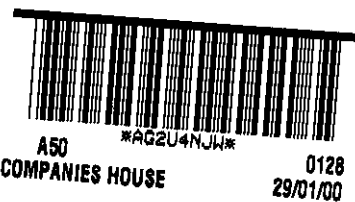


**Art Pattern Limited**

**Directors' report and financial  
statements**

**Registered number 2584243**

**31 March 1999**



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## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 1999.

### 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.

### Year 2000

The company has experienced no problems as a result of the Year 2000 problem and none are expected in the near future. However, this is a complex problem and progress will continue to be monitored but any issues are expected to be minor.

### 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<br>1999        | At 31 March<br>1998 |
| 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              |

## Directors' report *(continued)*

### Directors and directors' interests

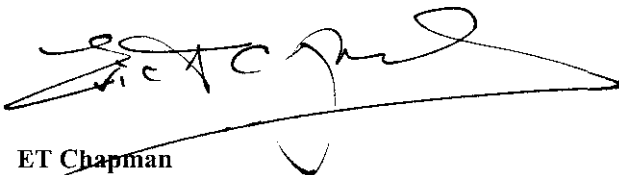
According to the register of directors' interests, no rights to subscribe for shares in the company were granted to any of the directors or their immediate families, or exercised by them during the financial year except as indicated below:

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

### 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

28 January 2000

## 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 19.

### ***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 1999 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 2000*

**Profit and loss account**  
*for the year ended 31 March 1999*

|   | <i>Note</i> | 1999<br>£        | 1998<br>£   |
|---|-------------|------------------|-------------|
| <b>Turnover</b>   |             | <b>6,929,795</b> | 7,487,346   |
| Change in stocks of finished goods and work in progress                         |             | (82,710)         | 264,831     |
| Raw materials and consumables   |             | (2,631,954)      | (3,318,997) |
| Staff costs   | 4           | (2,593,840)      | (2,708,117) |
| Other external charges  |             | (283,675)        | (363,855)   |
| Depreciation and other amounts written off tangible and intangible fixed assets |             | (118,212)        | (121,665)   |
| Other operating charges   |             | (938,959)        | (1,032,235) |
|   |             | <hr/>            | <hr/>       |
| <b>Operating profit</b>   |             | <b>280,445</b>   | 207,308     |
| <b>Interest payable and similar charges</b>                                     | 5           |                  |             |
| Interest payable  |             | 159,118          | (146,012)   |
| Exchange loss on loan to subsidiary undertaking                                 |             | 12,300           | -           |
|   |             | (171,418)        | (146,012)   |
| Exceptional item  | 2           | (19,400)         | -           |
|   |             | <hr/>            | <hr/>       |
| <b>Profit on ordinary activities before taxation</b>                            | 2           | <b>89,627</b>    | 61,296      |
| Tax on profit on ordinary activities  | 6           | (20,220)         | (48,242)    |
|   |             | <hr/>            | <hr/>       |
| <b>Retained profit for the year</b>   |             | <b>69,407</b>    | 109,538     |
|   |             | <hr/> <hr/>      | <hr/> <hr/> |

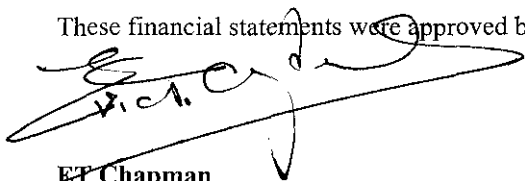
A statement of movement in reserves is set out on page 17.

All activities relate to continuing operations.

**Balance sheet**  
*at 31 March 1999*

|  | Note | 1999        |             | 1998        |             |
|--|------|-------------|-------------|-------------|-------------|
|  |      | £           | £           | £           | £           |
| <b>Fixed assets</b>  |      |             |             |             |             |
| Tangible assets  | 7    |             | 866,221     |             | 829,392     |
| Intangible assets  | 8    |             | 27,990      |             | 32,930      |
| Investments  | 9    |             | 198,460     |             | 230,160     |
|  |      |             | <hr/>       |             | <hr/>       |
|  |      |             | 1,092,671   |             | 1,092,482   |
| <b>Current assets</b>  |      |             |             |             |             |
| Stocks   | 10   | 656,147     |             | 728,971     |             |
| Debtors  | 11   | 2,099,807   |             | 2,250,071   |             |
| Cash at bank and in hand                                       |      | 549         |             | 312         |             |
|  |      |             | <hr/>       |             | <hr/>       |
|  |      |             | 2,756,473   |             | 2,979,354   |
| <b>Creditors: amounts falling due within one year</b>          | 12   | (2,024,157) |             | (2,305,088) |             |
|  |      |             | <hr/>       |             | <hr/>       |
| <b>Net current assets</b>                                      | 11   |             |             |             |             |
| Due within one year  |      | 717,316     |             | 674,266     |             |
| Due after more than one year                                   |      | 15,000      | 732,316     | -           | 674,266     |
|  |      |             | <hr/>       |             | <hr/>       |
| <b>Total assets less current liabilities</b>                   |      |             | 1,824,987   |             | 1,766,748   |
| <b>Creditors: amounts falling due after more than one year</b> | 13   |             | (314,480)   |             | (320,148)   |
| <b>Provisions for liabilities and charges</b>                  | 14   |             | -           |             | (5,500)     |
|  |      |             | <hr/>       |             | <hr/>       |
| <b>Net assets</b>  |      |             | 1,510,507   |             | 1,441,100   |
|  |      |             | <hr/> <hr/> |             | <hr/> <hr/> |
| <b>Capital and reserves</b>                                    |      |             |             |             |             |
| Called up share capital  | 15   |             | 120,004     |             | 120,004     |
| Other reserves   | 16   |             | 438,016     |             | 438,016     |
| Profit and loss account  | 16   |             | 952,487     |             | 883,080     |
|  |      |             | <hr/>       |             | <hr/>       |
| <b>Shareholders funds - equity interests</b>                   |      |             | 1,510,507   |             | 1,441,100   |
|  |      |             | <hr/> <hr/> |             | <hr/> <hr/> |

These financial statements were approved by the board of directors on 28 January 2000 and signed on its behalf by:

  
 ET Chapman  
 Director



## Cash flow statement

for the year ended 31 March 1999

|  | <i>Note</i> | <b>1999</b>   | 1998           |
|--|-------------|---------------|----------------|
|  |             | £             | £              |
| <b>Reconciliation of operating profit to net cash flow from operating activities</b> |             |               |                |
| Operating profit   |             | 280,445       | 207,308        |
| Depreciation and amortisation charges  |             | 118,211       | 121,665        |
| (Profit)/loss on sale of fixed assets  |             | (7,073)       | 30,483         |
| Decrease/(increase) in stocks  |             | 72,824        | (289,927)      |
| Decrease/(increase) in debtors   |             | 150,264       | (415,092)      |
| (Decrease)/increase in creditors   |             | (550,800)     | 704,975        |
|  |             | <hr/>         | <hr/>          |
| <b>Net cash inflow from operating activities</b>                                     |             | <b>63,871</b> | <b>359,412</b> |
|  |             | <hr/> <hr/>   | <hr/> <hr/>    |

## Cash flow statement

|  |    |                    |                  |
|--|----|--------------------|------------------|
| Cash flow from operating activities                            |    | 63,871             | 359,412          |
| Returns on investments and servicing of finance                | 20 | (166,650)          | (149,389)        |
| Taxation   |    | (39,571)           | (20,715)         |
| Capital expenditure and financial investment                   | 20 | 23,991             | (96,278)         |
|  |    | <hr/>              | <hr/>            |
| Cash (outflow)/inflow before financing                         |    | (118,359)          | 93,030           |
| <b>Financing</b>   | 20 | <b>(157,272)</b>   | <b>(158,117)</b> |
|  |    | <hr/>              | <hr/>            |
| <b>Decrease in cash in the year</b>                            |    | <b>(275,631)</b>   | <b>(65,087)</b>  |
|  |    | <hr/> <hr/>        | <hr/> <hr/>      |
| <b>Reconciliation of net cash flow to movement in net debt</b> |    |                    |                  |
|  | 21 |                    |                  |
| <b>Decrease in cash in the year</b>                            |    | <b>(275,631)</b>   | <b>(65,087)</b>  |
| Change in net debt resulting from cash flows                   |    | 177,272            | 158,117          |
| New finance leases   |    | (167,018)          | (210,453)        |
|  |    | <hr/>              | <hr/>            |
| <b>Movement in net debt in the year</b>                        |    | <b>(265,377)</b>   | <b>(117,423)</b> |
| <b>Net debt at the start of the year</b>                       |    | <b>(907,547)</b>   | <b>(790,124)</b> |
|  |    | <hr/>              | <hr/>            |
| <b>Net debt at the end of the year</b>                         |    | <b>(1,172,924)</b> | <b>(907,547)</b> |
|  |    | <hr/> <hr/>        | <hr/> <hr/>      |

**Reconciliation of movements in shareholders' funds**  
*for the year ended 31 March 1999*

|   | 1999<br>£        | 1998<br>£   |
|---|------------------|-------------|
| <b>Profit for the financial year</b>        | <b>69,407</b>    | 109,538     |
| Other recognised gains relating to the year | -                | 95,065      |
|   | <hr/>            | <hr/>       |
| <b>Net addition to shareholders' funds</b>  | <b>69,407</b>    | 204,603     |
| Opening shareholders' funds                 | <b>1,441,100</b> | 1,236,497   |
|   | <hr/>            | <hr/>       |
| <b>Closing shareholders' funds</b>          | <b>1,510,507</b> | 1,441,100   |
|   | <hr/> <hr/>      | <hr/> <hr/> |

**Statement of total recognised gains and losses**

|  | 1999<br>£     | 1998<br>£   |
|--|---------------|-------------|
| Profit for the financial year  | <b>69,407</b> | 109,538     |
| Know-how treated as part of cost of investment in subsidiary undertaking | -             | 50,000      |
| Unrealised profit on assets transferred to subsidiary                    | -             | 45,065      |
|  | <hr/>         | <hr/>       |
| Total recognised gains and losses relating to the year                   | <b>69,407</b> | 204,603     |
|  | <hr/> <hr/>   | <hr/> <hr/> |

## 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 research and development is written off against profits in the year in which it is incurred.

**Notes** (continued)

**2 Profit on ordinary activities before taxation**

|   | 1999              | 1998              |
|---|-------------------|-------------------|
|   | £                 | £                 |
| <i>Profit on ordinary activities before taxation is stated after charging</i>   |                   |                   |
| Auditors' remuneration:   |                   |                   |
| Audit   | 9,000             | 9,000             |
| Other services - fees paid to the auditor                                       | 11,877            | 11,762            |
| Depreciation and other amounts written off tangible and intangible fixed assets | 118,212           | 121,665           |
| Rent of property under operating lease  | 87,700            | 77,700            |
|   | <u>          </u> | <u>          </u> |

The exceptional item relates to a provision for diminution in the value of own shares.

**3 Remuneration of directors**

|   | 1999              | 1998              |
|---|-------------------|-------------------|
|   | £                 | £                 |
| Directors' emoluments                                   | 312,080           | 331,997           |
| Company contributions to money purchase pension schemes | 40,850            | 40,018            |
|   | <u>          </u> | <u>          </u> |

The aggregate of emoluments of the highest paid director were £71,578 (1998 : £68,507), and company pension contributions of £5,000 (1998 : £5,060) were made to a money purchase scheme on his behalf.

|  | Number of directors |                   |
|--|---------------------|-------------------|
|  | 1999                | 1998              |
| Retirement benefits are accruing to the following number of directors under:                                     |                     |                   |
| Money purchase schemes   | 6                   | 6                 |
|  | <u>          </u>   | <u>          </u> |
| The number of directors in respect of whose services shares are receivable under long term incentive schemes is: | 1                   | 1                 |
|  | <u>          </u>   | <u>          </u> |

**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:

|                          | 1999<br>Number | 1998<br>Number |
|--------------------------|----------------|----------------|
| Management               | 12             | 12             |
| Sales and administration | 11             | 14             |
| Design and production    | 107            | 118            |
|                          | 130            | 144            |
|                          | 130            | 144            |

The aggregate payroll costs of these persons were as follows:

|  | 1999<br>£ | 1998<br>£ |
|--|-----------|-----------|
| Wages and salaries                     | 2,273,990 | 2,379,355 |
| Social security costs                  | 214,103   | 224,385   |
| Other pension and private health costs | 105,747   | 104,377   |
|  | 2,593,840 | 2,708,117 |
|  | 2,593,840 | 2,708,117 |

**5 Interest payable and similar charges**

|  | 1999<br>£ | 1998<br>£ |
|--|-----------|-----------|
| On bank loans and overdrafts   | 127,404   | 117,896   |
| Debenture interest   | 8,734     | 2,917     |
| Finance charges payable in respect of finance leases and hire purchase contracts | 22,980    | 25,199    |
| Exchange loss on loan to subsidiary undertaking                                  | 12,300    | -         |
|  | 171,418   | 146,012   |
|  | 171,418   | 146,012   |

**6 Taxation**

|  | 1999<br>£ | 1998<br>£ |
|--|-----------|-----------|
| UK corporation tax at 21% (1998 : 21%) on the profit for the year on ordinary activities | 19,000    | 8,800     |
| Deferred taxation credit   | (2,000)   | (58,875)  |
| Under provision in previous years  | 3,220     | 1,833     |
|  | 20,220    | (48,242)  |
|  | 20,220    | (48,242)  |

**Notes** (continued)

**7 Tangible fixed assets**

|   | <b>Land and<br/>buildings</b><br>£ | <b>Plant and<br/>machinery</b><br>£ | <b>Fixtures<br/>fittings<br/>tools and<br/>equipment</b><br>£ | <b>Motor<br/>vehicles</b><br>£ | <b>Total</b><br>£ |
|---|------------------------------------|-------------------------------------|---|--------------------------------|-------------------|
| <b>Cost</b>                                     |                                    |                                     |   |                                |                   |
| At beginning of year                            | 231,637                            | 707,741                             | 81,569  | 219,213                        | 1,240,160         |
| Additions                                       | -                                  | 172,777                             | -   | 1,500                          | 174,277           |
| Disposals                                       | (616)                              | (90,347)                            | (1,278)   | (13,650)                       | (105,275)         |
| At end of year                                  | <u>231,021</u>                     | <u>790,171</u>                      | <u>80,291</u>   | <u>207,063</u>                 | <u>1,308,546</u>  |
| <b>Depreciation and<br/>diminution in value</b> |                                    |                                     |   |                                |                   |
| At beginning of year                            | 30,738                             | 243,999                             | 56,386  | 79,645                         | 410,768           |
| Charge for year                                 | 4,020                              | 72,038                              | 2,556   | 34,657                         | 113,271           |
| Disposals                                       | (594)                              | (70,805)                            | (1,127)   | (9,188)                        | (81,120)          |
| At end of year                                  | <u>34,164</u>                      | <u>245,232</u>                      | <u>57,815</u>   | <u>105,114</u>                 | <u>442,325</u>    |
| <b>Net book value</b>                           |                                    |                                     |   |                                |                   |
| At 31 March 1999                                | <u>196,857</u>                     | <u>544,939</u>                      | <u>22,476</u>   | <u>101,949</u>                 | <u>866,221</u>    |
| At 31 March 1998                                | <u>200,899</u>                     | <u>463,742</u>                      | <u>25,183</u>   | <u>139,568</u>                 | <u>829,392</u>    |

The net book value of land and buildings comprises:

|                 | 1999<br>£      | 1998<br>£      |
|-----------------|----------------|----------------|
| Freehold        | 196,857        | 200,874        |
| Short leasehold | -              | 25             |
|                 | <u>196,857</u> | <u>200,899</u> |

Included in the total net book value of tangible fixed assets is £392,650 (1998 : £315,954) in respect of assets held under finance leases. Depreciation for the year on these assets was £49,430 (1998 : £44,407).

**Notes** (continued)

**8 Intangible fixed assets**

|                                   | Design rights<br>£ |
|-----------------------------------|--------------------|
| <b>Cost</b>                       |                    |
| At 1 April 1998 and 31 March 1999 | 35,842             |
| <b>Amortisation</b>               |                    |
| At 1 April 1998                   | 2,912              |
| Charge for year                   | 4,940              |
| At 31 March 1999                  | 7,852              |
| <b>Net book value</b>             |                    |
| At 31 March 1999                  | <u>27,990</u>      |
| At 31 March 1998                  | <u>32,930</u>      |

**9 Investments**

|                       | Own shares<br>£ | Shares in group<br>undertakings<br>£ | Loan to group<br>undertaking<br>£ | Total<br>£      |
|-----------------------|-----------------|--------------------------------------|-----------------------------------|-----------------|
| <b>Cost</b>           |                 |                                      |                                   |                 |
| At beginning of year  | 55,500          | 88,519                               | 123,000                           | 267,019         |
| Exchange adjustment   | -               | -                                    | (12,300)                          | (12,300)        |
| At end of year        | <u>55,500</u>   | <u>88,519</u>                        | <u>110,700</u>                    | <u>254,719</u>  |
| <b>Provisions</b>     |                 |                                      |                                   |                 |
| At beginning of year  | -               | (36,859)                             | -                                 | (36,859)        |
| Charge for year       | (19,400)        | -                                    | -                                 | (19,400)        |
| At end of year        | <u>(19,400)</u> | <u>(36,859)</u>                      | <u>-</u>                          | <u>(56,259)</u> |
| <b>Net book value</b> |                 |                                      |                                   |                 |
| At 31 March 1999      | <u>36,100</u>   | <u>51,660</u>                        | <u>110,700</u>                    | <u>198,460</u>  |
| At 31 March 1998      | <u>55,500</u>   | <u>51,660</u>                        | <u>123,000</u>                    | <u>230,160</u>  |

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. No accounts are available for the company.

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, (1998 : £23,041), £58,428 (1998 : £58,428), and £100 (1998 : £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 is exercisable in November 1999.



**Notes** (continued)

**10 Stocks**

|                               | 1999    | 1998    |
|-------------------------------|---------|---------|
|                               | £       | £       |
| Raw materials and consumables | 243,258 | 233,372 |
| Work in progress              | 412,889 | 495,599 |
|                               | 656,147 | 728,971 |
|                               | 656,147 | 728,971 |

**11 Debtors**

|                                       | 1999      | 1998      |
|---------------------------------------|-----------|-----------|
|                                       | £         | £         |
| Trade debtors                         | 2,064,655 | 2,229,301 |
| Amount owed by subsidiary undertaking | 16,428    | 3,323     |
| Other debtors                         | 6,067     | 738       |
| Prepayments and accrued income        | 12,657    | 16,709    |
|                                       | 2,099,807 | 2,250,071 |
|                                       | 2,099,807 | 2,250,071 |

In 1999 the amount owed by subsidiary undertaking includes a loan of £15,000 (1998 : £Nil) 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**

|  | 1999      | 1998      |
|--|-----------|-----------|
|  | £         | £         |
| Debenture loan   | 20,000    | 20,000    |
| Bank loans and overdrafts                                    | 749,663   | 471,559   |
| Obligations under finance leases and hire purchase contracts | 109,300   | 96,152    |
| Trade creditors  | 865,689   | 1,382,531 |
| Amounts owed to subsidiary undertaking                       | 81,546    | 81,546    |
| Other creditors including taxation and social security:      |           |           |
| Corporation tax  | 35,731    | 47,593    |
| Other taxes and social security                              | 58,049    | 87,461    |
| Other creditors  | 7,394     | 29,520    |
| Accruals and deferred income                                 | 96,785    | 88,726    |
|  | 2,024,157 | 2,305,088 |
|  | 2,024,157 | 2,305,088 |

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.

**Notes** (continued)

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

|  | 1999    | 1998    |
|--|---------|---------|
|  | £       | £       |
| Debenture loan   | 40,000  | 60,000  |
| Bank loans repayable in less than five years                 | 95,105  | 127,503 |
| Obligations under finance leases and hire purchase contracts | 179,375 | 132,645 |
|  | 314,480 | 320,148 |
|  | 314,480 | 320,148 |

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 Provisions for liabilities and charges**

Deferred taxation

|                               |         |
|-------------------------------|---------|
| At beginning of year          | 5,500   |
| Credit for the year           | 2,000   |
| Overprovided in previous year | (3,500) |
|                               | -       |
| At end of year                | -       |

An analysis is set out below:

|                                | 1999          |                 | 1998          |                 |
|--------------------------------|---------------|-----------------|---------------|-----------------|
|                                | Provided<br>£ | Unprovided<br>£ | Provided<br>£ | Unprovided<br>£ |
| Accelerated capital allowances | -             | 98,000          | 5,500         | 85,000          |
|                                | -             | 98,000          | 5,500         | 85,000          |
|                                | -             | 98,000          | 5,500         | 85,000          |

**Notes** *(continued)*

**15 Called up share capital**

|  | 1999              | 1998              |
|--|-------------------|-------------------|
|  | £                 | £                 |
| <b>Authorised:</b>                         |                   |                   |
| Ordinary shares of £1 each                 | 250,000           | 250,000           |
|  | <u>          </u> | <u>          </u> |
| <b>Allotted, called up and fully paid:</b> |                   |                   |
| Ordinary shares of £1 each                 | 120,004           | 120,004           |
|  | <u>          </u> | <u>          </u> |

**16 Reserves**

|                              | Other reserves    | Profit and loss account |
|------------------------------|-------------------|-------------------------|
|                              | £                 | £                       |
| At beginning of year         | 438,016           | 883,080                 |
| Retained profit for the year | -                 | 69,407                  |
|                              | <u>          </u> | <u>          </u>       |
| At end of year               | 438,016           | 952,487                 |
|                              | <u>          </u> | <u>          </u>       |

The cumulative amount of goodwill written off against other reserves amount to £115,520 (1998 : £115,520).

The gross negative consolidation adjustment arising on business acquisitions amounts to £398,201 (1998 : £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 £96,104 (1998 : £94,942).

**Notes** *(continued)*

**18 Commitments**

a) Capital commitments

|  | 1999              | 1998              |
|--|-------------------|-------------------|
|  | £                 | £                 |
| Contracted:  |                   |                   |
| Finance leases, the inception of which occurs after the year end | <b>14,000</b>     | -                 |
|  | <u>          </u> | <u>          </u> |

b) Operating lease commitments

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

|                                | 1999                       |                   | 1998                       |                   |
|--------------------------------|----------------------------|-------------------|----------------------------|-------------------|
|                                | Land and<br>buildings<br>£ | Other<br>£        | Land and<br>buildings<br>£ | Other<br>£        |
| Operating leases which expire: |                            |                   |                            |                   |
| Within one year                | 22,500                     | -                 | -                          | 8,560             |
| Within two to five years       | 65,200                     | -                 | 77,700                     | -                 |
|                                | <u>          </u>          | <u>          </u> | <u>          </u>          | <u>          </u> |
|                                | <b>87,700</b>              | -                 | 77,700                     | 8,560             |
|                                | <u>          </u>          | <u>          </u> | <u>          </u>          | <u>          </u> |

**19 Related party transactions**

During the year Art Pattern Limited traded with its subsidiary undertaiking, Art Pattern Kalkman BV.

Turnover amounted to £16,428 (1998 : £3,323) and this amount is included in debtors at 31 March 1999.

**Notes** (continued)

**20 Analysis of cash flows**

|   | 1999<br>£         | 1999<br>£        | 1998<br>£         | 1998<br>£        |
|---|-------------------|------------------|-------------------|------------------|
| <b>Returns on investment and servicing of finance</b>           |                   |                  |                   |                  |
| Interest paid   | (143,670)         |                  | (124,190)         |                  |
| Interest element of finance lease and hire purchase liabilities | (22,980)          |                  | (25,199)          |                  |
|   | <u>          </u> | <u>(166,650)</u> | <u>          </u> | <u>(149,389)</u> |
| <b>Capital expenditure and financial investment</b>             |                   |                  |                   |                  |
| Purchase of tangible fixed assets                               | (7,259)           |                  | (17,419)          |                  |
| Purchase of intangible fixed assets                             | -                 |                  | (35,842)          |                  |
| Purchase of own shares  | -                 |                  | (55,500)          |                  |
| Payments to acquire subsidiary undertaking                      | -                 |                  | (8,519)           |                  |
| Sale of plant and machinery                                     | 31,250            |                  | 21,002            |                  |
|   | <u>          </u> | <u>23,991</u>    | <u>          </u> | <u>(96,278)</u>  |
| <b>Financing</b>  |                   |                  |                   |                  |
| Repayment of finance leases and hire purchase liabilities       | (107,140)         |                  | (121,793)         |                  |
| Loan finance repaid   | (30,132)          |                  | (176,324)         |                  |
| New bank loan   | -                 |                  | 160,000           |                  |
| Debenture loan repaid   | (20,000)          |                  | (20,000)          |                  |
|   | <u>          </u> | <u>(157,272)</u> | <u>          </u> | <u>(158,117)</u> |

**21 Analysis of net debt**

|  | At beginning of<br>year<br>£ | Cash flow<br>£    | Other non cash<br>changes<br>£ | At end of year<br>£ |
|--|------------------------------|-------------------|--------------------------------|---------------------|
| Cash in hand, at bank                        | 312                          | 207               |                                | 519                 |
| Overdrafts                                   | (444,084)                    | (275,838)         |                                | (719,922)           |
|  |                              | <u>          </u> |                                |                     |
|  |                              | (275,631)         |                                |                     |
| Debt due after one year                      | (187,503)                    | 22,657            | 29,741                         | (135,105)           |
| Debt due within one year                     | (47,475)                     | 47,475            | (29,741)                       | (29,741)            |
| Finance leases and hire purchase liabilities | (228,797)                    | 107,140           | (167,018)                      | (288,675)           |
|  |                              | <u>          </u> |                                |                     |
|  |                              | 177,272           |                                |                     |
| <b>Total</b>                                 | <u>(907,547)</u>             | <u>(98,359)</u>   | <u>(167,018)</u>               | <u>(1,172,924)</u>  |