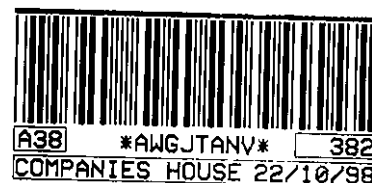


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Company no. 1287607

PENKETH PRINT LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 1997



PENKETH PRINT LIMITED

YEAR ENDED 31ST DECEMBER 1997

DIRECTORS

W.Penketh
D.Penketh
S.Penketh
M.Penketh
A.Penketh
P.A.Mann

COMPANY SECRETARY

D.Penketh

REGISTERED OFFICE

Bassendale Road,
Croft Business Park,
Bromborough,
Merseyside

AUDITORS

McEwan Wallace
68 Argyle Street,
Birkenhead,
Merseyside

INDEX TO FINANCIAL STATEMENTS

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1	Report of the Directors
3	Report of the Auditors
4	Profit and Loss Account
5	Balance Sheet
6	Cash Flow Statement
8 - 15	Notes to the Financial Statements

PENKETH PRINT LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31ST DECEMBER 1997

The directors submit their annual report and financial statements for the year ended 31st December 1997.

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 the affairs of the company and of the profit or loss of the company for that period. In preparing these 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 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.

Results and dividends

The result for the year as shown on page 4 is as follows;

	£
Profit on ordinary activities after taxation	206,890
Extraordinary item	<u>258,985</u>
Loss for the year	<u>(52,095)</u>

The directors recommend dividends of:
Final dividend of £2.00 per share

Review of the business

During the year the company was continually engaged in the business of commercial retailing of stationery, office furniture and printing. The directors are pleased with the performance of the company during the year in achieving a sales growth of 26% and a rise in pre tax profits of 65%.

In May the company acquired the goodwill and trade of Gayton Associates and

PENKETH PRINT LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31ST DECEMBER 1997

in July acquired the entire share capital of Osborne and Nash Limited who was placed into voluntary liquidation in February 1998, with its business being subsumed under that of Penketh's, and consequently the investment in it and loans to it have been written off. The directors believe that trade from the associate companies will realise turnover of £1,000,000 per annum.

Fixed assets

Movements in fixed assets are shown in the notes to the financial statements.

Directors

The directors during the year under review and the shares in the company in which they were interested at the beginning and end of the year were:

	Ordinary shares of £1 each	
	At 1st January 1997	At 31st December 1997
W.Penketh	2,000	2,000
D.Penketh	1,000	1,000
S.Penketh	4,000	4,000
M.Penketh	4,000	4,000
A.Penketh	4,000	4,000
P.A.Mann	-	-

Auditors

The auditors, Messrs. McEwan Wallace, are willing to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

Signed on behalf of the board



W.Penketh - Chairman

Date: 24th March 1998

AUDITORS' REPORT TO THE SHAREHOLDERS OF

PENKETH PRINT LIMITED

We have audited the financial statements on pages 4 to 16 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 1 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.

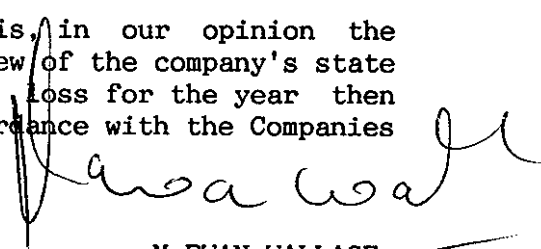
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

Qualified opinion arising from disagreement about accounting treatment
Included in the profit and loss account is an amount of £258,985 described as an extraordinary item. This relates to the purchase of a company which has now gone into liquidation. In our opinion this should have been treated as an exceptional item in accordance with FRS3 (Reporting Financial Performance).

Except for an adjustment in respect of this, in our opinion the financial statements give a true and fair view of the company's state of affairs at 31st December 1997 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

24th March 1998

Birkenhead, Merseyside


McEWAN WALLACE
Registered Auditor
Chartered Accountants

PENKETH PRINT LIMITED

		Total	Total
PROFIT AND LOSS ACCOUNT		1997	1996
FOR THE YEAR ENDED			
31ST DECEMBER 1997			
	Notes		
TURNOVER	2	£ 4,587,155	£ 3,642,078
Cost of sales		(3,056,569)	(2,462,659)
GROSS PROFIT		1,530,586	1,179,419
Net operating expenses		(1,252,984)	(1,007,638)
OPERATING PROFIT	3	277,602	171,781
Profit (loss) on disposal of fixed assets		(12,280)	332
PROFIT ON ORDINARY ACTIVITIES		265,322	172,113
Income from other fixed asset investments		2,326	-
Other interest receivable and similar income		4,027	2,622
		271,675	174,735
Interest payable	6	(30,685)	(29,632)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		240,990	145,103
Tax on profit on ordinary activities	7	(34,100)	(34,934)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		206,890	110,169
Extraordinary items	8	(258,985)	-
(LOSS) PROFIT FOR THE FINANCIAL YEAR		(52,095)	110,169
Dividends	9	(24,000)	(22,500)
RETAINED (LOSS) PROFIT FOR THE FINANCIAL YEAR		(76,095)	87,669

The company has neither acquired or commenced any new business activities in the year nor discontinued any operations and it has no recognised gains or losses other than the loss for the year.

PENKETH PRINT LIMITED

BALANCE SHEET

31ST DECEMBER 1997

	Notes	1997 £	1996 £
FIXED ASSETS			
Intangible assets	10	12,812	-
Tangible assets	11	604,061	537,858
Investments	12	<u>7,762</u>	<u>7,000</u>
		624,635	544,858
CURRENT ASSETS			
Stocks	13	159,175	143,504
Debtors due within one year	14	1,073,897	797,400
Cash at bank and in hand		<u>1,020</u>	<u>44,626</u>
		1,234,092	985,530
CREDITORS: Amounts falling due within one year	15	(1,176,783)	(763,632)
NET CURRENT ASSETS		<u>57,309</u>	<u>221,898</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		681,944	766,756
CREDITORS: Amounts falling due after more than one year	16	<u>(214,522)</u>	<u>(223,238)</u>
		467,422	543,518
CAPITAL AND RESERVES			
Called-up share capital	18	15,000	15,000
Profit and loss account		<u>452,422</u>	<u>528,518</u>
		467,422	543,518

Approved by the board on: 24th March 1998

.....)
)
)
) Directors

The notes set out on pages 8 to 16 form part of these financial statements

PENKETH PRINT LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER 1997

	1997 £	1996 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	347,330	<u>157,981</u>
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest received	4,027	2,622
Interest paid	(27,597)	(25,909)
Dividends received	2,326	-
Dividends paid	(24,000)	(22,500)
Hire purchase and finance lease interest paid	<u>(3,088)</u>	<u>(3,723)</u>
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	(48,332)	<u>(49,510)</u>
TAXATION		
Tax payments	<u>(34,934)</u>	<u>(19,976)</u>
TAX PAYMENTS	(34,934)	<u>(19,976)</u>
INVESTING ACTIVITIES		
Payments to acquire intangible fixed assets	(15,000)	-
Payments to acquire tangible fixed assets	(87,622)	(42,486)
Payments to acquire investments	(762)	-
Payments to acquire interests in Group companies	(258,985)	-
Receipts from sales of tangible fixed assets	<u>5,454</u>	8,750
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	<u>(356,915)</u>	<u>(33,736)</u>
NET CASH INFLOW BEFORE FINANCING	(92,851)	<u>54,759</u>
FINANCING		
Loans repaid by company	(17,728)	(15,846)
Hire purchase and finance lease repayments	<u>(19,654)</u>	<u>(20,653)</u>
NET CASH OUTFLOW FROM FINANCING	<u>(37,382)</u>	<u>(36,499)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	<u>(130,233)</u>	<u>18,260</u>

The notes set out on pages 8 to 16 form part of these financial statements

PENKETH PRINT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 1997

1 ACCOUNTING POLICIES

(a) Basis of accounting

These financial statements have been prepared under the historical cost convention.

(b) Depreciation

Depreciation is calculated to write off the cost or valuation, less estimated residual values, of tangible fixed assets over their estimated useful lives to the business. The annual depreciation rates and methods are as follows:

Long leasehold property and improvements	- over 125 years
Plant and equipment	- 20% on written down value
Motor vehicles	- 20% on cost

The cost or valuation, less estimated residual values, of intangible fixed assets is amortised over their estimated useful lives to the business. The rates and methods used are as follows:

Goodwill	- 25% on cost
----------	---------------

(c) Stock

Stock is valued at the lower of cost and net realisable value.

(d) Pensions

The cost of providing retirement pensions and related benefits is charged to the profit and loss account over the periods benefiting from the employees' services. The difference between the charge to the profit and loss account and the contributions paid to the scheme is shown as an asset or liability in the balance sheet.

PENKETH PRINT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 1997

(e) Assets leased

Where the company enters into operating and/or finance leases, its policy is to regard leases as finance leases where their term give rights approximating to ownership.

Assets held under finance leases (including hire purchase contracts) are capitalised at the fair value of the asset at the inception of the lease, with an equivalent liability categorised as appropriate under creditors due within and after one year. Assets are depreciated over the shorter of the lease term and their useful economic life; in the case of assets held under hire purchase agreements they are depreciated over their useful economic life. Finance charges are allocated to accounting years over the life of each lease to produce a constant rate of charge on the outstanding balance.

Rentals under operating leases are charged on a straight-line basis over the lease term.

(f) Deferred taxation

No provision is made for deferred taxation unless there is a reasonable probability of payment in the foreseeable future.

2 TURNOVER

Turnover is the total amount, excluding value added tax, receivable by the company in the ordinary course of business for goods supplied and for services provided as a principal.

3 OPERATING PROFIT

Operating profit is stated after charging:	1997 £	1996 £
Administrative expenses including:		
Operating lease rentals for plant and machinery	54,527	43,568
Depreciation	47,035	38,575
Amortisation of intangible fixed assets	2,188	-
Profit or loss on disposal of fixed assets	12,280	(332)
Directors' emoluments	175,925	175,618
Auditors' remuneration (including expenses)	<u>6,800</u>	<u>6,500</u>

PENKETH PRINT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 1997

4 STAFF COSTS

	1997	1996
The cost of employing staff, including directors, was:	£	£
Wages and salaries	747,358	606,111
Social security costs	63,018	48,585
Pension costs	39,754	32,618
	<u>850,130</u>	<u>687,314</u>

	1997	1996
The average weekly number of employees during the year was:		
Management	7	7
Administration	13	13
Selling	16	12
Warehouse & Printing	27	21
	<u>63</u>	<u>53</u>

5 DIRECTORS' EMOLUMENTS	1997	1996
	£	£
Management remuneration	137,367	143,000
Pension contributions	38,558	32,618
	<u>175,925</u>	<u>175,618</u>

Details of directors' emoluments, excluding pension contributions, are:

The chairman	<u>2,367</u>	<u>15,083</u>
The highest paid director	<u>35,333</u>	<u>33,000</u>

Other directors were in the following bands of emoluments:

	Number	Number
£0 to £5,000	1	1
£25,001 to £30,000	-	1
£30,001 to £35,000	3	2

6 INTEREST PAYABLE	1997	1996
	£	£
On bank loans, overdrafts and other loans wholly repayable within five years:		
Bank overdraft interest	3,392	22
Finance lease and hire purchase contracts payable by instalments	3,088	3,723
Loans repayable by instalments	<u>24,205</u>	<u>25,887</u>
	<u>30,685</u>	<u>29,632</u>

PENKETH PRINT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 1997

7 TAXATION

	1997 £	1996 £
UK corporation tax at 21.75% on the profit adjusted for tax purposes	<u>34,100</u> <u>34,100</u>	<u>34,934</u> <u>34,934</u>

The company is a "close" company within the provisions of the Income and Corporation Taxes Act 1988.

8 EXTRAORDINARY ITEMS

	1997 £	1996 £
Extraordinary items	258,985	-
Attributable taxation	-	-
Extraordinary charge after tax	<u>258,985</u>	<u>-</u>

On 30th June 1997 the company acquired 100% of the issued share capital of Osborne and Nash Limited. During the year Penketh Print Limited made a loan of £50,000 to Osborne and Nash Limited. In February 1998 Osborne and Nash went into liquidation. In addition to the above Penketh Print Limited guaranteed the overdraft of Osborne and Nash Limited and since the balance sheet date has had to repay the bank £31,985. The above transactions totalling £258,985 have been written off during the year.

9 DIVIDENDS

	1997 £	1996 £
Proposed:		
Final dividend of £2.00 per share	<u>24,000</u>	<u>22,500</u>

Two directors with a combined holding of 3,000 ordinary shares have waived their right to receive dividends totalling £6,000.

10 INTANGIBLE FIXED ASSETS

	Goodwill £
COST	
Additions	<u>15,000</u>
At 31st December 1997	<u>15,000</u>
AMORTISATION	
Charge for the year	<u>2,188</u>
At 31st December 1997	<u>2,188</u>
NET BOOK VALUE	
At 31st December 1997	<u>12,812</u>

PENKETH PRINT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 1997

11 TANGIBLE FIXED ASSETS

	Long leasehold property and improvements	Plant and equipment	Motor vehicles	Total
	£	£	£	£
COST				
At 1st January 1997	395,224	254,030	60,919	710,173
Additions at cost	3,936	95,440	31,596	130,972
Applicable to disposals	(608)	(64,752)	(14,730)	(80,090)
At 31st December 1997	<u>398,552</u>	<u>284,718</u>	<u>77,785</u>	<u>761,055</u>
DEPRECIATION				
At 1st January 1997	12,424	124,908	34,987	172,319
Charge for the year	3,270	30,270	13,495	47,035
Released by disposals	(105)	(50,900)	(11,355)	(62,360)
At 31st December 1997	<u>15,589</u>	<u>104,278</u>	<u>37,127</u>	<u>156,994</u>
NET BOOK VALUE				
At 31st December 1997	<u>382,963</u>	<u>180,440</u>	<u>40,658</u>	<u>604,061</u>
At 31st December 1996	<u>382,800</u>	<u>129,126</u>	<u>25,932</u>	<u>537,858</u>

Details of fixed assets held under finance leases and hire purchase contracts included above are as follows:

	Long leasehold property and improvements	Plant and equipment	Motor vehicles	Total
	£	£	£	£
1997				
Net book value	<u>-</u>	<u>48,972</u>	<u>(8,655)</u>	<u>40,317</u>
Charge for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1996				
Net book value	<u>-</u>	<u>48,975</u>	<u>6,075</u>	<u>55,050</u>
Charge for the year	<u>-</u>	<u>6,609</u>	<u>2,947</u>	<u>9,556</u>

PENKETH PRINT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 1997

12 INVESTMENTS

Listed investments	£
At 1st January 1997	7,000
Additions	762
At 31st December 1997	<u>7,762</u>

13 STOCKS	1997	1996
	£	£
Goods for resale	<u>159,175</u>	<u>143,504</u>

14 DEBTORS	1997	1996
	£	£
Trade debtors	967,396	735,650
Advance corporation tax recoverable	6,000	5,625
Other debtors	9,025	4,304
Prepayments and accrued income	91,476	51,821
	<u>1,073,897</u>	<u>797,400</u>

15 CREDITORS: Amounts falling due within one year	1997	1996
	£	£
Bank loans and overdrafts	102,360	15,773
Net obligations under finance leases and hire purchase contracts	29,100	14,376
Trade creditors	811,416	568,297
U.K. corporation tax	34,100	34,934
Advance corporation tax on dividends paid	6,000	5,625
Tax and social security costs	86,852	73,785
Other creditors	63,440	22,159
Accruals and deferred income	43,515	28,683
	<u>1,176,783</u>	<u>763,632</u>

	1997	1996
	£	£
Secured creditors included above are as follows:		
Bank loans and overdrafts:		
secured by a bank debenture incorporating charges over all company assets	15,773	15,773
Hire purchase instalments:		
secured on the assets concerned	29,100	14,376
	<u>44,873</u>	<u>30,149</u>

16 CREDITORS: Amounts falling due after more than one year	1997	1996
	£	£
Bank loans	184,135	201,823
Net obligations under finance leases and hire purchase contracts	30,387	21,415
	<u>214,522</u>	<u>223,238</u>

PENKETH PRINT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 1997

	1997 £	1996 £
Amounts payable by instalments:		
Bank loans-		
Between one and two years	37,488	37,488
Between two and five years	74,973	74,973
In more than five years	<u>71,674</u>	<u>89,362</u>
	1997 £	1996 £
Secured creditors included above are as follows:		
Bank loans:		
secured by a bank debenture incorporating charges over all company assets	184,135	201,823
Hire purchase instalments:		
secured on the assets concerned	<u>30,387</u>	<u>21,415</u>
	<u>214,522</u>	<u>223,238</u>

The bank loan is repayable by monthly instalments of £3,478, interest charged at 11.55% fixed rate.

17 LEASE COMMITMENTS

Net obligations under finance leases and hire purchase contracts

	1997 £	1996 £
Minimum lease payments due:		
Within one year	34,185	17,115
1-2 years	26,648	15,753
2-3 years	<u>9,556</u>	<u>9,840</u>
Gross obligations	70,389	42,708
Less: finance charges allocated to future periods	<u>(10,902)</u>	<u>(6,917)</u>
Net obligations	<u>59,487</u>	<u>35,791</u>

18 SHARE CAPITAL

	Number 1997	Value 1997 £	Number 1996	Value 1996 £
Authorised:				
Ordinary shares of £1 each	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>
Issued and fully paid:				
Ordinary shares of £1 each	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>

PENKETH PRINT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 1997

19 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1997	1996
	£	£
(Loss) profit for the financial year	(52,095)	110,169
Dividends	<u>24,000</u>	<u>22,500</u>
Net (reduction in) addition to shareholders' funds	(76,095)	87,669
Opening shareholders' funds	<u>543,517</u>	<u>455,849</u>
Closing shareholders' funds	<u>467,422</u>	<u>543,518</u>

20 PENSION COSTS

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension costs charge represents contributions payable by the company to the fund and amounted to £39,754 (1996 £32,618).

21 NOTES TO CASH FLOW STATEMENT

i) Reconciliation of operating profit to net cash inflow from operating activities

	1997	1996
	£	£
Operating profit	277,602	171,781
Depreciation and amortisation charges	49,223	38,575
(Increase) decrease in stocks	(15,671)	18,886
Increase in debtors	(276,122)	(209,339)
Increase in creditors	<u>312,298</u>	<u>138,078</u>
Net cash inflow from operating activities	<u>347,330</u>	<u>157,981</u>

ii) Analysis of changes in cash and cash equivalents during the year

	1997	1996
	£	£
Balance at 1st January 1997	44,626	26,366
Net cash (outflow) inflow	<u>(130,233)</u>	<u>18,260</u>
Balance at 31st December 1997	<u>(85,607)</u>	<u>44,626</u>

PENKETH PRINT LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 1997

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

	Cash at bank and in hand £	Bank overdrafts £	Short term investments £	Cash and cash equivalents £
At 1st January 1996	79,012	(53,646)	1,000	26,366
Movement in the year	(64,386)	53,646	29,000	18,260
At 31st December 1996	14,626	-	30,000	44,626
Movement in the year	(14,106)	(86,627)	(29,500)	(130,233)
At 31st December 1997	<u>520</u>	<u>(86,627)</u>	<u>500</u>	<u>(85,607)</u>

iv) Analysis of changes in financing during the year

Loans	1997 £	1996 £
Balance at 1st January 1997	217,596	233,442
Cash outflow from financing	(17,728)	(15,846)
Balance at 31st December 1997	<u>199,868</u>	<u>217,596</u>
Hire purchase and finance lease	1997 £	1996 £
Balance at 1st January 1997	35,791	33,044
Cash inflow from financing	23,696	2,747
Balance at 31st December 1997	<u>59,487</u>	<u>35,791</u>

22 RELATED PARTY TRANSACTIONS

During the year the company entered into the following transactions, in the ordinary course of business, with related parties:

Osborne and Nash limited	1997 £	1996 £
Sales to related party	69,265	-
Amounts written off loans to related party	50,000	-
Repayment of guaranteed borrowing of related party	31,985	-
Employees		
Sale of asset to employee	<u>4,700</u>	<u>-</u>

The company owns the entire share capital of Osborne and Nash Limited.