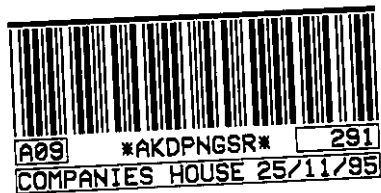


Art Pattern Limited

Directors' report and financial statements

31 March 1995

Registered number 2584243



Art Pattern Limited

Directors' report and financial statements

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Art Pattern Limited

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 1995.

Principal activities

The company is engaged in the manufacture of patterns, press knives, dies, punches, forme cutters, magnetic cutting systems and the sale of reconditioned machinery.

Business review

The result for the year is shown in the profit and loss account on page 6. The directors consider the result to be satisfactory and look forward to continued profitability in 1995.

Fixed assets

The movements in fixed assets are shown in Note 9 to the accounts.

Market value of land and buildings

In the opinion of the directors the market value of the land and buildings is not significantly different from their value in the accounts.

Directors and directors' interests

The directors, all of whom served throughout the year unless stated, together with their share interests in the company at 31 March 1995 and 31 March 1994 (or date of appointment) are as follows:

	Ordinary shares of £1 each
Mr ET Chapman	30,002
Mr RR Coleman	30,002
Mr P Franks	20,000
Mr MP Langham	20,000
Mr R Fuller	20,000
Mr KS Demorais	-

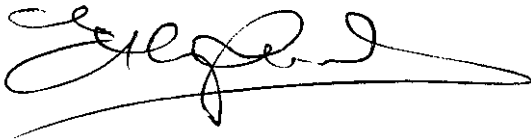
Art Pattern Limited

Directors' report

Auditors

On 6 February 1995 our auditors changed the name under which they practise to KPMG and, accordingly, have signed their report in their new name. In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

A handwritten signature in black ink, appearing to read 'ET Chapman', with a long horizontal flourish extending to the right.

ET Chapman
Secretary

Bedford Street
Leicester

26 September 1995

Art Pattern Limited

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



1 Waterloo Way
Leicester
LE1 6LP

Auditors' report to the members of Art Pattern Limited

We have audited the financial statements on pages 6 to 18.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit 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 statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 1995 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Chartered Accountants
Registered Auditors

20 November 1995.



1 Waterloo Way
Leicester
LE1 6LP

**Auditors' report to the directors of Art Pattern Limited
pursuant to section 248 of the Companies Act 1985**

We have examined the relevant financial statements of Art Pattern Limited and of its subsidiary undertakings. The scope of our work for the purpose of this report was limited to ascertaining whether Art Pattern Limited is entitled to the exemption from the requirement to prepare group accounts for the year ended 31 March 1995.

In our opinion, the group consisting of Art Pattern Limited and its subsidiary undertakings is a medium-sized group in respect of the year ended 31 March 1995 and Art Pattern Limited is therefore entitled to the exemption from the requirement to prepare group accounts under section 248 of the Companies Act 1985.

A handwritten signature in cursive script that reads 'KPMG'.

*Chartered Accountants
Registered Auditors*

20 November 1995.

Art Pattern Limited

Profit and loss account for the year ended 31 March 1995

	<i>Note</i>	1995 £	1994 £
Turnover		5,915,080	4,500,875
Change in stocks of finished goods and work in progress		136,537	10,563
Raw materials and consumables		(2,345,632)	(1,064,765)
Staff costs	4	(2,320,503)	(2,203,934)
Depreciation and other amounts written off tangible and intangible fixed assets		(99,546)	(102,653)
Other operating charges		(1,087,367)	(836,408)
Operating profit		198,569	303,678
Interest receivable and similar income	5	38	48
Interest payable and similar charges	6	(36,377)	(42,894)
Profit on ordinary activities before taxation	2	162,230	260,832
Tax on profit on ordinary activities	7	(44,949)	(21,064)
Profit on ordinary activities after taxation		117,281	239,768
Dividends	8	(12,000)	(10,000)
Retained profit for the year		105,281	229,768

A statement of movement in reserves is set out on page 16.

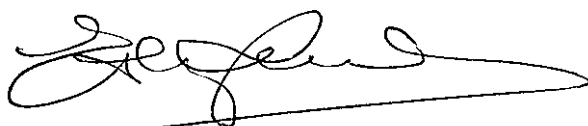
The company had no recognised gains or losses other than the profit for the year.

Art Pattern Limited

Balance sheet at 31 March 1995

	Note	1995	1994
		£	£
Fixed assets			
Tangible assets	9	811,451	719,436
Investments	10	20,100	20,100
Current assets			
Stocks	11	331,150	182,313
Debtors	12	1,355,438	1,201,658
Cash at bank and in hand		683	666
		<u>1,687,271</u>	<u>1,384,637</u>
Creditors: amounts falling due within one year	13	<u>(1,170,970)</u>	<u>(869,026)</u>
Net current assets		<u>516,301</u>	<u>515,611</u>
Total assets less current liabilities		<u>1,347,852</u>	<u>1,255,147</u>
Creditors: amounts falling due after more than one year	14	(225,283)	(239,922)
Provisions for liabilities and charges	15	(87,563)	(75,500)
Net assets		<u>1,035,006</u>	<u>939,725</u>
Capital and reserves			
Called up share capital	16	120,004	120,004
Other reserves	17	342,951	352,951
Profit and loss account	17	572,051	466,770
		<u>1,035,006</u>	<u>939,725</u>

These financial statements were approved by the board of directors on 26 September 1995 and signed on its behalf by:



E T Chapman
Director

Art Pattern Limited

Cash flow statement for the year ended 31 March 1995

	Note	1995		1994	
		£	£	£	£
Net cash inflow from operating activity	19		309,506		329,172
Return on investment and servicing of finance					
Interest received		38		48	
Interest paid		(36,377)		(42,894)	
Dividend paid		-		(10,000)	
		<u> </u>		<u> </u>	
Net cash outflow from returns on investments and servicing of finance			(36,339)		(52,846)
Taxation					
Corporation tax paid		(104,207)		(50,200)	
		<u> </u>	(104,207)	<u> </u>	(50,200)
Investing activities					
Payments to acquire tangible fixed assets		(157,620)		(71,490)	
Payments to acquire businesses		(10,000)		(10,000)	
Receipts from sales of tangible fixed assets		-		9,034	
		<u> </u>		<u> </u>	
Net cash outflow from investing activities			(167,620)		(72,456)
Net cash inflow before financing			1,340		153,670
Financing					
Issue of ordinary share capital		-		4	
Repayment of finance leases and hire purchase		(69,731)		(93,546)	
Loan finance repaid		(24,000)		(27,567)	
		<u> </u>		<u> </u>	
Net cash outflow from financing			(93,731)		(121,109)
(Decrease)/increase in cash and cash equivalents	20,21		<u> </u>		<u> </u>
			(92,391)		32,561

Art Pattern Limited

Reconciliation of movements in shareholders' funds for the year ended 31 March 1995

	1995 £	1994 £
Profit for the financial year	117,281	239,768
Dividends	(12,000)	(10,000)
	<u>105,281</u>	<u>229,768</u>
Other recognised gains and losses relating to the year (net)		
New share capital subscribed	-	20,004
Goodwill written off on acquisition of undertaking	(10,000)	(10,000)
	<u>95,281</u>	<u>239,772</u>
Net addition to shareholders' funds	95,281	239,772
Opening shareholders' funds	939,725	699,953
	<u>1,035,006</u>	<u>939,725</u>
Closing shareholders' funds	1,035,006	939,725

Art Pattern Limited

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

The company is exempt by virtue of s248 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

Fixed assets and depreciation

Depreciation is provided by the company to write off the cost less the estimated residual value of tangible fixed assets by annual instalments over their estimated useful economic lives as follows:

Freehold buildings	-	2% per annum reducing balance
Leasehold land and buildings	-	10% per annum reducing balance
Plant and machinery	-	15% per annum reducing balance
Fixtures and fittings	-	10% per annum reducing balance
Motor vehicles	-	25% per annum reducing balance
Computer software	-	33.3% per annum reducing balance

No depreciation is provided on freehold land.

Goodwill/(negative consolidation adjustment)

Goodwill/(negative consolidation adjustment) is calculated by deducting the fair value of assets acquired from the cost of acquisition of undertakings. Negative consolidation adjustments are credited to other reserves net of goodwill written off in the year of acquisition.

Leases

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

Art Pattern Limited

Notes (continued)

1 Accounting policies (continued)

Pension costs

The company operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company.

Stocks

Stocks are stated at the lower of cost and net realisable value.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Turnover

Turnover represents the amounts derived from the provision of goods and services to customers during the year, after deduction of value added tax and trade discounts.

2 Profit on ordinary activities before taxation

	1995 £	1994 £
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration	8,400	7,900
Depreciation	99,546	102,653
Rent of property under operating lease	<u>68,000</u>	<u>64,250</u>

3 Remuneration of directors

	1995 £	1994 £
Directors' emoluments:		
Remuneration as executives	<u>270,956</u>	<u>252,468</u>
Fees	-	<u>4,750</u>

The emoluments, excluding pension contributions, of the chairman were £49,395 (1994 : £56,300) and those of the highest paid director were £49,421 (1994 : £56,334).

The emoluments, excluding pension contributions, of the directors were within the following ranges:

		Number of directors	
		1995	1994
£10,001	- £15,000	-	1
£20,001	- £25,000	1	-
£25,001	- £30,000	-	1
£30,001	- £35,000	1	1
£40,001	- £45,000	1	-
£45,001	- £50,000	3	1
£55,001	- £60,000	-	2

Art Pattern Limited

Notes (continued)

4 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, was 151 (1994 : 140).

The aggregate payroll costs of these persons were as follows:

	1995 £	1994 £
Wages and salaries	2,074,108	1,932,462
Social security costs	199,542	186,945
Other pension costs	59,483	60,427
Employees' benefit trust	(12,000)	24,100
	<u>2,321,133</u>	<u>2,203,934</u>

5 Other interest receivable and similar income

	1995 £	1994 £
Interest on loan	<u>38</u>	<u>48</u>

6 Interest payable and similar charges

	1995 £	1994 £
Bank loan	16,745	13,178
Debenture interest	3,750	10,000
Finance charges payable in respect of finance leases and hire purchase contracts	<u>15,882</u>	<u>19,716</u>
	<u>36,377</u>	<u>42,894</u>

7 Taxation

	1995 £	1994 £
UK corporation tax at 33% (1994 : 33%) less marginal relief on the profit for the year on ordinary activities	35,784	91,000
(Over)/under provision in previous year	(5,898)	5,306
Deferred taxation charge/(credit)	<u>15,063</u>	<u>(75,242)</u>
	<u>44,949</u>	<u>21,064</u>

Art Pattern Limited

Notes (continued)

8 Dividends

	1995 £	1994 £
Paid	-	10,000
Proposed	<u>12,000</u>	<u>-</u>
	<u>12,000</u>	<u>10,000</u>

9 Tangible fixed assets

	Land and buildings	Plant and machinery	Fixtures fittings tools and equipment	Motor vehicles	Total
	£	£	£	£	£
<i>Cost</i>					
At beginning of year	231,637	596,773	29,689	131,627	989,726
Additions	<u>-</u>	<u>95,735</u>	<u>42,377</u>	<u>53,449</u>	<u>191,561</u>
At end of year	<u>231,637</u>	<u>692,508</u>	<u>72,066</u>	<u>185,076</u>	<u>1,181,287</u>
<i>Depreciation and diminution in value</i>					
At beginning of year	13,817	213,651	9,919	32,903	270,290
Charge for year	<u>4,360</u>	<u>67,591</u>	<u>2,913</u>	<u>24,682</u>	<u>99,546</u>
At end of year	<u>18,177</u>	<u>281,242</u>	<u>12,832</u>	<u>57,585</u>	<u>369,836</u>
<i>Net book value</i>					
At 31 March 1995	<u>213,460</u>	<u>411,266</u>	<u>59,234</u>	<u>127,491</u>	<u>811,451</u>
At 31 March 1994	<u>217,820</u>	<u>383,122</u>	<u>19,770</u>	<u>98,724</u>	<u>719,436</u>

The net book value of land and buildings comprises:

	1995 £	1994 £
Freehold	213,426	217,782
Short leasehold	<u>34</u>	<u>38</u>
	<u>213,460</u>	<u>217,820</u>

Included in the total net book value of tangible fixed assets is £119,868 (1994 : £214,351) in respect of assets held under finance leases. Depreciation for the year on these assets was £19,417 (1994 : £42,660).

Art Pattern Limited

Notes (continued)

10 Investment

The company owns the entire share capital of Magnaflex Systems Limited and Envelope Machines Direct Limited. Both companies are incorporated in Great Britain and registered in England and Wales. Neither company has traded since acquisition in 1994.

At the end of the year Magnaflex Systems Limited and Envelope Machines Direct Limited had total share capital and reserves of £58,428 and £100 respectively.

11 Stocks

	1995 £	1994 £
Raw materials and consumables	166,550	154,250
Work in progress	149,500	11,739
Finished goods	15,100	16,324
	<u>331,150</u>	<u>182,313</u>

12 Debtors

	1995 £	1994 £
Trade debtors	1,340,845	1,181,920
Other debtors	5,629	5,436
Prepayments and accrued income	8,964	14,302
	<u>1,355,438</u>	<u>1,201,658</u>

13 Creditors: amounts falling due within one year

	1995 £	1994 £
Bank loans and overdrafts	237,789	157,940
Obligations under finance leases and hire purchase contracts (see note 14)	30,289	62,881
Trade creditors	413,259	218,116
Amounts owed to subsidiary undertaking	58,405	58,405
Other creditors including taxation and social security:		
Corporation tax	52,064	111,322
Other taxes and social security	186,770	77,465
Other creditors	115,863	85,958
Accruals and deferred income	64,531	96,939
Proposed dividend	12,000	-
	<u>1,170,970</u>	<u>869,026</u>

The bank loans and overdrafts are secured by way of a fixed charge over the company's freehold property and fixed and floating charges over the assets and undertakings of the company.

Art Pattern Limited

Notes (continued)

14	Creditors: amounts falling due after more than one year		
		1995	1994
		£	£
	Debenture loans	100,000	100,000
	Bank loans	96,532	107,973
	Obligations under finance leases and hire purchase contracts	28,751	31,949
		<u>225,283</u>	<u>239,922</u>

Creditors payable by instalments

The debenture loan is repayable by five equal annual instalments commencing on 28 March 1997. Interest is charged at 10% per annum and the debenture is secured by fixed charge on the company's property and fixed and floating charges over the assets and undertaking of the company.

The maturity of obligations under finance leases and hire purchase contracts is as follows:

	1994	1993
	£	£
Within one year	30,289	62,881
In the second to fifth years	28,751	31,949
	<u>59,040</u>	<u>94,830</u>

The bank loans totalling £124,718 (1994 : £148,718) of which £28,186 (1994 : £40,745) is due within one year are repayable by monthly instalments of £3,395 including interest. Interest is charged at 3% over base and the loan is secured by a fixed charge over the company's property.

15 Provisions for liabilities and charges

Deferred taxation

An analysis is set out below:

	1995		1994	
	Provided	Unprovided	Provided	Unprovided
	£	£	£	£
Accelerated capital allowances	92,213	-	84,400	-
Short term timing differences	(1,650)	-	(8,900)	-
Recoverable advance corporation tax	(3,000)	-	-	-
	<u>87,563</u>	<u>-</u>	<u>75,500</u>	<u>-</u>

Art Pattern Limited

Notes (continued)

16	Called up share capital	1995 £	1994 £
	Authorised:		
	Ordinary shares of £1 each	<u>250,000</u>	<u>250,000</u>
	Allotted, called up and fully paid:		
	Ordinary shares of £1 each	<u>120,004</u>	<u>120,004</u>

17	Reserves	Other reserves £	Profit and loss account £
	At beginning of year	352,951	466,770
	Retained profit for the year	-	105,281
	Goodwill written off	<u>(10,000)</u>	<u>-</u>
	At end of year	<u>342,951</u>	<u>572,051</u>

The cumulative amount of goodwill written off against other reserves amount to £55,250 (1994 : £45,250).

During the year a further payment of £10,000 was made in respect of the Ski Press Knife acquisition which has been written off directly to reserves as goodwill.

The gross negative consolidation adjustment arising on business acquisitions amounts to £398,201 (1994 : £398,201).

18 Pension scheme

As explained in the accounting policies set out on page 11, the company operates a pension scheme providing benefits based on final pensionable pay, contributions being charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method.

The charge for the year is shown in note 4.

Art Pattern Limited

Notes(continued)

19 Reconciliation of operating profit and net cash inflow from operating activities

	1995 £	1994 £
Operating profit	198,569	303,678
Depreciation	99,546	102,653
Loss on sale of tangible fixed assets	-	11,956
Increase in stocks	(148,837)	(3,813)
Increase in debtors	(153,780)	(360,416)
Increase in creditors	314,008	275,114
	<u>309,506</u>	<u>329,172</u>

20 Analysis of changes in cash and cash equivalents during the year

	1995 £	1994 £
Balance at 31 March 1993	(116,529)	(149,090)
Net cash (outflow)/inflow	<u>(92,391)</u>	<u>32,561</u>
Balance at 31 March 1994	<u>(208,920)</u>	<u>(116,529)</u>

21 Analysis of the balances of cash and cash equivalents as shown in the balance sheet

	1995 £	1994 £	Change in year £
Cash at bank and in hand	683	666	17
Bank loans and overdrafts	<u>(209,603)</u>	<u>(117,195)</u>	<u>(92,408)</u>
	<u>(208,920)</u>	<u>(116,529)</u>	<u>(92,391)</u>

Art Pattern Limited

Notes(continued)

22 Analysis of changes in financing during the year

	Share capital £	Mortgage loan £	Finance lease obligations £	Debenture loan £
Balance at 31 March 1993	100,000	176,285	137,581	100,000
New finance leases	-	-	50,795	-
Finance lease payments	-	-	(93,546)	-
Loan repayment	-	(27,567)	-	-
New shares issued	20,004	-	-	-
Balance at 31 March 1994	120,004	148,718	94,830	100,000
New finance leases	-	-	33,941	-
Finance lease payments	-	-	(69,731)	-
Loan repayments	-	(24,000)	-	-
Balance at 31 March 1995	120,004	124,718	59,040	100,000

23 Commitments

- (i) Capital commitments at the end of the financial year for which no provision has been made.

	1995 £	1994 £
Contracted	-	-
Authorised but not contracted	-	-

- (ii) Annual commitments under non-cancellable operating leases are as follows:

	1995 Land and buildings £	1994 Land and buildings £
Operating leases which expire:		
Within one year	-	4,250
Within two to five years	8,000	-
Over five years	60,000	60,000
	<u>68,000</u>	<u>64,250</u>