

Registration No: 625652

BEMROSE & SONS LIMITED
ANNUAL REPORT AND ACCOUNTS
1998



BEMROSE & SONS LIMITED

ANNUAL REPORT AND ACCOUNTS **For the 53 weeks ended 2 January 1999**

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BEMROSE & SONS LIMITED

Directors: S R G Booth
(Chairman)

R Harrison
(Secretary)

Registered Office: North Bar House
BEVERLEY
East Yorkshire
HU17 8DG

Registered Number: 625652

BEMROSE & SONS LIMITED

DIRECTORS' REPORT

The Directors submit their report and audited accounts for the 53 weeks ended 2 January 1999.

DIVIDENDS

The Directors do not recommend the payment of an ordinary dividend.

PRINCIPAL ACTIVITIES

The principal activity of the Company, which is a wholly owned subsidiary of Bemrose Corporation plc, is that of a holding Company.

REVIEW OF THE BUSINESS

On 20 April 1998, the Company issued 2 ordinary shares of £1 each to Bemrose Corporation plc for a total consideration of £10,000.

On 28 April 1998, the Company issued 49,996 ordinary shares of £1 each to Bemrose Corporation plc in exchange for 50% of the share capital of Bemrose USA Inc. The total value attributed to the shares in Bemrose USA Inc was \$32,597,017.

On 28 April 1998, the Company exchanged its holding in Bemrose USA Inc for 50% of the capital of Bemrose North America Holdings Partnership. On the same date the Company made a \$8,338 capital contribution to Bemrose North America Holdings Partnership.

Both the levels of business and the year end financial position remain satisfactory, and the Directors expect that the present level of activity will be sustained for the foreseeable future.

CHARITABLE AND POLITICAL DONATIONS

The Company made no charitable or political donations in either the current or previous period

DIRECTORS

The Directors in office at the present time are listed on page 3.

All the Directors in office at the present time are Directors of the parent Company and their interests in the share capital of group companies are disclosed in the accounts of that Company.

During the period the Company maintained insurance to indemnify Directors against liability incurred in relation to its activities.

Neither the existing Directors nor any members of their families had any interest either during or at the end of the period in any contract with the Company requiring disclosure under Parts II and III of Schedule 6 of the Companies Act 1985.

BEMROSE & SONS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the Directors to prepare financial statements for each financial year that 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.
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- 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 that disclose with reasonable accuracy at any time the financial position of the Company and 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.

AUDITORS

Our auditors, Coopers & Lybrand, merged with Price Waterhouse on 1 July 1998, following which C&L resigned and the Directors appointed the new firm, PricewaterhouseCoopers, as auditors. A resolution to reappoint PwC as auditors to the Company will be proposed at the Annual General Meeting.

CREDITOR PAYMENT POLICY

The Company's current policy concerning the payment of trade creditors is to:

- (a) settle the terms of payment with suppliers when agreeing the terms of each transaction;
- (b) ensure that those suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- (c) pay in accordance with its contractual and other legal obligations.

The payment policy applies to all payments to creditors for revenue and capital supplies of goods and services.

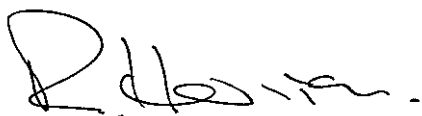
The Company had no trade creditors outstanding at the year end.

BEMROSE & SONS LIMITED

YEAR 2000

The Directors have undertaken a review of the effect the Year 2000 will have on the Company's business and operations and do not believe it will materially affect operations. The Directors estimate that the remaining costs required to be incurred will not be significant.

By order of the Board

A handwritten signature in black ink, appearing to read 'R. Harrison', with a horizontal line extending from the end of the signature.

R Harrison
Secretary

13 April 1999

BEMROSE & SONS LIMITED

AUDITORS' REPORT TO THE MEMBERS OF BEMROSE & SONS LIMITED.

We have audited the financial statements on pages 8 to 15. Which have been prepared under the historical cost convention and the accounting policies set out on page 11.

Respective responsibilities of Directors and auditors

The Directors are responsible for preparing the Annual Report, including as described on page 5 the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and 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 is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit 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 at 2 January 1999 and of its loss for the 53 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.



PRICEWATERHOUSECOOPERS

Chartered Accountants and Registered Auditors

NOTTINGHAM

13 April 1999

BEMROSE & SONS LIMITED

PROFIT AND LOSS ACCOUNT **For the 53 weeks ended 2 January 1999**

| | Note | 1998 US\$'000 | 1997 US\$'000 |
|---|------|------------------|------------------|
| Net operating expenses | (1) | <u>10</u> | <u>-</u> |
| NET OPERATING LOSS | | 10 | - |
| Interest payable | (3) | <u>1,410</u> | <u>-</u> |
| LOSS ON ORDINARY ACTIVITIES BEFORE TAX | | 1,420 | - |
| Tax credit on loss on ordinary activities | (4) | <u>(458)</u> | <u>-</u> |
| LOSS FOR THE FINANCIAL YEAR FUNDED FROM RESERVES | (9) | <u>962</u> | <u>-</u> |

The Company has no recognised gains and losses other than those included in the losses above, therefore, no separate statement of total recognised gains and losses has been presented. There is no difference between the loss on ordinary activities before taxation and the loss for the financial year, and their historical cost equivalents.

The operating results relate to continuing activities.

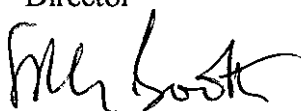
BEMROSE & SONS LIMITED

BALANCE SHEET AT 2 January 1999

| | Note | 1998 US\$'000 | 1997 US\$'000 |
|--|------|------------------|------------------|
| FIXED ASSETS | | | |
| Investments | (5) | <u>57,654</u> | <u>-</u> |
| CURRENT ASSETS | | | |
| Debtors | (6) | 458 | - |
| Cash | | <u>13</u> | <u>-</u> |
| | | 471 | - |
| CURRENT LIABILITIES | | | |
| Creditors: amounts falling due within one year | (7) | <u>(26,474)</u> | <u>-</u> |
| NET CURRENT LIABILITIES | | <u>(26,003)</u> | <u>-</u> |
| NET ASSETS | | <u>31,651</u> | <u>-</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | (8) | 83 | - |
| Share premium | (9) | 32,530 | - |
| Profit and loss account | (9) | <u>(962)</u> | <u>-</u> |
| EQUITY SHAREHOLDERS' FUNDS | | <u>31,651</u> | <u>-</u> |

Approved by the Board of Directors, and signed on its behalf by

S R G Booth
Director




R Harrison
Director

13 April 1999

BEMROSE & SONS LIMITED

RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS
For the 53 weeks ended 2 January 1999.

| | 1998 US\$'000 | 1997 US\$'000 |
|-------------------------------------|--------------------------------|--------------------------------|
| Loss for the financial year | (962) | - |
| Proceeds of issue of equity shares | 32,613 | - |
| | <hr/> | <hr/> |
| Net addition to shareholders' funds | 31,651 | - |
| Opening shareholders' funds | - | - |
| | <hr/> | <hr/> |
| Closing shareholders' funds | 31,651 | - |
| | <hr/> | <hr/> |

BEMROSE & SONS LIMITED

ACCOUNTING POLICIES

For the 53 weeks ended 2 January 1999

BASIS OF ACCOUNTING

The financial statements have been prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

The Company is a partner holding 50% of Bemrose North America Holdings Partnership, a US partnership. Under the terms of the partnership agreement there are no restrictions on the realisation of the income, expenses, assets and liabilities of the partnership by the Company. The profits and losses of the partnership are, therefore, realised in the hands of the Company and the Company's share are accounted for as separate income and expense items within the Company's profit and loss account. The Company's shares of the assets and liabilities of the partnership are also accounted for in the Company's balance sheet under the appropriate Companies Act headings.

The financial statements are prepared in US dollars, in accordance with historical cost accounting principles. Having regard to the Company's income and expenditure, the Directors regard the US dollar as the Company's functional currency.

FOREIGN CURRENCIES

Monetary assets and liabilities denominated in foreign currencies are translated at quoted rates of exchange ruling at the balance sheet date.

Exchange profits and losses arising from current trading are included in operating profit.

INVESTMENTS

Investments held as fixed assets are stated at cost less provisions for permanent diminution in value. Those held as current assets are stated at the lower of cost and net realisable value.

BEMROSE & SONS LIMITED

NOTES TO THE ACCOUNTS

For the 53 weeks ended 2 January 1999

The accounts of which these notes form a part were approved by the Directors on 13 April 1999

| | 1998 US\$'000 | 1997 US\$'000 |
|---------------------------------|------------------|------------------|
| 1 NET OPERATING EXPENSES | | |
| Auditors remuneration | 6 | - |
| Other external charges | <u>4</u> | <u>-</u> |
| | <u>10</u> | <u>-</u> |

Remuneration of the Company's auditors, PricewaterhouseCoopers, for the provision of non audit services to the Company during the period was \$ Nil (1997: \$ Nil).

2 DIRECTORS' EMOLUMENTS

The Directors received no emoluments from the Company.

3 INTEREST PAYABLE

| | | |
|--|--------------|----------|
| Interest payable to fellow group companies | <u>1,410</u> | <u>-</u> |
|--|--------------|----------|

4 TAX ON LOSS ON ORDINARY ACTIVITIES

| | | |
|--|--------------|----------|
| United Kingdom taxation: | | |
| Corporation Tax at 31% | - | - |
| Amount receivable from fellow subsidiaries in respect of group relief. | <u>(458)</u> | <u>-</u> |

Group relief has been surrendered to fellow subsidiary companies for the above amounts. There are no losses carried forward.

| | |
|---|-----------------|
| 5 INVESTMENTS | US\$'000 |
| Shares at Cost | |
| At 28 December 1997 | - |
| Company's share of investment held by partnership | <u>57,654</u> |
| At 2 January 1999 | <u>57,654</u> |

BEMROSE & SONS LIMITED

NOTES TO THE ACCOUNTS *(continued)*

Subsidiary Companies

The principal operating subsidiaries of the Partnership at 2 January 1999, which are wholly owned, are:

| Name of Company | Country of Incorporation and Operation | Business |
|----------------------------------|--|---|
| Bemrose USA Inc | USA | Holding Company |
| Bemrose Holdings Inc | USA* | Investment company |
| Souvenir Inc | USA* | Writing instruments |
| Janesville Group Ltd | USA* | Etched crystal and screened glass |
| Duratec Inc | USA* | Leather goods |
| Renaissance Publishing Co Inc | USA* | Advertising and religious calendars |
| Letts of London Ltd | USA* | Diary products |
| Seltzer, Kaufmann Marketing Inc | USA* | Coupon calendar publishers |
| The McCleery-Cumming Company Inc | USA* | Advertising calendars |
| Nelson Marketing Inc | USA* | Direct marketing, promotional products |
| Gerber Industries Ltd | USA* | Promotional products |

* Held indirectly through Bemrose USA Inc

In the opinion of the Directors the aggregate value of the assets consisting of shares in the Company's subsidiaries is no less than the aggregate of the amounts at which those assets are stated in the balance sheet.

The Company is exempt under Section 228 of the Companies Act 1985 from preparing consolidated financial statements on the grounds that the results of the Company and its subsidiaries are incorporated in the consolidated financial statements of the ultimate parent Company, Bemrose Corporation plc.

BEMROSE & SONS LIMITED

NOTES TO THE ACCOUNTS (continued)

| | 1998 US\$'000 | 1997 US\$'000 |
|---|------------------|------------------|
| 6 DEBTORS | | |
| Amounts owed by group undertakings | <u>458</u> | <u>-</u> |
| 7 CREDITORS: amounts falling due within one year | | |
| Amount owed to group undertakings | 26,468 | - |
| Other creditors | <u>6</u> | <u>-</u> |
| | <u>26,474</u> | <u>-</u> |
| 8 CALLED UP SHARE CAPITAL | | |
| Authorised: | | |
| 100,000 Ordinary shares of £1 each (1997: 100) | <u>166</u> | <u>-</u> |
| Allotted, issued and fully paid: | | |
| 50,000 Ordinary shares of £1 each (1997: 2) | <u>83</u> | <u>-</u> |

Details of shares allotted during the year are given in the Directors' report.

| 9 RESERVES | Share Premium Account US\$'000 | Profit and Loss Account US\$'000 |
|---------------------|---|---|
| At 28 December 1997 | - | - |
| Issue of shares | 32,530 | - |
| Loss for the year. | <u>-</u> | <u>(962)</u> |
| At 2 January 1999 | <u>32,530</u> | <u>(962)</u> |

10 EXCHANGE RATE

The US dollar exchange rate at the year end was 1.6638 = £1 and the average rate during the year was 1.6647 = £1.

BEMROSE & SONS LIMITED

NOTES TO THE ACCOUNTS *(continued)*

11 PARENT COMPANY

The parent Company is Bemrose Corporation plc, a Company incorporated in England. Copies of the group financial statements can be obtained from its registered office at North Bar House, Beverley HU17 8DG.

12 CASH FLOW STATEMENT

The Company is a wholly owned subsidiary of Bemrose Corporation plc and the cash flows of the Company are included in the consolidated cash flow statement of Bemrose Corporation plc. Consequently, the Company is exempt under the terms of Financial Reporting Standard Number 1 from publishing a cash flow statement.

13 RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption included in Financial Reporting Standard 8 in relation to transactions with entities that are part of the Group.