

Grant Thornton 



**THE DRAWING GROUP
LIMITED**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 1998

Company number: 2251098

THE DRAWING GROUP LIMITED

FINANCIAL STATEMENTS

For the year ended 31 December 1998

Company registration number: 2251098

Registered office: 3-9 West Street
Hull
North Humberside
HU1 3UR

Directors: S E St Quinton
M G St Quinton

Secretary: S E St Quinton

Bankers: National Westminster Bank PLC

Auditors: Grant Thornton
Registered Auditors
Chartered Accountants

THE DRAWING GROUP LIMITED

FINANCIAL STATEMENTS

For the year ended 31 December 1998

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THE DRAWING GROUP LIMITED

REPORT OF THE DIRECTORS

The directors present their report together with financial statements for the year ended 31 December 1998.

Principal activities

The principal activities of the company are the supply of drawing office equipment, art, craft and design materials and copying services.

Business review and future developments

The directors are satisfied with the results for the year and are committed to a policy of continued development to enhance the company's future trading prospects.

Profit, dividends and appropriations

There was a profit for the year after taxation amounting to £69,853. The directors do not recommend the payment of a dividend.

Directors

The directors of the company, all of whom served throughout the year, are shown below.

The interests of the directors in the shares of the company at 1 January 1998 and 31 December 1998, were as follows:

	Ordinary shares of £1 each	
	31 December 1998	1 January 1998
S E St Quinton	4,000	4,000
M G St Quinton	-	-

Directors' responsibilities for the financial statements

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 maintaining proper accounting records, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

THE DRAWING GROUP LIMITED

REPORT OF THE DIRECTORS (CONTINUED)

Year 2000 compliance

Many computer systems which express dates using only the last two digits of the year may malfunction due to the date change to the Year 2000. This risk to the business relates not only to the company's computer systems, but also to some degree on those of the company's customers and suppliers.

The company has reviewed its computer systems for the impact of the Year 2000 date change. An impact analysis has been prepared to identify the major risks, and action plans have been developed to address these in advance of critical dates. The plans give priority to the systems which could have a significant financial or legal impact if they were to fail.

The main systems affected are the accounting and management information systems and the stock purchasing and inventory management system which will be Year 2000 compliant by the Millennium.

The company has requested from major customers, suppliers and other trading partners with whom information is exchanged electronically, confirmation that their relevant systems are Year 2000 compliant.

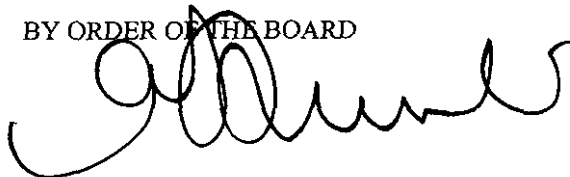
The issue is complex, and no business can guarantee that there will be no Year 2000 problems. However, the board believes that its plans and the resources allocated are appropriate and adequate to address the issue.

No significant further external costs to address the issue are expected.

Auditors

Grant Thornton offer themselves for re-appointment as auditors in accordance with Section 385 of the Companies Act 1985.

BY ORDER OF THE BOARD



S E St Quinton
Secretary

29/7/ 1999

**REPORT OF THE AUDITORS TO THE MEMBERS OF
THE DRAWING GROUP LIMITED**

We have audited the financial statements on pages 4 to 12 which have been prepared under the accounting policies set out on page 4.

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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Grant Thornton

GRANT THORNTON
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS
SHEFFIELD

29 July 1999

THE DRAWING GROUP LIMITED

PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial statements have been prepared in accordance with the historical cost convention.

The principal accounting policies of the company have remained unchanged from the previous year and are set out below.

CONSOLIDATED FINANCIAL STATEMENTS

The company has taken advantage of the exemption under Section 248 of the Companies Act 1985 and has not produced consolidated financial statements.

TURNOVER

Turnover is the total amount receivable by the company for goods supplied and services provided, excluding VAT and trade discounts.

DEPRECIATION

Depreciation is calculated to write down the cost less estimated residual value of all fixed assets by equal annual instalments over their expected useful lives. The rates generally applicable are:

Fixtures and equipment	10-33%
Motor vehicles	25%

STOCKS

Stocks are valued at the lower of cost and net realisable value.

DEFERRED TAX

Deferred tax is provided for under the liability method using the tax rates estimated to arise when the timing differences reverse and is accounted for to the extent that it is probable that a liability or asset will crystallise. Unprovided deferred tax is disclosed as a contingent liability.

CONTRIBUTIONS TO PENSION FUNDS

Defined contribution scheme

The pension costs charged against profits represent the amount of the contributions payable to the scheme in respect of the accounting period.

LEASED ASSETS

Assets held under finance leases and hire purchase contracts are capitalised in the balance sheet and depreciated over their expected useful lives. The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to the profit and loss account over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to the profit and loss account on a straight line basis over the lease term.

THE DRAWING GROUP LIMITED**PROFIT AND LOSS ACCOUNT**

For the year ended 31 December 1998

	Note	1998 £	1997 £
Turnover	1	1,234,474	1,220,190
Cost of sales		<u>(573,143)</u>	<u>(601,555)</u>
Gross profit		661,331	618,635
Selling and distribution costs		(61,243)	(45,914)
Administrative expenses		<u>(513,486)</u>	<u>(505,513)</u>
Operating profit		86,602	67,208
Net interest	2	<u>5,030</u>	<u>1,415</u>
Profit on ordinary activities before taxation	1	91,632	68,623
Tax on profit on ordinary activities	4	<u>(21,779)</u>	<u>(14,304)</u>
Retained profit for the year	12	<u>69,853</u>	<u>54,319</u>

There were no recognised gains or losses other than the profit for the financial year.

The accompanying accounting policies and notes form an integral part of these financial statements.

THE DRAWING GROUP LIMITED

BALANCE SHEET AT 31 DECEMBER 1998

	Note	1998 £	1997 £
Fixed assets			
Tangible assets	5	168,811	211,864
Investments	6	<u>5,000</u>	<u>5,000</u>
		173,811	216,864
Current assets			
Stocks	7	78,824	72,218
Debtors			
- amounts falling due within one year	8	149,980	151,922
- amounts falling due after more than one year	8	200,362	226,392
Cash at bank and in hand		<u>258,036</u>	<u>95,149</u>
		687,202	545,681
Creditors: amounts falling due within one year	9	<u>(211,883)</u>	<u>(185,718)</u>
Net current assets		<u>475,319</u>	<u>359,963</u>
Total assets less current liabilities		649,130	576,827
Creditors: amounts falling due after more than one year	10	<u>(34,984)</u>	<u>(32,534)</u>
		<u>614,146</u>	<u>544,293</u>
Capital and reserves			
Called up share capital	11	5,000	5,000
Profit and loss account	12	<u>609,146</u>	<u>539,293</u>
Shareholders' funds	13	<u>614,146</u>	<u>544,293</u>

The financial statements were approved by the Board of Directors on 29/7/1999.

S E St Quinton

Director

The accompanying accounting policies and notes form an integral part of these financial statements.

THE DRAWING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 1998

1 TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

Turnover and profit on ordinary activities before taxation are stated after charging:

	1998 £	1997 £
Auditors' remuneration	5,900	4,000
Depreciation		
- tangible fixed assets, owned	69,913	55,233
- tangible fixed assets, held under finance leases	-	4,671
Other operating lease rentals	17,500	17,500

2 NET INTEREST

	1998 £	1997 £
Finance charges in respect of finance leases	-	(824)
Other interest payable and similar charges	(3,062)	(3,072)
Other interest receivable and similar income	8,092	1,951
Management charge	-	3,360

3 DIRECTORS AND EMPLOYEES

The average number of employees of the company during the year was:

	1998 Number	1997 Number
Sales and distribution	22	24
Administration	4	5

The aggregate emoluments including directors for the year were as follows:

	£	£
Wages and salaries	280,711	280,052
Social security costs	22,039	18,331
Other pension costs	31,273	31,453

Remuneration in respect of directors was as follows:

	£	£
Emoluments	63,481	52,864
Pension contributions to money purchase pension scheme	25,000	25,000

THE DRAWING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 1998

4 TAXATION

	1998 £	1997 £
Corporation tax at 21% (1997: 21.75%)	22,000	13,358
Adjustment in respect of previous years	(221)	946
	<u>21,779</u>	<u>14,304</u>

5 TANGIBLE FIXED ASSETS

	Fixtures and equipment £	Motor vehicles £	Total £
Cost			
At 1 January 1998	403,109	121,918	525,027
Additions	20,806	13,800	34,606
Disposals	(2,999)	(22,658)	(25,657)
At 31 December 1998	<u>420,916</u>	<u>113,060</u>	<u>533,976</u>
Depreciation			
At 1 January 1998	268,574	44,589	313,163
Charge for the year	42,969	26,944	69,913
Disposals	-	(17,911)	(17,911)
At 31 December 1998	<u>311,543</u>	<u>53,622</u>	<u>365,165</u>
Net book amount at 31 December 1998	<u>109,373</u>	<u>59,438</u>	<u>168,811</u>
Net book amount at 31 December 1997	<u>134,535</u>	<u>77,329</u>	<u>211,864</u>

The figures stated above include assets held under finance leases as follows:

	Fixtures and equipment £
Net book amount at 31 December 1998	<u>-</u>
Net book amount at 31 December 1997	<u>23,354</u>

THE DRAWING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 1998

6 FIXED ASSET INVESTMENTS

	Shares in group undertakings £
Cost	
At 1 January 1998 and 31 December 1998	<u>85,000</u>
Amounts written off	
At 1 January 1998 and 31 December 1998	<u>80,000</u>
Net book amount at 31 December 1998	<u><u>5,000</u></u>
Net book amount at 31 December 1997	<u><u>5,000</u></u>

At 31 December 1998 the subsidiary undertakings in which the company held more than 20% of the allotted share capital, were as follows:

Name of subsidiary undertakings	Country of registration and operation	Class of shares	Proportion held	Nature of business
The Drawing Group (Hull) Limited	England	Ordinary	100%	Dormant
The Drawing Group (Grimsby) Limited	England	Ordinary	100%	Property rental

The Drawing Group (Grimsby) Limited made a profit of £12,464 for the year ended 31 December 1998 and had a deficiency on shareholders' funds of £81,978 at that date.

THE DRAWING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 1998

7 STOCKS

	1998 £	1997 £
Finished goods and goods for resale	<u>78,824</u>	<u>72,218</u>

8 DEBTORS

	1998 £	1997 £
Amounts due within one year:		
Trade debtors	134,610	141,887
Other debtors	4,608	6,624
Prepayments and accrued income	<u>10,762</u>	<u>3,411</u>
	149,980	151,922
Amounts due after more than one year:		
Amount owed by group undertakings	<u>200,362</u>	<u>226,392</u>
	<u>350,342</u>	<u>378,314</u>

9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1998 £	1997 £
Trade creditors	118,999	114,058
Corporation tax	22,000	13,358
Amounts owed to group undertakings	5,000	5,000
Social security and other taxes	33,616	35,200
Accruals and deferred income	<u>32,268</u>	<u>18,102</u>
	<u>211,883</u>	<u>185,718</u>

10 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1998 £	1997 £
Pension fund loan	<u>34,984</u>	<u>32,534</u>

THE DRAWING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 1998

11 SHARE CAPITAL

	1998 £	1997 £
Authorised, allotted, called up and fully paid: 5,000 ordinary shares of £1 each	<u>5,000</u>	<u>5,000</u>

12 PROFIT AND LOSS ACCOUNT

	1998 £	1997 £
At 1 January 1998	539,293	484,974
Profit for the year	<u>69,853</u>	<u>54,319</u>
At 31 December 1998	<u>609,146</u>	<u>539,293</u>

13 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1998 £	1997 £
Profit for the financial year	69,853	54,319
Dividends	-	-
Net increase in shareholders' funds	<u>69,853</u>	<u>54,319</u>
Shareholders' funds at 1 January 1998	<u>544,293</u>	<u>489,974</u>
Shareholders' funds at 31 December 1998	<u>614,146</u>	<u>544,293</u>

14 CAPITAL COMMITMENTS

The company had no capital commitments at 31 December 1998 or 31 December 1997.

15 CONTINGENT LIABILITIES

There were no contingent liabilities at 31 December 1998 or 31 December 1997.

16 PENSIONS

The company operates defined contribution pension schemes for the benefit of the employees. The assets of the schemes are administered by trustees in funds independent from the funds of the company.

THE DRAWING GROUP LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the year ended 31 December 1998

17 LEASING COMMITMENTS

Operating lease payments amounting to £17,500 (1997: £17,500) are due within one year. The leases to which these payments relate expire as follows:

	1998	1997
	Land and	Land and
	buildings	buildings
	£	£
After five years	<u>17,500</u>	<u>17,500</u>

18 RELATED PARTY TRANSACTIONS

The company has a loan from The Drawing Group (Hull) Limited Pension Scheme of £34,984 (1997: £32,534) at the year end. Interest of £3,062 (1997: £3,072) was paid on this during the year. In addition a rental charge of £17,500 (1997: £17,500) was paid in the year.