

Art Pattern Limited

**Directors' report and financial
statements**

Registered number 2584243

31 March 2000



Contents

Directors' report	1
Statement of directors' responsibilities	3
Report of the auditors to the members of Art Pattern Limited	4
Profit and loss account	5
Balance sheet	6
Cash flow statement	7
Reconciliation of movements in shareholders' funds	8
Notes	9

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2000.

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 company has incurred a loss because of substantial development costs on new products. The directors are confident that the company will return to profitability in the current year.

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, together with their share interests in the company are as follows:

	Ordinary shares of £1 each	
	At 31 March 2000	At 31 March 1999
Mr ET Chapman	30,002	30,002
Mr RR Coleman	18,002	18,002
Mr P Franks	20,000	20,000
Mr MP Langham	20,000	20,000
Mr R Fuller	20,000	20,000
Mr KS Demorais	-	-

Directors' report *(continued)*

Directors and directors' interests

According to the register of directors' interests, no rights to subscribe for shares in the company were granted to any of the directors or their immediate families, or exercised by them during the financial year except as indicated below:

	Number of options At start and end of year	Exercise price	Date from which exercisable	Expiry date
Mr KS Demorais	12,000	£2.20	7.11.1999	7.11.2006

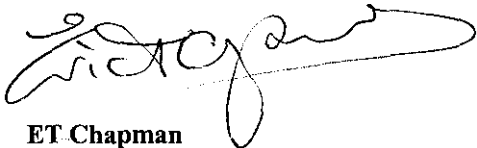
Purchase of own shares

In April 2000 the company purchased 18002 of its shares from Mr RR Coleman for £135,000.

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



ET Chapman
Secretary

Bedford Street
Leicester

30 January 2001

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
United Kingdom

Report of the auditors to the members of Art Pattern Limited

We have audited the financial statements on pages 5 to 20.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

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 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

Chartered Accountants

Registered Auditors

31 January 2001

Profit and loss account
for the year ended 31 March 2000

	<i>Note</i>	2000 £	1999 £
Turnover		6,948,421	6,929,795
Change in stocks of finished goods and work in progress		294,828	(82,710)
Raw materials and consumables		(3,218,811)	(2,631,954)
Staff costs	4	(2,559,961)	(2,593,840)
Other external charges		(308,363)	(283,676)
Depreciation and other amounts written off tangible and intangible fixed assets		(113,437)	(118,211)
Other operating charges		(959,188)	(938,959)
		<hr/>	<hr/>
Operating profit		83,489	280,445
Interest payable and similar charges	5	(127,185)	(171,418)
Diminution in the value of own shares		(9,700)	(19,400)
		<hr/>	<hr/>
(Loss)/profit on ordinary activities before taxation	2	(53,396)	89,627
Tax on (loss)/profit on ordinary activities	6	3,000	(20,220)
		<hr/>	<hr/>
Retained (loss)/profit for the year		(50,396)	69,407
		<hr/> <hr/>	<hr/> <hr/>

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

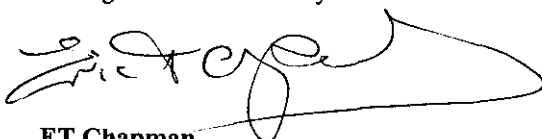
A statement of movement in reserves is set out on page 18.

All activities relate to continuing operations.

Balance sheet
 at 31 March 2000

	Note	2000		1999	
		£	£	£	£
Fixed assets					
Intangible assets	7		188,792		27,990
Tangible assets	8		906,180		866,221
Investments	9		188,760		198,460
			1,283,732		1,092,671
Current assets					
Stocks	10	984,112		656,147	
Debtors	11	2,560,060		2,099,807	
Cash in hand		1,005		519	
			3,545,177		2,756,473
Creditors: amounts falling due within one year	12	(3,100,406)		(2,024,157)	
Net current assets	11				
Due within one year		429,771		717,316	
Due after more than one year		15,000	444,771	15,000	732,316
			1,728,503		1,824,987
Total assets less current liabilities					
Creditors: amounts falling due after more than one year	13		(268,392)		(314,480)
			1,460,111		1,510,507
Net assets					
Capital and reserves					
Called up share capital	15		120,004		120,004
Other reserves	16		438,016		438,016
Profit and loss account	16		902,091		952,487
			1,460,111		1,510,507
Shareholders funds - equity interests					

These financial statements were approved by the board of directors on 30 January 2001 and signed on its behalf by:



ET Chapman
 Director

Cash flow statement
for the year ended 31 March 2000

	<i>Note</i>	2000	1999
		£	£
Reconciliation of operating profit to net cash flow from operating activities			
Operating profit		83,489	280,445
Depreciation and amortisation charges		113,437	118,211
Loss/(profit) on sale of fixed assets		8,871	(7,073)
(Increase)/decrease in stocks		(327,965)	72,824
(Increase)/decrease in debtors		(460,253)	150,264
Increase/(decrease) in creditors		827,042	(550,800)
		<hr/>	<hr/>
Net cash inflow from operating activities		244,621	63,871
		<hr/> <hr/>	<hr/> <hr/>

Cash flow statement

Cash flow from operating activities		244,621	63,871
Returns on investments and servicing of finance	<i>19</i>	(127,985)	(166,650)
Taxation		(16,731)	(39,571)
Capital expenditure and financial investment	<i>19</i>	(199,429)	23,991
		<hr/>	<hr/>
Cash outflow before financing		(99,524)	(118,359)
Financing	<i>19</i>	(172,219)	(157,272)
		<hr/>	<hr/>
Decrease in cash in the year		(271,743)	(275,631)
		<hr/> <hr/>	<hr/> <hr/>
Reconciliation of net cash flow to movement in net debt			
	<i>20</i>		
Decrease in cash in the year		(271,743)	(275,631)
Change in net debt resulting from cash flows		172,219	177,272
New finance leases		(123,640)	(167,018)
		<hr/>	<hr/>
Movement in net debt in the year		(223,164)	(265,377)
Net debt at the start of the year		(1,172,924)	(907,547)
		<hr/>	<hr/>
Net debt at the end of the year		(1,396,088)	(1,172,924)
		<hr/> <hr/>	<hr/> <hr/>

Reconciliation of movements in shareholders' funds
for the year ended 31 March 2000

	2000 £	1999 £
(Loss)/profit for the financial year	(50,396)	69,407
Opening shareholders' funds	1,510,507	1,441,100
Closing shareholders' funds	1,460,111	1,510,507

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.

Goodwill

Goodwill arising on the acquisition of businesses (representing the excess of the fair value of the consideration given over the fair value of the separate net assets acquired) is written off against reserves. Any excess of the fair value of net assets acquired over the fair value of the consideration given (negative goodwill) is credited direct to reserves.

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
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.

Intangible assets are amortised over their estimated useful economic lives as follows:

Design rights - 15% per annum reducing balance

Investments

Investments are started at cost less amounts written off.

Notes (continued)

1 Accounting policies (continued)

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.

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.

Employee share schemes

The cost of awards to employees that take the form of shares or rights to shares are recognised over the period of the employee's related performance. Where there are no performance criteria, the cost is recognised when the employee becomes unconditionally entitled to the shares.

Research and development costs

Expenditure on pure and applied research is written off against profits in the year in which it is incurred.

Expenditure on development is written off against profits in the year in which it is incurred, except in such circumstances that it meets the criteria in SSAP 13 in which case development costs are capitalised and amortised over future accounting periods on a systematic basis by reference to sale or use.

Notes *(continued)*

2 (Loss)/profit on ordinary activities before taxation

	2000	1999
	£	£
<i>(Loss)/profit on ordinary activities before taxation is stated after charging</i>		
Auditors' remuneration:		
Audit	9,500	9,000
Other services - fees paid to the auditor	6,850	11,877
Depreciation and other amounts written off tangible and intangible fixed assets	113,437	118,212
Rent of property under operating lease	85,000	87,700
	-----	-----

3 Remuneration of directors

	2000	1999
	£	£
Directors' emoluments	339,203	312,080
Company contributions to money purchase pension schemes	48,379	40,850
	-----	-----

The aggregate of emoluments of the highest paid director were £72,045 (1999 : £71,578), and company pension contributions of £5,000 (1999 : £5,000) were made to a money purchase scheme on his behalf.

	Number of directors	
	2000	1999
Retirement benefits are accruing to the following number of directors under:		
Money purchase schemes	6	6
	-----	-----
The number of directors in respect of whose services shares are receivable under long term incentive schemes is:	1	1
	-----	-----

Notes (continued)

4 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year analysed by category was as follows:

	2000 Number	1999 Number
Management	12	12
Sales and administration	11	11
Design and production	109	107
	132	130

The aggregate payroll costs of these persons were as follows:

	2000 £	1999 £
Wages and salaries	2,250,731	2,273,990
Social security costs	201,054	214,103
Other pension and private health costs	108,176	105,747
	2,559,961	2,593,840

5 Interest payable and similar charges

	2000 £	1999 £
On bank loans and overdrafts	104,528	127,404
Debenture interest	4,067	8,734
Finance charges payable in respect of finance leases and hire purchase contracts	18,590	22,980
Exchange loss on loan to subsidiary undertaking	-	12,300
	127,185	171,418

6 Taxation

	2000 £	1999 £
UK corporation tax recoverable from previous years	(9,500)	-
UK corporation tax at 21% on the profit for the year on ordinary activities	-	19,000
Deferred taxation credit	-	(2,000)
Under provision in previous years	6,500	3,220
	(3,000)	20,220

Notes *(continued)*

7 Intangible fixed assets

	Development costs	Design rights £	Total
<i>Cost</i>			
At beginning of year	-	35,842	35,842
Additions	150,000	15,000	165,000
	<hr/>	<hr/>	<hr/>
At end of year	150,000	50,842	200,842
	<hr/>	<hr/>	<hr/>
<i>Amortisation</i>			
At 1 April 1999	-	7,852	7,852
Charge for year	-	4,198	4,198
	<hr/>	<hr/>	<hr/>
At 31 March 2000	-	12,050	12,050
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 March 2000	150,000	38,792	188,792
	<hr/>	<hr/>	<hr/>
At 31 March 1999	-	27,990	27,990
	<hr/>	<hr/>	<hr/>

Notes *(continued)*

8 Tangible fixed assets

	Freehold land and buildings	Plant and machinery	Fixtures fittings tools and equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
At beginning of year	231,021	790,171	80,291	207,063	1,308,546
Additions	-	42,500	1,000	132,640	176,140
Disposals	-	(19,046)	(966)	(101,545)	(121,557)
At end of year	231,021	813,625	80,325	238,158	1,363,129
Depreciation and diminution in value					
At beginning of year	34,164	245,232	57,815	105,114	442,325
Charge for year	3,937	78,103	2,373	24,826	109,239
Disposals	-	(18,280)	(694)	(75,641)	(94,615)
At end of year	38,101	305,055	59,494	54,299	456,949
Net book value					
At 31 March 2000	192,920	508,570	20,831	183,859	906,180
At 31 March 1999	196,857	544,939	22,476	101,949	866,221

Included in the total net book value of tangible fixed assets is £444,451 (1999 : £392,650) in respect of assets held under finance leases. Depreciation for the year on these assets was £48,950 (1999 : £49,430).

Notes (continued)

9 Investments

	Own shares £	Shares in group undertakings £	Loan to group undertaking £	Total £
Cost				
At beginning and end of year	55,500	88,519	110,700	254,719
Provisions				
At beginning of year	19,400	36,859	-	56,259
Charge for year	9,700	-	-	9,700
At end of year	29,100	36,859	-	65,959
Net book value				
At 31 March 2000	26,400	51,660	110,700	188,760
At 31 March 1999	36,100	51,660	110,700	198,460

The company owns the entire share capital of Stanley Press Knives Limited, Magnaflex Systems Limited and Envelope Machines Direct Limited. All companies are incorporated in Great Britain and registered in England and Wales. None of the companies has traded since acquisition.

The company also owns 69% of the share capital of Art Pattern Kalkman BV which is incorporated and registered in Holland. During the year ended 31 March 2000 the company made a profit of £31,485 and had a deficiency of share capital and reserves of £52,430 at the end of the year.

At the end of the year Stanley Press Knives Limited, Magnaflex Systems Limited and Envelope Machines Direct Limited had total share capital and reserves of £23,041, (1999 : £23,041), £58,428 (1999 : £58,428), and £100 (1999 : £100).

Own shares relate to payments to The Art Pattern Employee Benefit Trust relating to the purchase of 12,000 shares which in the future will be distributed to directors under a share option scheme. The nominal value of these shares is £12,000. The provision represents a write down of the difference between the cost of the shares and the exercise option price of £2.20 over the period between the date when the option was granted and the date the option was first exercisable.

10 Stocks

	2000 £	1999 £
Raw materials and consumables	276,395	243,258
Work in progress	707,717	412,889
	984,112	656,147

Notes (continued)

11 Debtors

	2000	1999
	£	£
Trade debtors	2,514,306	2,064,655
Amount owed by subsidiary undertaking	24,080	16,428
Other debtors	5,411	6,067
Prepayments and accrued income	16,263	12,657
	2,560,060	2,099,807
	2,560,060	2,099,807

The amount owed by subsidiary undertaking includes a loan of £15,000 (1999 : £15,000) relating to Art Pattern Kalkman BV in which Art Pattern Limited has a 69% shareholding. This loan is interest free and has no fixed repayment date, but will not be payable within one year of the balance sheet date.

12 Creditors: amounts falling due within one year

	2000	1999
	£	£
Debenture loan	20,000	20,000
Bank loans and overdrafts	1,025,006	749,663
Obligations under finance leases and hire purchase contracts	103,695	109,300
Trade creditors	1,631,682	865,689
Amounts owed to subsidiary undertaking	81,546	81,546
Other creditors including taxation and social security:		
Corporation tax	16,000	35,731
Other taxes and social security	114,914	58,049
Other creditors	9,740	7,394
Accruals and deferred income	97,823	96,785
	3,100,406	2,024,157
	3,100,406	2,024,157

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.

13 Creditors: amounts falling due after more than one year

	2000	1999
	£	£
Debenture loan	20,000	40,000
Bank loans repayable in less than five years	61,859	95,105
Obligations under finance leases and hire purchase contracts	186,533	179,375
	268,392	314,480
	268,392	314,480

Notes *(continued)*

13 Creditors: amounts falling due after more than one year *(continued)*

The debenture loan is repayable by equal annual instalments of £20,000. 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 undertakings of the company.

The bank loan is repayable by equal monthly instalments of £3,361 and interest is charged at 2.25% above the bank base rate.

Obligations under finance leases and hire purchase contracts are secured upon the assets to which they relate.

14 Deferred taxation

	2000		1999	
	Provided £	Unprovided £	Provided £	Unprovided £
Accelerated capital allowances	-	104,000	-	98,000
	<hr/>	<hr/>	<hr/>	<hr/>

15 Called up share capital

	2000 £	1999 £
Authorised:		
Ordinary shares of £1 each	250,000	250,000
	<hr/>	<hr/>
Allotted, called up and fully paid:		
Ordinary shares of £1 each	120,004	120,004
	<hr/>	<hr/>

Notes *(continued)*

16 Reserves

	Other reserves	Profit and loss account
	£	£
At beginning of year	438,016	952,487
Retained loss for the year	-	(50,396)
	<hr/>	<hr/>
At end of year	438,016	902,091
	<hr/>	<hr/>

The cumulative amount of goodwill written off against other reserves amount to £115,520. (1999 : £115,520).

The gross negative consolidation adjustment arising on business acquisitions amounts to £398,201 (1999 : £398,201).

17 Pension scheme

As explained in the accounting policies set out on page 10, 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 £97,735 (1999 : £94,942).

18 Commitments

a) Capital commitments

	2000	1999
	£	£
Contracted:		
Finance leases, the inception of which occurs after the year end	-	14,000
	<hr/>	<hr/>

Notes (continued) b)

18 Commitments (continued)

(b) Operating lease commitments

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

	2000 Land and buildings £	1999 Land and buildings £
Operating leases which expire:		
Within one year	53,834	22,500
Within two to five years	-	65,200
	53,834	87,700
	53,834	87,700

19 Analysis of cash flows

	2000 £	2000 £	1999 £	1999 £
Returns on investment and servicing of finance				
Interest paid	(109,395)		(143,670)	
Interest element of finance lease and hire purchase liabilities	(18,590)		(22,980)	
	(127,985)	(127,985)	(166,650)	(166,650)
		(127,985)		(166,650)
Capital expenditure and financial investment				
Purchase of tangible fixed assets	(52,500)		(7,259)	
Expenditure on intangible fixed assets	(165,000)		-	
Sale of plant and machinery	18,071		31,250	
	(199,429)	(199,429)	23,991	23,991
		(199,429)		23,991
Financing				
Repayment of finance leases and hire purchase liabilities	(122,087)		(107,140)	
Loan finance repaid	(30,132)		(30,132)	
Debenture loan repaid	(20,000)		(20,000)	
	(172,219)	(172,219)	(157,272)	(157,272)
		(172,219)		(157,272)

Notes *(continued)*

20 Analysis of net debt

	At beginning of year £	Cash flow £	Other non cash changes £	At end of year £
Cash in hand	519	486		1,005
Overdrafts	(719,922)	(272,229)		(992,151)
		(271,743)		
Debt due after one year	(135,105)	53,246		(81,859)
Debt due within one year	(29,741)	(3,114)		(32,855)
Finance leases and hire purchase liabilities	(288,675)	122,087	(123,640)	(290,228)
		172,219		
Total	<u>(1,172,924)</u>	<u>(99,524)</u>	<u>(123,640)</u>	<u>(1,396,088)</u>