

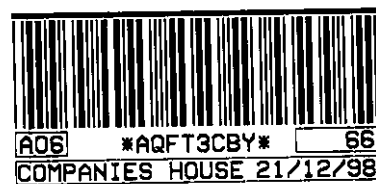
1008317

Directa (UK) Limited

Report and Financial Statements

Year Ended

30 April 1998



BDO

BDO Stoy Hayward
Chartered Accountants

DIRECTA (UK) LIMITED

Annual report and financial statements for the year ended 30 April 1998

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Directors

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Directors

L D Dennison
M D Coburn
T Neale
M V Storey

Secretary and registered office

Mrs J M Poston, Cold Norton, Essex, CM3 6UA

Company number

1008317

Auditors

BDO Stoy Hayward, 66 Broomfield Road, Chelmsford, Essex, CM1 1SW.

Bankers

National Westminster Bank Plc, 6 High Street, Chelmsford, Essex, CM1 1BL.

DIRECTA (UK) LIMITED

Report of the directors for the year ended 30 April 1998

The directors present their report together with the audited financial statements for the year ended 30 April 1998.

Results and dividends

The profit and loss account is set out on page 4 and shows the profit for the year.

The directors recommend the payment of a dividend of £80,000 on ordinary shares, and the retained profit of £145,369 is to be carried to reserves.

Principal activities, trading review and future developments

Throughout the year the activities of the company continued to be that of manufacturers, distributors, importers and exporters, and wholesalers of adhesive tapes, abrasives, signs and industrial consumables.

Both sales and profits have shown, albeit modest, increases over and above last year's performance. All of our staff can be proud of their sustained enthusiasm and effort.

The development work that has been completed during the course of the year should enable the expansion of our sales department to proceed as planned, allowing the full benefit to be enjoyed during the next financial year.

Year 2000 compliance

As is well known, many computer and digital storage systems express dates using only the last two digits of the year and will thus require modification or replacement to accommodate the year 2000 and beyond in order to avoid malfunctions and resulting widespread commercial disruption. This is a complex and pervasive issue. The operation of our business depends not only on our own computer systems, but also to a significant degree on those of our suppliers and customers. This could expose us to further risk in the event that there is a failure by other parties to remedy their own Year 2000 issues.

The company is well advanced in the process of assessing the risks to our business resulting from the date change to the Year 2000. Once this phase is completed we can assess the likely impact on our activities and develop prioritised action plans to deal with the key risks.

A final phase is intended, the purpose of which is to create contingency plans to deal with events that might arise despite the best endeavours of the company and its suppliers to identify and resolve all the non-compliance conditions that could impact upon business performance.

At this stage the company is unable to quantify the costs associated with any remedial action with any degree of certainty. However, based on the information currently available, there is no reason to believe that the total cost will have a material adverse effect on the consolidated financial position or results of the company.

Significant changes in fixed assets

The directors are of the opinion that the market value of the company's freehold properties are in excess of their net book value.

DIRECTA (UK) LIMITED

Report of the directors for the year ended 30 April 1998 *(Continued)*

Directors

The directors of the company during the year and their interests in the ordinary share capital of the company were:

	Ordinary £1 shares	
	1998	1997
L D Dennison	100,000	100,000
M D Coburn	60,000	60,000
T Neale	-	-
M V Storey	-	-

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 of the company 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; and
- 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

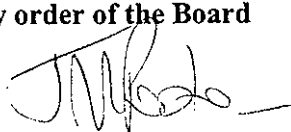
Post balance sheet event

On 24 July 1998 the company sold its 50% shareholding in Akita Security Limited to the other shareholder.

Auditors

BDO Stoy Hayward have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

By order of the Board



Mrs J M Poston
Secretary

Date

18 September 1998

DIRECTA (UK) LIMITED

Report of the auditors

To the shareholders of Directa (UK) Limited

We have audited the financial statements on pages 4 to 15 which have been prepared under the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of the 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.

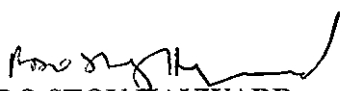
Basis of opinion

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 30 April 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


BDO STOY HAYWARD

*Chartered Accountants
and Registered Auditors*
Chelmsford

2 October 1998

DIRECTA (UK) LIMITED**Profit and loss account for the year ended 30 April 1998**

	Note	1998 £	1997 £
Turnover	2	4,847,314	4,764,782
Cost of sales		2,389,585	2,330,419
Gross profit		2,457,729	2,434,363
Selling and distribution costs		901,506	1,060,327
Administrative expenses		1,332,513	1,147,478
		223,710	226,558
Other operating income		43,741	47,006
Operating profit	5	267,451	273,564
Income from shares in group undertakings		18,750	18,750
Interest receivable	6	38,357	25,649
Profit on ordinary activities before taxation		324,558	317,963
Taxation on profit on ordinary activities	7	99,189	90,100
Profit on ordinary activities after taxation		225,369	227,863
Dividends	9	80,000	80,000
Retained profit for the year		145,369	147,863
Retained profit brought forward		1,094,829	946,966
Retained profit carried forward		1,240,198	1,094,829

All amounts relate to continuing activities.

All recognised gains and losses are included in the profit and loss account.

There are no movements on shareholders' funds apart from the retained profit for the year.

The notes on pages 7 to 15 form part of these financial statements.

DIRECTA (UK) LIMITED

Balance sheet at 30 April 1998

	Note	1998		1997	
		£	£	£	£
Fixed assets					
Intangible assets	10		1,717		1,717
Tangible assets	11		704,304		716,888
Investments	12		100,500		500
			806,521		719,105
Current assets					
Stocks	13	335,456		390,484	
Debtors	14	1,005,385		1,003,600	
Cash at bank and in hand		641,369		452,115	
			1,982,210		1,846,199
Creditors: amounts falling due within one year	15	1,348,533		1,270,475	
Net current assets			633,677		575,724
Total assets less current liabilities			1,440,198		1,294,829
Capital and reserves					
Called up share capital	17		200,000		200,000
Profit and loss account			1,240,198		1,094,829
Shareholders' funds			1,440,198		1,294,829

All amounts relate to equity interests.

The financial statements were approved by the Board on 18 September 1998



L D Dennison
Director

The notes on pages 7 to 15 form part of these financial statements.

DIRECTA (UK) LIMITED**Cash flow statement for the year ended 30 April 1998**

	Note	1998		1997	
		£	£	£	£
Net cash inflow from operating activities	18		482,282		307,887
Returns on investments and servicing of finance					
Interest received		38,357		25,649	
Dividends received		18,750		-	
			57,107		25,649
Taxation					
Corporation tax paid		(82,939)		(78,850)	
			(82,939)		(78,850)
Investing activities					
Payments to acquire tangible fixed assets		(87,346)		(121,107)	
Receipts from sales of tangible fixed assets		150		1,100	
Purchase of subsidiary undertaking		(100,000)		-	
			(187,196)		(120,007)
			269,254		134,679
Equity dividends paid			(80,000)		(80,000)
Cash inflow before use of liquid resources and financing			189,254		54,679
Increase in cash	19		189,254		54,679

The notes on pages 7 to 15 form part of these financial statements.

DIRECTA (UK) LIMITED

Notes forming part of the financial statements for the year ended 30 April 1998

1 Accounting policies

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

Group accounts

The company is exempt from the requirement to prepare group accounts by virtue of S.248 of the Companies Act 1985. These financial statements therefore present information about the company as an individual undertaking and not about its group.

Turnover

Turnover represents sales to outside customers at invoiced amounts less value added tax. This is after deducting discounts given and credit notes issued.

Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all fixed assets, except freehold land and buildings (see note 20), over their expected useful lives. It is calculated at the following rates:

Plant and equipment	-	10 - $33\frac{1}{3}\%$ per annum
Motor vehicles	-	10 - $33\frac{1}{3}\%$ per annum

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost has been calculated on a "first in first out" basis.

Net realisable value is based on estimated selling price less further costs to completion and disposal.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Deferred taxation

Provision is made for timing differences between the treatment of certain items for taxation and accounting purposes, except that no provision is made where it can reasonably be foreseen that such deferred taxation will not be payable in the future.

Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

DIRECTA (UK) LIMITED

Notes forming part of the financial statements for the year ended 30 April 1998 (*Continued*)

2 Turnover

Turnover is wholly attributable to the company's principal activities which are carried out in the United Kingdom.

3 Employees

	1998 £	1997 £
Staff costs (including directors) consist of:		
Wages and salaries	1,084,432	1,014,702
Social security costs	96,116	87,173
Other pension costs	152,731	155,718
	1,333,279	1,257,593

The average number of employees (including directors) during the year was as follows:

	Number	Number
Manufacture	3	3
Selling and distribution	40	39
Office and management	16	14
	59	56

DIRECTA (UK) LIMITEDNotes forming part of the financial statements for the year ended 30 April 1998 (*Continued*)**4 Directors' emoluments**

	1998 £	1997 £
Directors' emoluments consist of:		
Emoluments for services as directors	287,963	268,318
Contributions to "defined contribution" pension schemes	114,742	114,804
	<u>402,705</u>	<u>383,122</u>
Emoluments of highest paid director:		
Remuneration for services as a director	86,253	83,120
Contributions to "defined contribution" pension schemes	65,000	65,000
	<u>151,253</u>	<u>148,120</u>

All of the directors are members of "defined contribution" pension schemes.

5 Operating profit

This is arrived at after charging/(crediting):

Depreciation of tangible fixed assets	97,094	90,630
Auditors' remuneration	10,500	10,000
(Profit)/loss on sale of fixed assets	(149)	2,765
	<u></u>	<u></u>

6 Interest receivable

Bank interest receivable	38,357	25,649
	<u></u>	<u></u>

DIRECTA (UK) LIMITEDNotes forming part of the financial statements for the year ended 30 April 1998 (*Continued*)

7	Taxation	1998	1997
		£	£
	<i>Current year</i>		
	UK corporation tax	101,500	86,500
	Tax credit on UK dividends received	3,750	3,750
		105,250	90,250
	<i>Prior years</i>		
	UK corporation tax	(6,061)	(150)
		99,189	90,100
9	Dividends		
	Ordinary dividends		
	Final proposed of 40p (1997 - 40p) per share	80,000	80,000
10	Intangible assets		Patents
			£
	<i>Cost and net book value</i>		
	At 30 April 1997 and 30 April 1998		1,717

DIRECTA (UK) LIMITED

Notes forming part of the financial statements for the year ended 30 April 1998 (*Continued*)

11 Tangible assets

	Freehold property £	Plant and machinery £	Motor vehicles £	Total £
<i>Cost</i>				
At 1 May 1997	411,596	314,691	416,270	1,142,557
Additions	42,176	14,531	27,804	84,511
Disposals	-	-	(25,107)	(25,107)
At 30 April 1998	453,772	329,222	418,967	1,201,961
<i>Depreciation</i>				
At 1 May 1997	-	238,235	187,434	425,669
Provided for the year	-	30,607	66,487	97,094
Disposals	-	-	(25,106)	(25,106)
At 30 April 1998	-	268,842	228,815	497,657
<i>Net book value</i>				
At 30 April 1998	453,772	60,380	190,152	704,304
At 30 April 1997	411,596	76,456	228,836	716,888

DIRECTA (UK) LIMITED

Notes forming part of the financial statements for the year ended 30 April 1998 (*Continued*)

12 Fixed asset investments

	Investments in subsidiaries £
<i>Cost</i>	
At 1 May 1997	500
Additions	100,000
At 30 April 1998	100,500

Investments include an investment in a subsidiary, Akita Security Limited, a company registered in England and Wales, comprising a holding of 50% of its issued ordinary share capital.

During its latest financial year Akita Security Limited, whose principal activity was the supply of security services, made a profit after tax of £118,241 (1997 - £121,277) and at the end of that year the aggregate of its capital and reserves was £277,002 (1997 - £188,761).

On 17 December 1997 the company acquired 60% of the share capital of Surefire Entertainments Limited and has provided Surefire Entertainments Limited additional working capital during the year. In the period to 30 April 1998 the company made a loss of £53,465 and had aggregate capital and reserves of £48,535.

The company owns 100% of the issued ordinary share capital of the following non-trading companies which are registered in England and Wales:

City Directa (Retail Sales) Limited
Kontoor Abrasives Limited

13 Stocks

	1998 £	1997 £
Finished goods	335,456	390,484

DIRECTA (UK) LIMITED

Notes forming part of the financial statements for the year ended 30 April 1998 (*Continued*)

14 Debtors

	1998	1997
	£	£
Due after more than one year:		
Advance corporation tax recoverable	20,000	20,000
Due within one year:		
Trade debtors	918,969	860,215
Amounts due from subsidiaries	26,564	15,000
Prepayments and accrued income	39,852	108,385
	<u>1,005,385</u>	<u>1,003,600</u>

15 Creditors: amounts falling due within one year

	1998	1997
	£	£
Trade creditors	583,589	535,030
Corporation tax	85,250	69,000
Taxation and social security	172,101	186,977
Proposed dividend	80,000	80,000
Advance corporation tax payable	20,000	20,000
Accruals	407,593	379,468
	<u>1,348,533</u>	<u>1,270,475</u>

16 Called up share capital

	Authorised		Allotted, called up and fully paid	
	1998	1997	1998	1997
	£	£	£	£
Ordinary shares of £1 each	1,000,000	1,000,000	200,000	200,000
	<u>1,000,000</u>	<u>1,000,000</u>	<u>200,000</u>	<u>200,000</u>

DIRECTA (UK) LIMITEDNotes forming part of the financial statements for the year ended 30 April 1998 (*Continued*)**17 Reconciliation of operating profit to net cash inflow from operating activities**

	1998 £	1997 £
Operating profit	267,451	273,564
Depreciation of tangible fixed assets	97,094	90,630
(Profit)/loss on sale of fixed assets	(149)	2,765
Decrease/(increase) in stocks	55,028	(48,308)
Increase in debtors	(1,785)	(41,950)
Increase in creditors	64,643	31,186
Net cash inflow from operating activities	482,282	307,887

18 Reconciliation of net cashflow to movement in net funds

Increase in cash in the year	189,254	54,679
Net funds at 1 May 1996	452,115	397,436
Net funds at 30 April 1998	641,369	452,115

The net funds are all cash at bank and in hand.

19 Analysis of changes in net funds

	At 1 May 1997 £	Cash flows £	At 30 April 1998 £
Cash at bank and in hand	452,115	189,254	641,369

20 Depreciation on freehold buildings

As stated in the accounting policies (note 1) no depreciation is provided on freehold land and buildings as the directors are of the opinion that their market value is in excess of their book value. Accordingly the provisions of the Statement of Standard Accounting Practice on Accounting for Depreciation (revised) SSAP12 have not been met.

The financial effect of the departure from SSAP12 is that the profit is overstated by an estimated £6,128 (1997 - £5,285), which is not material, and fixed assets are overstated by £72,374 (1997 - £66,246).

DIRECTA (UK) LIMITED

Notes forming part of the financial statements for the year ended 30 April 1998 (*Continued*)

21 Pension costs

The company operates defined contribution pension schemes. The assets of the schemes are held separately from those of the company in independently administered funds. The pension cost charge represents contributions payable by the company to the funds and amounted to £152,731 (1997 - £155,718).

There were no contributions unpaid at the balance sheet date (1997 - £Nil).

22 Related party transactions

During the year the company received rent and service charge of £24,000 from Akita Security Limited. The company owned 50% of Akita Security Limited during the year.