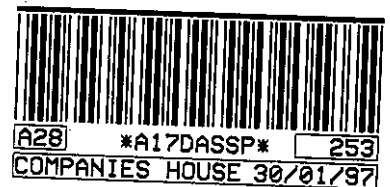


Art Pattern Limited

Directors' report and financial statements

31 March 1996

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 1996.

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 5. The directors consider the result to be satisfactory and look forward to continued profitability in 1997.

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 1996 and 31 March 1995 (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	-

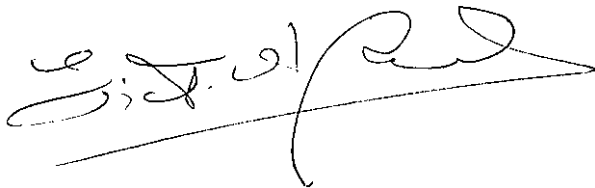
Art Pattern Limited

Directors' report

Auditors

In accordance with Section 385 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', written over a horizontal line.

ET Chapman
Secretary

Bedford Street
Leicester

21 January 1997

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 5 to 17.

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 1996 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*

28 January 1997

Art Pattern Limited

Profit and loss account for the year ended 31 March 1996

	<i>Note</i>	1996 £	1995 £
Turnover		6,608,674	5,915,080
Change in stocks of finished goods and work in progress		(33,250)	136,537
Raw materials and consumables		(2,743,791)	(2,345,632)
Staff costs	4	(2,505,336)	(2,320,503)
Depreciation and other amounts written off tangible fixed assets		(119,804)	(99,545)
Other operating charges		(999,421)	(1,087,368)
Operating profit		207,072	198,569
Interest receivable and similar income	5	-	38
Interest payable and similar charges	6	(54,912)	(36,377)
Profit on ordinary activities before taxation	2	152,160	162,230
Tax on profit on ordinary activities	7	(23,430)	(44,949)
Profit on ordinary activities after taxation		128,730	117,281
Dividends	8	-	(12,000)
Retained profit for the year		128,730	105,281

A statement of movement in reserves is set out on page 15.

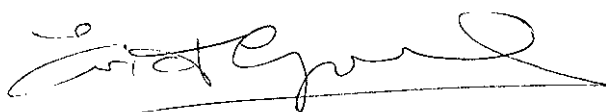
The company had no recognised gains or losses other than the profit for the year.

Art Pattern Limited

Balance sheet
at 31 March 1996

	Note	1996		1995	
		£	£	£	£
Fixed assets					
Tangible assets	9		794,966		811,451
Investments	10		20,100		20,100
Current assets					
Stocks	11	318,406		331,150	
Debtors	12	1,810,534		1,355,438	
Cash at bank and in hand		855		683	
			<u>2,129,795</u>		<u>1,687,271</u>
Creditors: amounts falling due within one year	13	(1,372,918)		(1,170,970)	
Net current assets			<u>756,877</u>		<u>516,301</u>
Total assets less current liabilities			<u>1,571,943</u>		<u>1,347,852</u>
Creditors: amounts falling due after more than one year	14		(340,714)		(225,283)
Provisions for liabilities and charges	15		(67,493)		(87,563)
Net assets			<u>1,163,736</u>		<u>1,035,006</u>
Capital and reserves					
Called up share capital	16		120,004		120,004
Other reserves	17		342,951		342,951
Profit and loss account	17		700,781		572,051
			<u>1,163,736</u>		<u>1,035,006</u>

These financial statements were approved by the board of directors on 21 January 1997 and signed on its behalf by:



E T Chapman
Director

Art Pattern Limited

Cash flow statement for the year ended 31 March 1996

	Note	1996	1995
		£	£
Net cash inflow from operating activity	19	(129,909)	309,506
Return on investment and servicing of finance			
Interest received		-	38
Interest paid		(54,912)	(36,377)
Dividend paid		(12,000)	-
		<u> </u>	<u> </u>
Net cash outflow from returns on investments and servicing of finance		(66,912)	(36,339)
Taxation			
Corporation tax recovered/(paid)		6,353	(104,207)
		<u> </u>	<u> </u>
		6,353	(104,207)
Investing activities			
Payments to acquire tangible fixed assets		-	(157,620)
Payments to acquire businesses		-	(10,000)
Receipts from sales of tangible fixed assets		6,890	-
		<u> </u>	<u> </u>
Net cash inflow/(outflow) from investing activities		6,890	(167,620)
Net cash inflow before financing		(183,578)	1,340
Financing			
Repayment of finance leases and hire purchase liabilities		(50,392)	(69,731)
Loan finance repaid		(44,000)	(24,000)
New bank loan		150,000	-
		<u> </u>	<u> </u>
Net cash inflow/(outflow) from financing		55,608	(93,731)
Decrease in cash and cash equivalents	20,21	<u>(127,970)</u>	<u>(92,391)</u>

Art Pattern Limited

Reconciliation of movements in shareholders' funds for the year ended 31 March 1996

	1996 £	1995 £
Profit for the financial year	128,730	117,281
Dividends	-	(12,000)
	<hr/>	<hr/>
	128,730	105,281
Other recognised gains and losses relating to the year (net)		
Goodwill written off on acquisition of undertaking	-	(10,000)
	<hr/>	<hr/>
Net addition to shareholders' funds	128,730	95,281
Opening shareholders' funds	1,035,006	939,725
	<hr/>	<hr/>
Closing shareholders' funds	1,163,736	1,035,006
	<hr/>	<hr/>

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

	1996 £	1995 £
<i>Profit on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration	8,500	8,400
Depreciation	114,554	99,546
Rent of property under operating lease	<u>68,000</u>	<u>68,000</u>

3 Remuneration of directors

	1996 £	1995 £
Directors' emoluments:		
Remuneration as executives	<u>323,110</u>	<u>270,956</u>

The emoluments, excluding pension contributions, of the chairman were £56,848 (1995 : £49,395) and those of the highest paid director were £57,509 (1995 : £49,421).

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

		Number of directors	
		1996	1995
£20,001	- £25,000	-	1
£25,001	- £30,000	1	-
£30,001	- £35,000	-	1
£40,001	- £45,000	-	1
£45,001	- £50,000	1	3
£50,001	- £55,000	2	-
£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 (1995 : 151).

The aggregate payroll costs of these persons were as follows:

	1996 £	1995 £
Wages and salaries	2,216,424	2,074,108
Social security costs	212,882	199,542
Other pension costs	76,030	59,483
Employees' benefit trust	-	(12,000)
	<u>2,505,336</u>	<u>2,321,133</u>

5 Other interest receivable and similar income

	1996 £	1995 £
Interest on loan	<u>-</u>	<u>38</u>

6 Interest payable and similar charges

	1996 £	1995 £
On bank loans, overdrafts and other loans wholly repayable within five years	26,054	16,745
Debenture interest	11,250	3,750
Finance charges payable in respect of finance leases and hire purchase contracts	17,608	15,882
	<u>54,912</u>	<u>36,377</u>

7 Taxation

	1995 £	1994 £
UK corporation tax at 25% on the profit for the year on ordinary activities	46,500	35,784
Over provision in previous year	-	(5,898)
Deferred taxation (credit)/charge	(23,070)	15,063
	<u>23,430</u>	<u>44,949</u>

Art Pattern Limited

Notes (continued)

8 Dividends

	1996 £	1995 £
Proposed	-	12,000

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	692,508	72,066	185,076	1,181,287
Additions	-	42,315	10,075	73,600	125,990
Disposals	-	(36,188)	-	(35,392)	(71,580)
At end of year	<u>231,637</u>	<u>698,635</u>	<u>82,141</u>	<u>223,284</u>	<u>1,235,697</u>
<i>Depreciation and diminution in value</i>					
At beginning of year	18,177	281,242	12,832	57,585	369,836
Charge for year	4,272	72,962	3,170	39,400	119,804
Disposals	-	(28,332)	-	(20,577)	(48,909)
At end of year	<u>22,449</u>	<u>325,872</u>	<u>16,002</u>	<u>76,408</u>	<u>440,731</u>
<i>Net book value</i>					
At 31 March 1996	<u>209,188</u>	<u>372,763</u>	<u>66,139</u>	<u>146,876</u>	<u>794,966</u>
At 31 March 1995	<u>213,460</u>	<u>411,266</u>	<u>59,234</u>	<u>127,491</u>	<u>811,451</u>

The net book value of land and buildings comprises:

	1996 £	1995 £
Freehold	209,157	213,426
Short leasehold	31	34
	<u>209,188</u>	<u>213,460</u>

Included in the total net book value of tangible fixed assets is £149,582 (1995 : £119,868) in respect of assets held under finance leases. Depreciation for the year on these assets was £27,709 (1995 : £19,417).

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

	1996 £	1995 £
Raw materials and consumables	187,056	166,550
Work in progress	131,350	149,500
Finished goods	-	15,100
	<u>318,406</u>	<u>331,150</u>

12 Debtors

	1996 £	1995 £
Trade debtors	1,770,045	1,340,845
Other debtors	26,000	5,629
Prepayments and accrued income	14,489	8,964
	<u>1,810,534</u>	<u>1,355,438</u>

13 Creditors: amounts falling due within one year

	1996 £	1995 £
Debenture loan	20,000	-
Bank loans and overdrafts	391,745	237,789
Obligations under finance leases and hire purchase contracts (see note 14)	50,642	30,289
Trade creditors	542,593	413,259
Amounts owed to subsidiary undertaking	58,405	58,405
Other creditors including taxation and social security:		
Corporation tax	101,917	52,064
Other taxes and social security	101,729	186,770
Other creditors	24,804	115,863
Accruals and deferred income	81,083	64,531
Proposed dividend	-	12,000
	<u>1,372,918</u>	<u>1,170,970</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		
		1996	1995
		£	£
	Debenture loan	80,000	100,000
	Bank loans repayable in less than five years	176,718	96,532
	Obligations under finance leases and hire purchase contracts	83,996	28,751
		<u>340,714</u>	<u>225,283</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:

		1996	1995
		£	£
	Within one year	50,642	30,289
	In the second to fifth years	83,996	28,751
		<u>134,638</u>	<u>59,040</u>

15 Provisions for liabilities and charges

Deferred taxation

An analysis is set out below:

	1996		1995	
	Provided	Unprovided	Provided	Unprovided
	£	£	£	£
Accelerated capital allowances	68,693	-	92,213	-
Short term timing differences	(1,200)	-	(1,650)	-
Recoverable advance corporation tax	-	-	(3,000)	-
	<u>67,493</u>	<u>-</u>	<u>87,563</u>	<u>-</u>

Art Pattern Limited

Notes (continued)

16	Called up share capital	1996 £	1995 £
	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	342,951	572,051
	Retained profit for the year	-	<u>128,730</u>
	At end of year	<u>342,951</u>	<u>700,781</u>

The cumulative amount of goodwill written off against other reserves amount to £55,250 (1995 : £55,250).

The gross negative consolidation adjustment arising on business acquisitions amounts to £398,201 (1995 : £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

	1996 £	1995 £
Operating profit	207,072	198,569
Depreciation	119,804	99,546
Loss on sale of tangible fixed assets	15,781	-
Decrease/(increase) in stocks	12,744	(148,837)
Increase in debtors	(455,096)	(153,780)
(Decrease)/increase in creditors	(30,214)	314,008
	<u>(129,909)</u>	<u>309,506</u>

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

	1996 £	1995 £
Balance at 31 March 1995	(208,920)	(116,529)
Net cash outflow	<u>(127,970)</u>	<u>(92,391)</u>
Balance at 31 March 1996	<u>(336,890)</u>	<u>(208,920)</u>

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

	1996 £	1995 £	Change in year £
Cash at bank and in hand	855	683	172
Bank loans and overdrafts	<u>(337,745)</u>	<u>(209,603)</u>	<u>(128,142)</u>
	<u>(336,890)</u>	<u>(208,920)</u>	<u>(127,970)</u>

Art Pattern Limited

Notes(continued)

22 Analysis of changes in financing during the year

	Finance lease and hire purchase liabilities £	Debentures £	Bank loans £
Balance at 31 March 1994	94,830	100,000	148,718
New finance leases	33,941	-	-
Finance lease payments	(69,731)	-	-
Loan repayment	-	-	(24,000)
	<u> </u>	<u> </u>	<u> </u>
Balance at 31 March 1995	59,040	100,000	124,718
New finance leases	125,990	-	-
Finance lease payments	(50,392)	-	-
Loan repayments	-	-	(44,000)
New loan	-	-	150,000
	<u> </u>	<u> </u>	<u> </u>
Balance at 31 March 1996	<u>134,638</u>	<u>100,000</u>	<u>230,718</u>

23 Post balance sheet event

On 3 May 1996, the company acquired the entire share capital of Stanley Press Knives Limited for a cost of £60,000.

24 Commitments

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

	1996 £	1995 £
Contracted	-	-
Authorised but not contracted	-	-
	<u> </u>	<u> </u>

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

	1996		1995	
	Land and buildings £	Other £	Land and buildings £	Other £
Operating leases which expire:				
Within one year	8,000	-	-	-
Within two to five years	6,000	-	8,000	-
Over five years	-	8,560	60,000	-
	<u>14,000</u>	<u>8,560</u>	<u>68,000</u>	<u>-</u>