory liquidation, administration or been the subject of a partnership voluntary arrangement, whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;

7.4.5 the owner of any asset which has been placed in receivership or a partner in any partnership which has been placed in receivership whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;

7.4.6 been publicly criticised by any statutory or regulatory authority (including recognised professional bodies); or

7.4.7 been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of a company.

7.5 Save as disclosed in this document, no Director has or has had any interest in any transaction which is or was significant in relation to the business of the Group and which was effected during the current or immediately proceeding financial period or which was effected during an earlier financial period and remains outstanding or unperformed.

8. Directors' Remuneration

8.1 On 10 July 2000, A Rafferty entered into a service agreement with the Company. The service agreement is for a fixed term to 31 July 2002 and thereafter is terminable on not less than 12 months notice given by either party to the other at any time. The service agreement contains provisions for early termination, *inter alia*, in the event of a breach by the director in question. The basic annual salary payable to A Rafferty is £125,000 per annum to be reviewed annually (without any obligation to increase the same). In addition, the Company will contribute to his personal pension scheme and provide a fully expensed motor vehicle. Under his service agreement Mr Rafferty is entitled to participate in the Company's bonus scheme and receive a bonus of up to a maximum of 40 per cent. of his salary.

8.2 On 10 July 2000, A Q Roberts entered into a service agreement with the Company. The service agreement is terminable on not less than 6 months notice given by either party to the other at any time. The service agreement contains provisions for early termination, *inter alia*, in the event of a breach by the director in question. The basic, annual salary payable to A Q Roberts is £65,000 per annum to be reviewed annually (without any obligation to increase the same). In addition, the Company will contribute to his personal pension scheme and provide a fully expensed motor vehicle. Under his service agreement Mr Roberts is entitled to participate in the Company's bonus scheme and receive a bonus of up to a maximum of 30 per cent. of his salary.

8.3 On 6 June 2001, P R Gunning entered into a service agreement with Printing.com Europe Limited, a subsidiary of the Company. The service agreement is terminable on not less than 6 months notice given by either party to the other at any time. The service agreement contains provisions for early termination, *inter alia*, in the event of a breach by the director in question. The basic, annual salary payable to P R Gunning is £65,000 per annum to be reviewed annually (without any obligation to increase the same). In addition the Company will provide a fully expensed motor vehicle. Under his service agreement Mr Gunning is entitled to participate in the Company's bonus scheme and receive a bonus of up to a maximum of 30 per cent. of his salary.

8.4 On 20 June 2000, R G Hardie entered into an agreement with the Company in respect of the provision of his services as non executive chairman. The agreement may be terminated by 3 months notice or by the Company forthwith in certain circumstances or in a situation where R G Hardie is not re-elected as a director at any general meeting. An annual fee of £30,000 is payable to R G Hardie. No benefits are provided to R G Hardie under the agreement.

8.5 The services of L A Wheatley are provided by Liverpool Football Club and Athletic Grounds plc. Under the terms of this agreement, which may be terminated on 3 months notice given by either party to the other, the Company pays Liverpool Football Club and Athletic Grounds plc an annual fee of £20,000.

8.6 Save as disclosed in this paragraph 8 there are no existing or proposed service or consultancy agreements between any Director and the Group.

8.7 In the period ended 31 March 2004 the total aggregate remuneration paid and benefits-in-kind granted to the Directors was £292,000. The amounts payable to the Directors by the Group under the arrangements in force at the date of this document in respect of the year ending 31 March 2005 are estimated to be £360,000 (excluding any bonus or discretionary payments which may be made under these arrangements).

8.8 There is no arrangement under which any Director has waived or agreed to waive future emoluments.

9. Material Contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Group within the two years immediately preceding the date of this document and are, or may be, material:

9.1 an agreement dated 15 July 2004 between (1) the Company, (2) the Directors and (3) Brewin Dolphin under which the Company appoints Brewin Dolphin as its agent to use its reasonable endeavours to procure placees for the New Ordinary Shares for a fee of £100,000 and commission of 4 per cent. on the value of New Ordinary Shares placed. The Company and the Directors gave warranties relating to the New Ordinary Shares, the financial position of the Company and the information in this document.

The Company and the Directors have agreed to indemnify Brewin Dolphin against any liabilities incurred in the discharge of its obligations under the agreement unless the liability has been incurred as a result of Brewin Dolphin's negligence or wilful default.

9.2 an engagement letter dated 15 July 2004 with Brewin Dolphin whereby Brewin Dolphin agrees to act as the Company's nominated adviser and broker for an annual retainer of £30,000 per annum.

9.3 an agreement dated 12 September 2003 made between (1) Printing.com Europe Limited and (2) Worm Creative Limited under which Printing.com Europe Limited sold the business and assets of its Newcastle Store for £41,500. Printing.com Europe Limited gave limited warranties *inter alia* as to title, capacity and the suitability of the property for the operation of a Printing.com franchise. These warranties were subject to a limit of £21,500.

Printing.com Europe Limited agreed to indemnify the purchaser against any liabilities occurring before completion of the sale in respect of the deemed transfer of Printing.com Europe Limited's liabilities under the Transfer of Undertakings (Protection of Employment) Regulations 1981.

Liabilities incurred before completion were excluded from the sale along with the intellectual property rights owned by Printing.com Europe Limited.

9.4 an agreement dated 26 March 2004 between (1) Printing.com Europe Limited and (2) J Kreate Limited under which Printing.com Europe Limited sold the business and assets of its Leicester store for £58,500. Printing.com Europe Limited gave limited warranties *inter alia* as to the title, capacity and the suitability of the property for the operation of a Printing.com franchise, together with employment warranties in respect of employees transferring under the sale. These warranties were subject to a limit of £58,000.

Printing.com Europe Limited agreed to indemnify the purchaser against any liabilities occurring before completion of the sale in respect of the deemed transfer of Printing.com Europe Limited's liabilities under the Transfer of Undertakings (Protection of Employment) Regulations 1981.

Liabilities incurred before completion were excluded from the sale along with the intellectual property rights owned by Printing.com Europe Limited.

9.5 an agreement dated 9 January 2004 between (1) Printing.com Europe Limited and (2) Melvyn Clifford under which Printing.com Europe Limited sold its business and assets of its Hampstead store for £20,000. Printing.com Europe Limited gave limited warranties *inter alia* as to title, capacity and the suitability of the property for the operation of a Printing.com franchise, together with employment warranties in respect of employees transferring under the sale. These warranties were subject to a limit of £83,000.

Printing.com Europe Limited agreed to indemnify the purchaser against any liabilities occurring before completion of the sale in respect of the deemed transfer of Printing.com Europe Limited's liabilities under the Transfer of Undertakings (Protection of Employment) Regulations 1981.

Liabilities incurred before completion were excluded from the sale along with the intellectual property rights owned by Printing.com Europe Limited.

9.6 an agreement dated 9 January 2004 between (1) Printing.com Europe Limited and (2) Melvyn Clifford under which Printing.com Europe Limited sold the business and assets of its Baker Street store for £20,000. Printing.com Europe Limited gave limited warranties *inter alia* as to title, capacity and the suitability of the property for the operation of a Printing.com franchise, together with employment warranties in respect of employees transferring under the sale. These warranties were subject to a limit of £83,000.

Printing.com Europe Limited agreed to indemnify the purchaser against any liabilities occurring before completion of the sale in respect of the deemed transfer of Printing.com Europe Limited's liabilities under the Transfer of Undertakings (Protection of Employment) Regulations 1981.

Liabilities incurred before completion were excluded from the sale along with the intellectual property rights owned by Printing.com Europe Limited.

9.7 an agreement dated 10 October 2003 between (1) Printing.com Europe Limited and (2) Incus Development Limited under which Printing.com Europe Limited sold the business and assets of its Glasgow store for £127,000. Printing.com Europe Limited gave limited warranties *inter alia* as to title, capacity and the suitability of the property for the operation of a Printing.com franchise, together with employment warranties in respect of employees transferring under the sale. These warranties were subject to a limit of £90,000.

Printing.com Europe Limited agreed to indemnify the purchaser against any liabilities occurring before completion of the sale in respect of the deemed transfer of Printing.com Europe Limited's liabilities under the Transfer of Undertakings (Protection of Employment) Regulations 1981.

Liabilities incurred before completion were excluded from the sale along with the intellectual property rights owned by Printing.com Europe Limited.

9.8 an agreement dated 31 March 2003 between (1) Printing.com Europe Limited (2) The Concept Team Limited under which Printing.com Europe Limited sold the business and assets of its Liverpool store for £90,000. Printing.com Europe Limited gave limited warranties *inter alia* as to title, capacity and the suitability of the property for the operation of a Printing.com franchise, together with employment warranties in respect of employees transferring under the sale. These warranties were subject to a limit of £90,000.

Printing.com Europe Limited agreed to indemnify the purchaser against any liabilities occurring before completion of the sale in respect of the deemed transfer of Printing.com Europe Limited's liabilities under the Transfer of Undertakings (Protection of Employment) Regulations 1981.

Liabilities incurred before completion were excluded from the sale along with the intellectual property rights owned by Printing.com Europe Limited.

10. Summary of Principal Features of the EMI Option Scheme and Unapproved Share Options

The Company has set aside a pool of Ordinary Shares to incentivise key employees under the EMI Share Option Scheme.

10.1 The EMI Option Scheme

Options (the "EMI Options") have been granted, subject to Inland Revenue approval where necessary, over Ordinary Shares to the Directors and certain employees of the

Group under the provisions of the Enterprise Management Incentives ("EMI") legislation contained in the Income Tax (Earnings and Pensions) Act 2003 (ITEPA) Schedule 5 in respect of an aggregate of 3,500,000 at 32.5 pence per share. The EMI Options take the form of an individual contract (the "EMI Option Agreement") between the Company and each of the employees. The Company intends to grant further EMI Options to Directors and employees of the Group in the future.

10.1.1 Tax Treatment

The EMI Options are to be granted over the ordinary shares (the "Option Shares") of the Company. Provided the EMI Option is not capable of being exercised more than 10 years after the date of grant there will be no income tax or NIC liability on the occasion of the grant of the option.

If the option exercise price is set at below the market value of the Option Shares as at the date of grant the employees will be liable to income tax at the date of exercise on the discount, i.e. the difference between the option exercise price and the market value of the Option Shares as at the date of the option grant or, if lower, the market value of the Option Shares as at the date of exercise. In addition as the Option Shares will be readily convertible assets as result of having a ready market, NIC will be due on this amount and both the income tax and any employee NIC due will have to be accounted for under the PAYE system.

Under the terms of each EMI Option Agreement the Company is entitled to be indemnified by the employee for all employer's NIC liability arising on exercise. The employees would be entitled to a tax deduction on the amount so indemnified.

On the sale of the Option Shares the employee will be liable to capital gains tax on chargeable gains after any taper relief on the difference between the market value of the Option Shares at the date of disposal and the price paid for the acquisition of those shares subject to a credit for any income tax liability which may have already arisen on the exercise of the option. For taper relief purposes the period of ownership of the Option Shares starts from the date of grant of the EMI Option.

10.1.2 Employee Eligibility

Any employee of the Company or the Group who works either at least 25 hours per week or commits 75 per cent. of his working time to the business of the Company or the business of the Group and who does not already beneficially own either directly or indirectly through his associates more than 30 per cent. of the Ordinary Share capital of the Company may be granted an EMI Option.

10.1.3 Individual Limit on Participation

An individual employee's participation under the EMI Scheme is limited so that the aggregate market value of the shares placed under the EMI Option, and of shares granted under any share option scheme approved by the Inland Revenue under Schedule 5 of Income Tax (Earnings and Pensions) Act 2002 except those granted under a savings-related share option scheme) valued at the date of the grant of the EMI Option which is held by that employee, cannot exceed £100,000.

10.1.4 Company Limit

The maximum value of unexercised qualifying options (valued as at the date of grant) that may exist under an EMI scheme is restricted to £3 million.

10.1.5 Performance Targets

Performance targets will be incorporated into any EMI Option Agreements granted to Directors following Admission.

Existing EMI Options impose performance criteria which relate to the value (the "Trigger Price") of the mid market price of Ordinary Shares over a 200 consecutive day period in the financial year prior to the exercise of the Option. Each EMI Option is divided into three elements the exercise of which is dependent on the Trigger Price. The first element is exercisable if the Trigger Price is 40 pence per share or greater, the second element if the Trigger Price is 50 pence per share or greater and the third element if the Trigger Price is £1 per share or greater. Additionally, each holder of an EMI Option has been set personal targets agreed by the Board. Performance criteria may be varied by the remuneration committee of the Board if they feel it necessary and any performance criteria may be waived by the Board.

10.1.6 Exercise

The EMI Options to be granted will become exercisable on or after the second anniversary of the date of grant provided the director or employee holding the EMI Option is still in continuous employment with the Company or the Group at that date. Any unexercised EMI Options will lapse on the cessation of employment except in the circumstances specifically prescribed under the Option Agreement. Early exercise may also be permitted if the Company is subject to a takeover. In the event of a Company reorganisation the employees may be offered replacement options in the appropriate company involved in the reorganisation provided the relevant conditions set out in Schedule 5 are met.

10.1.7 Non transferability of options

The EMI Options are non-transferable, except on death to the personal representatives of the employee. An EMI Option shall lapse immediately if it is purportedly transferred mortgaged, charged or assigned.

10.1.8 Variation of share capital

For these purposes "variation" of share capital includes any capitalisation, rights issue, sub-division, consolidation or reduction or any other variation in the Ordinary Share Capital of the Company occurring after the date of grant. Upon a Variation of the Ordinary Share Capital of the Company, the Directors may adjust either the number of Ordinary Shares an employee is entitled to acquire under the EMI Option Agreement or adjust the exercise price in a manner they consider fair and reasonable, provided this is confirmed in writing from the Company's auditors and provided any such Variation is approved in advance by the Inland Revenue.

10.1.9 Alterations

Subject to procuring advance approval from the Inland Revenue the Directors may alter the provisions of the EMI Option Agreement provided any such variation is in writing and is signed by or on behalf of each party and it does not breach the provisions of Schedule 5.

10.1.10 Disqualifying Events

Schedule 5 sets out specific events which are to be treated as disqualifying events. The consequence of a disqualifying event occurring prior to the exercise of the EMI Options will be the loss of the qualifying status and the tax benefits under the EMI legislation unless the options are exercised within 40 days of the date of the occurrence of the disqualifying event. Under the terms of the proposed EMI Option Agreements where certain disqualifying events occur the Board may permit exercise within the 40 day timescale or such longer period as they shall determine. Failure to exercise the option within the stipulated period would cause the option to lapse on the expiry of such period.

10.2 Unapproved Share Options

10.2.1 On 7 July 2000 the Company granted options over an aggregate of 900,056 Ordinary Shares to certain employees exercisable between 7 July 2002 and 7 July 2009 in each case at 5 p per Ordinary Share.

10.2.2 Under an agreement dated 10 July 2000 the Company granted Haltcrown Limited an option to subscribe for 1,760,850 Ordinary Shares in tranches of not less than 5% of that total exercisable at any time for a period of 10 years from 23 August 2000. The subscription price for shares under this option is 5p per Ordinary Share. The option is assignable by either party.

10.2.3 The Company has granted options over 115,000 Ordinary Shares in favour of its franchisees. In each case the options are exercisable between the second and fifth anniversary of the date of grant subject to the franchisees achieving certain predetermined financial targets in the second year of operations.

10.2.4 Under an agreement dated 2 February 2002 the Company granted Acorn Corporate Finance Limited an option to subscribe for 425,000 Ordinary Shares (or, if less, such number of shares as is equal to 1.07% of the Company following exercise of all options over shares at the date of the agreement) in tranches of not less than 20% of that total exercisable at any time for a period of 10 years from 2 February 2002. The subscription price for shares under this option is 20p per Ordinary Share. The option is assignable by either party.

10.2.5 In total options over 115,000 Ordinary Shares have been granted to franchisees. The options are exercisable between the second and fifth anniversary of the date of grant subject to the franchisees achieving pre determined purchasing targets. The option lapses upon the termination or expiration of the franchise agreement.

10.2.6 In total options over 1,400,000 Ordinary Shares have been granted to the Territory Franchisees of 14 Territories at a subscription price of 28.5 pence per share, which was the prevailing market price when the Board approved the grant of the options. The grant of the total number of options is subject to the Territory Franchisee achieving five progressive vesting conditions in relation to the performance of their Store and a further five vesting conditions relating to Bolt-on Franchises operating within their Territory. Upon the achievement of each vesting condition the Territory Franchisee receives an option over 10,000 Ordinary Shares.

The options, which have vested pursuant to the conditions, will be exercisable for a period of seven years from the date three years from the date of grant. The options will only be capable of being exercised if the mid market price of the Ordinary Shares achieves certain levels over a consecutive 200 day period. The exercisable percentage of options is as set out below:

percentage of option shares exercisable	**Ordinary Share price performance over 200 days**
25%	40p
50%	60p
75%	80p
100%	100p

The Board intends to grant options to Territory Franchisees in the future, the number of shares per Franchisee will be reduced initially to 50,000, on a similar basis to those above. Future options will be granted at the mid market price on the day of issue provided that, that price is not abnormally low.

10.2.7 The Board intends to grant options over 1,200,000 Ordinary Shares to Bolt-on Franchisees in the near future at a subscription price of 32.5 pence per share on similar terms to the options granted to Territory Franchisees as set out in paragraph 10.2.6 above. Vesting criteria are in respect of the performance of the Bolt-on Franchises and performance criteria are on the terms set out in paragraph 10.2.6 above. It is intended to grant options of up to 20,000 Ordinary Shares in respect of future Bolt-on Franchises. The Directors will review the benefits of this incentivisation on a regular basis.

11 Working Capital

The Directors are of the opinion having made due and careful enquiry that, taking into account the net proceeds of the Placing and the existing facilities available to the Group, the Group has sufficient working capital for its present requirements, that is at least 12 months from the date of Admission.

12 Taxation

12.1 Introduction

The information in this section is based on the Directors' understanding of current tax law and Inland Revenue practice. The following should be regarded as a summary and should not be construed as constituting advice. Prospective shareholders are strongly advised to take their own independent tax advice but certain potential tax benefits are summarised below in respect of an individual resident in the UK for tax purposes.

On issue, the Ordinary Shares will not be treated as either "listed" or "quoted" securities for tax purposes. Provided that the Company remains one which does not have any of its shares quoted on a recognised stock exchange (which for these purposes does not include AIM), the Ordinary Shares should continue to be treated as unquoted securities.

The following information is based upon the laws and practice currently in force in the UK and may not apply to persons who do not hold their Ordinary Shares as investments.

Assuming that the company remains a trading company or the holding company of a trading group for tax purposes in the UK, Sections 573 to 576 of the Taxes Act will (subject to the relevant conditions specified in those sections) apply to investment companies and individuals investing in the Placing Shares.

12.2 Venture Capital Trust (VCT) investors - the Directors have been advised that the Company's current structure and activities should enable it to meet the requirements of a qualifying company under the VCT legislation. The Company has received provisional approval from the UK Inland Revenue that it fulfils the requirements for VCT investment.

12.3 Enterprise Investment Scheme (EIS) - the Directors have been advised that the Company's current structure and activities should enable it to meet the requirements of a qualifying company under the EIS, potentially enabling eligible investors to benefit from certain tax reliefs on their investment. The Company has received provisional approval from the UK Inland Revenue to its qualification under the EIS.

12.3.1 Individual investors eligible for EIS relief may be entitled to claim 20% income tax relief on the Placing Shares subscribed for, up to a maximum for all such subscriptions of £200,000 in any tax year. The minimum subscription to qualify for relief is £500 per individual.

12.3.2 Provided qualification for EIS relief is maintained by the Company and by the individual investor for a period of broadly three years after the share issue, any profit made by the investor on disposal of the shares after three years may be free of capital gains tax. This exemption applies to shares upon which EIS income tax relief is received and is not restricted or later withdrawn.

12.3.3 Individuals and certain Trustees subscribing for Ordinary Shares may be entitled to claim capital gains tax deferral in respect of gains realised on asset disposals within the three years before, and up to one year after, the date their EIS shares are issued. The relief allows a shareholder to defer part or all of a gain made on a disposal that would normally crystallise a charge to tax. The amount of gain that can be deferred is restricted to the amount of the re-investment and the deferred gain falls into charge when the EIS shares are disposed of. Unlike the income tax relief, there is no maximum investment limit for CGT deferral. If the gain to be deferred qualifies for taper relief, it is the untapered gain that is deferred; the existing entitlement to taper relief will not be lost but will be held over and will crystallise when the gain comes back into charge.

12.3.4 The Company can apply for formal approval following conclusion of the Placing. Upon receipt of authority from the UK Inland Revenue, the relevant tax certificates will be issued to those eligible investors who request them. Assuming receipt of formal approval and subject to Inland Revenue working practices, it is anticipated that the certificates EIS 3, which investors need in order to claim their tax relief, will be available by no later than 31 December 2004.

12.4 **Corporate Venturing Scheme (CVS)** - the Directors have been advised that the Company's current structure and activities should enable it to meet the requirements of a qualifying company under the CVS legislation. The Company has received provisional approval from the UK Inland Revenue that it fulfils the requirements for investment under the CVS by companies.

12.5 The Corporate Venturing Scheme (CVS) provides tax incentives to certain corporate investors in qualifying trading companies. Some of the qualifying conditions and reliefs under the CVS are similar, but not identical, to those under the EIS. If the investor and investee company meet the qualifying conditions, a subscription for shares under the CVS gives the following reliefs to a corporate investor:

12.5.1 initial tax relief at 20% of a qualifying subscription for shares,

12.5.2 chargeable gains made on disposal of CVS shares can be deferred by re-investment into further CVS shares,

12.5.3 losses incurred on CVS shares can be relieved against income of the investor Company's accounting period in which the loss is incurred, or ending in the, preceding 12 months.

12.6 Although the Company currently expects to satisfy the relevant conditions for VCT, EIS and CVS investment, neither the directors nor the Company gives any undertaking to conduct its activities in a way that qualifies for or preserves its status.

12.7 **Section 574 relief** - Section 574 of the Taxes Act permits a loss on ordinary shares acquired by subscription in a qualifying trading company to be relieved against an individual investor's taxable income, as an alternative to setting the loss against capital gains. Upon making the appropriate claims, relief is given against income of the tax year in which the loss arises, or the preceding year. For shares issued after 5 April 1998, relief is restricted to shares in unquoted companies carrying on a qualifying trade, as defined for Enterprise Investment Scheme purposes.

12.8 **Inheritance Tax (IHT) relief** - Unquoted ordinary shares in companies such as the Company qualify for 100% IHT Business Property Relief, provided they have been held for two years prior to an event giving rise to a potential charge to IHT. If an individual shareholder makes a lifetime gift of shares, or dies whilst still the holder of the shares, IHT may not be payable provided the shares have been held for at least two years prior to the gift or death. In the event of a lifetime gift, the transferee may need to retain the shares for up to seven years to ensure Business Property Relief remains available to the transferor.

12.9 **Taxation of chargeable gains** - For individuals, trustees and personal representatives disposals of shares are generally identified on a LIFO (last in, first out) basis for the purpose of calculating gains chargeable to tax. There are differing rules for shares on which EIS relief is claimed. In addition gains made by individuals, Trustees and Personal Representatives may qualify for taper relief. This relief reduces the amount of a chargeable gain on disposal, depending on the length of time the shares have been held since 6 April 1998, or the date of acquisition if later. With effect from 6 April 2000, any shareholdings in unquoted trading companies qualify as business assets, eligible for enhanced rates of taper relief. Shares issued on or after 6 April 2000 qualify for the maximum taper relief after two years, effectively reducing the capital gains tax rate on disposal to 10% for a higher rate taxpayer.

If chargeable gains on EIS shares are deferred by reinvestment into further EIS shares, taper relief may be extended to treat periods of ownership of successive EIS investments as effectively one period. The above rules do not apply to corporate shareholders, to which share "pooling" and indexation rules apply.

12.10 **Taxation of dividends -** Under UK tax legislation, no tax is withheld at source from UK Company dividend payments, although such payments carry a notional tax credit of one-ninth of the dividend paid. Individual basic rate taxpayers have no further tax to pay on the dividend, but non-taxpayers will not be entitled to any repayment of the associated tax credit. Higher rate taxpayers have a tax liability at the rate of 32.5% on the gross value of the dividend. After taking account of the associated tax credit, the additional liability equates to 25% of the cash dividend. Trustees of discretionary trusts liable to account for income tax at the rate applicable to trusts, have a tax liability at the Schedule F Trust rate of 32.5% on the gross value of the dividend. After taking account of the associated notional tax credit, the additional liability equates to 25% of the cash dividend. UK resident corporate shareholders will not normally be liable to UK corporation tax or income tax on any dividends received from the Company. Shareholders who are resident in countries other than the UK may be entitled to a credit for all or a proportion of the associated tax credit. Shareholders not resident in the UK should consult their own tax advisor on the application of such provisions and the procedure for claiming relief.

The above is a general summary of certain tax reliefs which may be available and should not be construed as constituting advice. Potential investors should obtain advice from their own investment or taxation advisor before applying for any Placing Shares.

13 Litigation

There are no legal or arbitration proceedings in which any Group company is involved or of which any Group company is aware are pending or threatened by or against any Group company which may have or have had in the twelve months preceding the date of this document a significant effect on the Group's financial position.

14 General

14.1 The total proceeds of the Placing are expected to be £1,150,000. The estimated amount of the expenses of the Placing which are all payable by the Company, is approximately £250,000 (excluding VAT). This amount includes an estimated commission of approximately £46,000 payable by the Company. The net proceeds of the Placing will be approximately £900,000.

14.2 Baker Tilly of Brazennose House, Lincoln Square, Manchester, M2 5BL, the auditors of the Company have given and have not withdrawn their written consent to the inclusion in this document of references to their name in the form and context in which it appears and their report in Part 3 of this document and accept responsibility for these reports for the purposes of paragraphs 10(2) and 45(1)(b)(iii) of Schedule 1 to the Public Offers of Securities Regulations 1995.

14.3 Brewin Dolphin, whose registered office is at 5 Giltspur Street, London EC1A 9BD, has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which they appear.

14.4 The financial information contained in this document does not constitute full statutory accounts as referred to in section 240 of the Act.

14.5 Save as disclosed in this document there has been no significant change in the financial or trading position of the Group since 31 March 2004, the date to which the last audited accounts of the Company have been drawn up.

14.6 There is no minimum amount which, in the opinion of the Directors, must be raised from the Placing.

14.7 The accounting reference date of the Company is 31 March.

14.8 The Ordinary Shares are in registered form. No temporary documents of title will be issued under the Placing.

14.9 Save as disclosed in this document, no person (other than a professional adviser referred to in this document or trade suppliers dealing with members of the Group) has:

14.9.1 received, directly or indirectly, from any member of the Group, within the twelve months preceding the Company's application for Admission; or

14.9.2 entered into any contractual arrangement (not otherwise disclosed in this document) to receive, directly or indirectly, from any member of the Group on or after Admission, any of the following:

(a) fees totalling £10,000 or more;

(b) securities in the Company with a value of £10,000 or more calculated by reference to the Placing Price; or

(c) any other benefit with a value of £10,000 or more at the date of Admission.

15 Documents for Inspection

Copies of this document will be available free of charge to the public at the offices of Brewin Dolphin, at National House, 36 St Ann Street, Manchester, M60 2EP and at 5 Giltspur Street, London, EC1A 9BD from the date of this document until one month from admission to trading on AIM. Copies of the following documents may be inspected at the same address during normal office business hours on any weekday (Saturdays, Sundays and public holiday excepted) for a period of 14 days from the date of this document:

15.1 the Memorandum and Articles of Association of the Company;

15.2 the report by Baker Tilly which is set out in Part 3 of this document;

15.3 the material contracts referred to in paragraph 9 above;

15.4 the letters of consent referred to in paragraph 14 above;

15.5 the service agreements and letters of appointment of the Directors referred to in paragraph 8 above.

15.6 the share option schemes referred to in paragraph 10 above.

Dated 16 July 2004

PART 5: DEFINITIONS

The following words and expressions shall have the following meanings in this document unless the context otherwise requires:

"Act "	The Companies Act 1985 (as amended)
"Admission"	the admission of the entire ordinary share capital of the Company issued and to be issued pursuant to the Placing to trading on AIM becoming effective in accordance with the AIM Rules
"AIM"	the Alternative Investment Market of the London Stock Exchange
"AIM Rules"	the rules of AIM, as amended from time to time
"Articles"	the articles of association of the Company
"Board" or "Directors"	the Directors of the Company as at the date of this document whose names are set out on page 2
"Brewin Dolphin"	Brewin Dolphin Securities Ltd
"Company" or "Printing.com"	Printing.com plc, or its business as the context requires
"CREST"	the computerised settlement system to facilitate the transfer of title in shares in uncertificated form, operated by CRESTCO Limited
"Existing Shares"	the 38,864,140 Existing Ordinary Shares in issue prior to the Placing
"Extraordinary General Meeting"	the extraordinary general meeting of the Company to be held on 9 August 2004
"EIS"	Enterprise Investment Scheme
"Group"	the Company and its subsidiaries
"Issue Price"	30p per Placing Share
"London Stock Exchange" or "Exchange"	London Stock Exchange plc
"New Ordinary Shares"	up to 3,833,333 new Ordinary Shares to be issued pursuant to the Placing
"Ordinary Shares"	ordinary shares of 1p each in the capital of the Company
"Placing"	the conditional placing of the New Ordinary Shares at the Issue Price described in this document, pursuant to the Placing Agreement
"Placing Agreement"	the conditional agreement dated 15 July 2004 between (1) the Company, (2) Brewin Dolphin and (3) the Directors relating to the Placing further details of which are contained in paragraph 9.1 of Part 4 of this document

"Provisional Clearance"	Advance Assurance from the Inland Revenue that the New Ordinary Shares will comply with the provisions of schedule 28 of the Income and Corporation Taxes Act 1988 and will be a qualifying shareholding under that schedule
"Qualifying Shares"	the 3,833,333 New Ordinary Shares treated as qualifying for the purposes of enterprise investment scheme legislation and venture capital trust legislation
"Regulations"	the Public Offers of Securities Regulations 1995 (as amended)
"Resolutions"	the resolutions to be proposed at the Extraordinary General Meeting authorising the Directors to allot the New Ordinary Shares pursuant to the Placing
"Shareholders" or "Members"	holders of Existing Shares
"Store"	dedicated presence under the printing.com banner
"VCT"	Venture Capital Trust

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