

PRECISION PRINTING PLATES LIMITED

COMPANY NUMBER:- 698704

DIRECTORS' REPORT & FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST JULY 1998



McELHINNEY
HUGHES

A stylized signature for 'McELHINNEY' and 'HUGHES'.

Portland House
431 Chester Road
Old Trafford
Manchester M16 9HA
Tel: 0161 877 2828
Fax: 0161 877 6060

A block of text providing the contact details for the accountants.

PRECISION PRINTING PLATES LIMITED

Company Information

Directors	Mr S Rogers Mr G Smith Mr N Smith Mr C Swift
Secretary	Mr G Smith
Company Number	698704
Registered Office	Philips Park Road Beswick Manchester M11 3FU
Auditors	McElhinney Hughes Chartered Certified Accountants and Registered Auditors Portland House 431 Chester Road Old Trafford Manchester M16 9HA

PRECISION PRINTING PLATES LIMITED

<u>Contents</u>	<u>Page</u>
Directors' Report	1 - 2
Auditors' Report	3
Profit and Loss Account	4
Note of Historical Cost Profits and Losses	5
Balance Sheet	6
Notes to the Financial Statements	7 - 15
 The following page does not form part of the statutory accounts:-	
Trading, Profit and Loss Account	16

PRECISION PRINTING PLATES LIMITED

DIRECTORS' REPORT

The Directors present their Report and the Financial Statements for the year ended 31st July 1998.

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 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
- 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.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The Company's principal activity continues to be that of Manufacturers of Printing Plates.

The results for the year are set out on page 4.

The Directors were pleased to report a return to profitability following several years of losses. This improvement came principally as a result of investment in new technology which has allowed the Company to achieve profits despite a reduction in turnover.

DIVIDENDS

The Directors recommended and paid a dividend of 17.6 pence per share. The retained profits of £31,318 (1997 : losses of £72,293) will be transferred to reserves.

FUTURE DEVELOPMENTS

The Directors intend to continue to rationalise the cost base of the Company and are cautiously optimistic about future profitability.

FIXED ASSETS

Details of movements in fixed assets are set out in Note 8 to the financial statements.

In the opinion of the Directors, the value of the Company's freehold and long leasehold land and buildings is not materially different from the Book Value (as revalued) included in these financial statements.

PRECISION PRINTING PLATES LIMITED

DIRECTORS' REPORT (CONT/D)

DIRECTORS

The Directors who served during the year and their beneficial interest in the Company's issued ordinary share capital were:-

	<u>1998</u>	<u>1997</u>
Mr S Rogers	-	-
Mr G Smith	75000	75000
Mr N Smith	-	-
Mr C Swift	-	-

AUDITORS

The auditors, McElhinney Hughes will be proposed for reappointment in accordance with Section 385, of the Companies Act 1985.

This report was approved by the Board on

23/10/98 (Date)

Signed on behalf of the Board of Directors

G SMITH (Secretary)

AUDITORS' REPORT TO THE SHAREHOLDERS OF PRECISION PRINTING PLATES LIMITED

We have audited the financial statements on pages 4 to 15 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 7 and 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

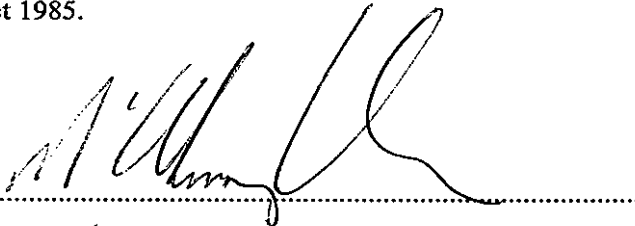
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements 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 mis-statement, 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 31st July 1998 and of its profit for the year then ended and have been properly prepared in accordance with the requirements of the Companies Act 1985.

Signed



Dated

23/10/98

McELHINNEY HUGHES

Chartered Certified Accountants and Registered Auditors

Portland House

431 Chester Road

Old Trafford

Manchester

M16 9HA

PRECISION PRINTING PLATES LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST JULY 1998

	<u>Note</u>	<u>1998</u>	<u>1997</u>
		<u>£</u>	<u>£</u>
<u>TURNOVER</u>	2	2366707	2427908
<u>Less: (Decrease) in Stocks</u>		1737	(1318)
		<hr/>	<hr/>
		2368444	2426590
<u>Less: Purchases and Consumables</u>		702866	784684
<u>Staff Costs</u>	3	981087	1043732
<u>Depreciation and Profit/Loss on Sale of Assets</u>		174492	203462
<u>Other Operating Charges</u>		366089	2224534
		<hr/>	<hr/>
<u>OPERATING PROFIT</u>	4	143910	15387
<u>Interest Payable</u>	5	92580	88234
<u>Interest Receivable</u>		(972)	91608
		<hr/>	<hr/>
<u>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</u>		52302	(72293)
<u>TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES</u>	6	(5416)	-
		<hr/>	<hr/>
<u>PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION</u>		57718	(72293)
<u>Dividends</u>		26400	-
		<hr/>	<hr/>
<u>RETAINED EARNINGS FOR THE YEAR</u>		31318	(72293)
<u>RETAINED EARNINGS BROUGHT FORWARD</u>		117209	187136
<u>Transfer from Revaluation Reserve</u>		2366	119575
		<hr/>	<hr/>
<u>RETAINED EARNINGS CARRIED FORWARD</u>		150893	117209
		<hr/>	<hr/>

There were no recognised gains or losses other than those included in the Profit and Loss Account.

The attached notes on pages 7 - 15 form an integral part of these accounts.

PRECISION PRINTING PLATES LIMITED

NOTE OF HISTORIAL COST PROFITS AND LOSSES

FOR THE YEAR ENDED 31ST JULY 1998

	<u>1998</u>	<u>1997</u>
	<u>£</u>	<u>£</u>
Reported profit/(loss) on ordinary activities before taxation	52302	(72293)
Difference between a historical cost depreciation charge and the actual depreciation charge on the revalued amount	2179	2179
	<hr/>	<hr/>
Historical cost profit/(loss) on ordinary activities before taxation	54481	(70114)
	<hr/>	<hr/>
Historical cost profit/(loss) for the year retained after taxation and dividends	33497	(70114)
	<hr/>	<hr/>

The attached notes on pages 7 - 15 form an integral part of these accounts.

PRECISION PRINTING PLATES LIMITED

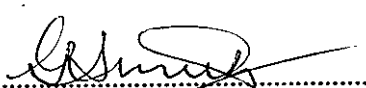
BALANCE SHEET

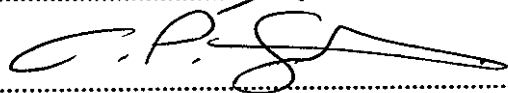
AS AT 31ST JULY 1998

	<u>Note</u>	<u>1998</u>	<u>1997</u>
		<u>£</u>	<u>£</u>
<u>FIXED ASSETS</u>			
Tangible Assets	7	1129994	1163871
<u>CURRENT ASSETS</u>			
Stocks	8	42893	41156
Debtors	9	673496	601992
Cash in Hand		1899	1953
		<u>718288</u>	<u>645101</u>
<u>LESS: CREDITORS</u> Amounts Falling Due Within One Year	10	<u>1169580</u>	<u>1073900</u>
<u>NET CURRENT LIABILITIES</u>		<u>451292</u>	<u>428799</u>
<u>TOTAL ASSETS LESS</u> <u>CURRENT LIABILITIES</u>		<u>678702</u>	<u>735072</u>
<u>LESS: CREDITORS</u> Amounts Falling Due After More Than One Year	10	<u>150651</u>	<u>238339</u>
<u>NET ASSETS</u>		<u>528051</u>	<u>496733</u>
<u>CAPITAL AND RESERVES</u>			
Called-Up Share Capital	13	150000	150000
Profit and Loss Account		150893	117209
Revaluation Reserve	14	227158	229524
<u>SHAREHOLDERS' FUNDS - ALL EQUITY</u>	15	<u>528051</u>	<u>496733</u>

APPROVED BY THE BOARD OF DIRECTORS AND SIGNED ON THEIR BEHALF ON

..... 23/10/98

SIGNED ) MR G SMITH (DIRECTOR)

SIGNED ) MR C SWIFT (DIRECTOR)

The attached notes on pages 7 to 15 form an integral part of these accounts.

PRECISION PRINTING PLATES LIMITED

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

1.1 Basis of Preparation of Financial Accounts

The financial statements are prepared under the Historical Cost Convention as modified by the Revaluation of Freehold and Leasehold Property and include the results of the Company's operations which are described in the Directors' Report and all of which are continuing. The Company has taken advantage of the exemption in Financial Reporting Standard No 1 from the requirement to produce a cash flow statement on the grounds that it is a small company.

1.2 Accounting for Tangible Fixed Assets

Tangible Fixed Assets are stated at cost or valuation less depreciation.

Expenditure on tangible fixed assets including those subject to hire purchase agreements is capitalised.

1.3 Depreciation

Depreciation has been generally provided on a reducing balance basis. This provision is estimated to write off the cost of the Assets over their estimated effective lives at the following rates:-

Computerised Production Equipment	25%
Motor Vehicles	25%
Office Equipment	20%
Plant, Fixtures and Equipment	10%

The following are depreciated on a straight line basis on cost or valuation:-

Factory Premises	1%	(On Valuation)
Management Information Systems	33.33%	(On Cost)

1.4 Operating Leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor, are charged to Profit and Loss Account as incurred.

1.5 Stocks and Work-in-Progress

Stocks and Work-in-Progress are valued consistently at the lower of cost and Net Realisable Value. Net Realisable Value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

1.6 Staff Pension Costs

The Company pays annual contributions into a fully insured defined contribution pension scheme covering present Directors and senior employees. The pension charge represents the amounts payable by the Company to the fund in respect of the year.

PRECISION PRINTING PLATES LIMITED

NOTES TO THE ACCOUNTS (CONT/D)

1. ACCOUNTING POLICES (CONT/D)

1.7 Turnover

Turnover comprises the invoiced value of goods and services supplied by the Company, net of Value Added Tax and trade discounts.

1.8 Deferred Taxation

The Directors are of the opinion that no provision for Deferred Taxation is necessary in the Financial Statements of the Company. The Directors intend to continue their policy of fixed asset re-investment over the forthcoming years and consequently it is expected that no reversal of timing differences will occur.

2. TURNOVER

The whole of the turnover and profit before taxation is attributable to the manufacture of printing plates and those services ancillary thereto.

A geographical analysis of turnover is as follows:-

	<u>1998</u> £	<u>1997</u> £
United Kingdom	2354728	2400419
Europe	11979	27489
	<hr/>	<hr/>
	2366707	2427908
	<hr/>	<hr/>

During the year the Company exported 0.5% of its turnover (1997 : 1.1%).

3. STAFFING AND STAFF COSTS

Staff Costs, including Directors' emoluments were:-

	<u>1998</u> £	<u>1997</u> £
Wages and Salaries	882740	936181
Social Security Costs	88487	92473
Other Pension Costs	9860	15078
	<hr/>	<hr/>
	981087	1043732
	<hr/>	<hr/>

PRECISION PRINTING PLATES LIMITED

NOTES TO THE ACCOUNTS (CONT/D)

3. STAFFING AND STAFF COSTS (CONT/D)

The average weekly number of employees during the year was 42 (1997 - 45) and these were engaged in the following activities:-

	<u>1998</u>	<u>1997</u>
Directors	4	4
Administrative and Clerical	10	10
Production	28	31
	—	—
	42	45
	==	==

4. OPERATING PROFIT/(LOSS)

Operating Profit/(Loss) is stated after charging the following:-

	<u>1998</u>	<u>1997</u>
	£	£
Depreciation	178210	202319
(Profit)/Loss on Sale of Assets	(3718)	1143
Auditors' Remuneration	7835	7835
Directors' Remuneration	103093	172839
Director's' Compensation for Loss of Office	-	30517
Equipment Hire - Plant and Machinery	42744	56913
- Office Equipment	12951	13786

PRECISION PRINTING PLATES LIMITED

NOTES TO THE ACCOUNTS (CONT/D)

5. INTEREST PAYABLE AND SIMILAR CHARGES

	<u>1998</u>	<u>1997</u>
	<u>£</u>	<u>£</u>
On Loans Repayable Wholly or In Part After 5 Years:-		
Bank Loans (repayable by instalments)	26690	21910
On Loans Repayable Within 5 Years:-		
Overdrafts	16796	27960
Discounted Trade Debtors	8927	-
Hire Purchase Contracts (repayable by instalments)	40167	38364
	<hr/>	<hr/>
	92580	88234
	<hr/>	<hr/>

6. TAXATION ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	<u>1998</u>	<u>1997</u>
	<u>£</u>	<u>£</u>
United Kingdom Corporation Tax @ 21% (1997 24%/21%)	198	-
Over-Reserve in Previous Years	(5614)	-
	<hr/>	<hr/>
	(5416)	-
	<hr/>	<hr/>

If full provision had been made at the Balance Sheet date for the potential amount of Deferred Taxation this would have amounted to approximately £43,000 (1997 : £52,000).

7. TANGIBLE FIXED ASSETS

<u>COST/VALUATION</u>	<u>Balance</u> <u>1.8.1997</u>	<u>Disposals</u>	<u>Additions</u>	<u>Balance</u> <u>31.7.1998</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Management Information Systems	62920	-	-	62920
Computerised Production Equipment	811716	600	69032	880148
Plant, Fixtures and Equipment	522660	-	11654	534314
Motor Vehicles	92057	36025	91135	147167
<u>Factory Premises</u>				
Freehold	23530	-	-	23530
Long Leasehold	476470	-	-	476470
	<hr/>	<hr/>	<hr/>	<hr/>
	1989353	36625	171821	2124549
	<hr/>	<hr/>	<hr/>	<hr/>

PRECISION PRINTING PLATES LIMITED

NOTES TO THE ACCOUNTS (CONT/D)

7. TANGIBLE FIXED ASSETS (CONT/D)

<u>DEPRECIATION</u>	<u>Balance</u> <u>1.8.1997</u>	<u>Eliminated</u> <u>on Disposal</u>	<u>Provided</u> <u>in the Year</u>	<u>Balance</u> <u>31.7.1998</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Management Information Systems	62920	-	-	62920
Computerised Production Equipment	391099	347	122349	513101
Plant, Fixtures and Equipment	305972	-	24494	330466
Motor Vehicles	50491	8790	26367	68068
<u>Factory Premises</u>				
Freehold	705	-	235	940
Long Leasehold	14295	-	4765	19060
	825482	9137	178210	994555
<u>WRITTEN DOWN VALUE</u>				1129994

The factory premises are stated in the Balance Sheet at their open market value less depreciation. The open market value, assuming a continuation of the existing use, is based on a valuation carried out on 23rd February 1995 by independent Consultant Surveyors and Valuers, Messrs Lambert Smith Hampton.

The historical cost of the Freehold and Long Leasehold Factory Premises and Improvements included at valuation is as follows:-

	<u>1998</u>	<u>1997</u>
	<u>£</u>	<u>£</u>
Cost	282090	282090
Accumulated Depreciation	30266	27445
Written Down Value	251824	254645

The Management Information System costing £62,920 has been fully depreciated but is still in use.

PRECISION PRINTING PLATES LIMITED

NOTES TO THE ACCOUNTS (CONT/D)

8. STOCKS AND WORK-IN-PROGRESS

	<u>1998</u> £	<u>1997</u> £
Stocks of Raw Materials and Consumables	11791	17996
Work-in-Progress	31102	23160
	<hr/>	<hr/>
	42893	41156
	<hr/>	<hr/>

9. DEBTORS

	<u>1998</u> £	<u>1997</u> £
Trade Debtors	618477	564645
Other Debtors	-	1921
Taxation	6412	-
Prepayments and Accrued Income	48607	35426
	<hr/>	<hr/>
	673496	601992
	<hr/>	<hr/>

All Debtors fall due for payment within one year of the Balance Sheet date.

10. CREDITORS - Amounts Falling Due Within One Year

	<u>1998</u> £	<u>1997</u> £
Bank Loan	242024	284194
Hire Purchase Creditors	124960	130801
Bank Overdraft	7991	237322
Payments Received Against Discounted Trade Debtors	325246	-
Trade Creditors	293112	265186
Taxation and Social Security	70712	80450
Other Creditors	26237	12598
Directors' Current Accounts	50265	24002
Accruals and Deferred Income	29033	39347
	<hr/>	<hr/>
	1169580	1073900
	<hr/>	<hr/>

PRECISION PRINTING PLATES LIMITED

NOTES TO THE ACCOUNTS (CONT/D)

10. CREDITORS - Amounts Falling Due After More Than One Year

	<u>1998</u>	<u>1997</u>
	<u>£</u>	<u>£</u>
Hire Purchase Creditors	150651	228916
Other Creditors	-	9423
	<u>150651</u>	<u>238339</u>

The Bank Loan and Overdraft are secured by a Legal Mortgage over the Company's Freehold and Long Leasehold Property and are charged to interest at a variable rate dependent upon National Westminster Bank base rate. The Bank Overdraft is also secured by a fixed charge on this property and a floating charge over all other assets. The Payments Received Against Discounted Trade Debtors are secured by a fixed charge over all discounted debts and a floating charge over all other assets. The Hire Purchase Contracts are secured on the assets concerned.

11. OBLIGATIONS UNDER HIRE PURCHASE CONTRACT

The maturity of these amounts is as follows:-

	<u>1998</u>	<u>1997</u>
	<u>£</u>	<u>£</u>
Amount Payable:-		
Within One Year	160263	168097
Within Two to Five Years	194492	299759
	<u>354755</u>	<u>467856</u>
<u>Less:</u> Finance Charges allocated to future periods	79144	108139
	<u>275611</u>	<u>359717</u>

Hire Purchase Contracts are analysed as follows:-

Current Obligations	124960	130801
Non-Current Obligations	150651	228916
	<u>275611</u>	<u>359717</u>

PRECISION PRINTING PLATES LIMITED

NOTES TO THE ACCOUNTS (CONT/D)

12. LEASE COMMITMENTS

The Company is committed to making payments during the next year on operating lease commitments expiring:-

	<u>1998</u>	<u>1997</u>
	<u>£</u>	<u>£</u>
Within One Year	6951	19543
Between Two and Five Years	20067	24612
	<u>27018</u>	<u>44155</u>

13. CALLED-UP SHARE CAPITAL

	<u>1998</u>	<u>1997</u>
	<u>£</u>	<u>£</u>
<u>Authorised</u>		
Ordinary Shares of £1 each	175000	175000
	<u>175000</u>	<u>175000</u>
<u>Allotted, Called-Up and Fully Paid</u>		
Ordinary Shares of £1 each	150000	150000
	<u>150000</u>	<u>150000</u>

14. REVALUATION RESERVE

	<u>1998</u>	<u>1997</u>
	<u>£</u>	<u>£</u>
Balance Brought Forward	229524	231890
Transfer to Profit and Loss Account	2366	2366
	<u>227158</u>	<u>229524</u>

15. MOVEMENT ON SHAREHOLDERS' FUNDS

	<u>1998</u>	<u>1997</u>
	<u>£</u>	<u>£</u>
Profit/(Loss) for the Year	57718	(72293)
<u>Less: Dividends</u>	26400	-
	<u>31318</u>	<u>(72293)</u>
Net Additions to/(Deduction from) Shareholders' Fund	31318	(72293)
Opening Shareholders' Funds	496733	569026
	<u>528051</u>	<u>496733</u>

PRECISION PRINTING PLATES LIMITED

NOTES TO THE ACCOUNTS (CONT/D)

17. TRANSACTIONS WITH DIRECTORS

Family members of Mr G Smith and Mr C Swift lent monies to the Company. At the commencement of the year these amounted to £13,333 and this carried a rate of interest of 10%. During the year the Company repaid £10,000 and interest amounting to £2,000. At the Balance Sheet date the amount outstanding was £3,333.

Mr G Smith and Mr C Swift have also given personal guarantees over payments received by the Company against discounted trade debtors.