

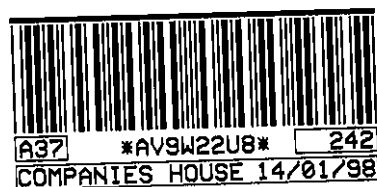
PAPER SPECTRUM LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 MARCH 1997

Company no 2994025



PAPER SPECTRUM LIMITED

FINANCIAL STATEMENTS

For the year ended 31 March 1997

Company registration number: 2994025

Registered office: Unit 12
Abbey Business Court
Wallingford Road
Leicester
LE4 5RD

Directors: T B Herbert
C J Roberts

Secretary: T B Herbert

Bankers: Barclays Bank plc
Town Hall Square
Leicester
LE1 9AA

PAPER SPECTRUM LIMITED

FINANCIAL STATEMENTS

For the year ended 31 March 1997

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REPORT OF THE DIRECTORS

The directors present their second report together with financial statements for the year ended 31 March 1997. Comparative figures in these financial statements are for the thirteen months ended 31 March 1996.

Principal activity

The company is principally engaged in the sale of paper and related products.

Review of the business

The company's trading position improved significantly during the year with an encouraging increase in sales and a modest increase in net profit. The directors are hopeful that the improvement can be sustained into the third year of the company's activity and will be seeking suitable opportunities to achieve that goal.

There was a profit for the year after taxation amounting to £4,632 (1996 period: £964). The directors do not recommend the payment of a dividend and the profit has been transferred to reserves.

Directors

The present membership of the Board is set out below. Both directors served throughout the year.

Mr T B Herbert retires by rotation and, being eligible, offers himself for re-election.

The interests of the directors in the shares of the company at 1 April 1996 and 31 March 1997 as recorded in the register maintained by the company in accordance with the provisions of the Companies Act 1985, were as follows:

	1997 and 1996
Ordinary shares	
Mr T B Herbert	50
Mr C J Roberts	50

Auditors

The Directors are not required to appoint auditors as the company is within the exemptions provided by Section 249A(4) of the Companies Act 1985.

ON BEHALF OF THE BOARD



T B Herbert
Director

Registered office:

Unit 12
Abbey Business Court
Wallingford Road
Leicester
LE4 5RD

Date: 8 December 1997

**REPORTING ACCOUNTANT'S REPORT TO THE MEMBERS ON THE
UNAUDITED FINANCIAL STATEMENTS OF PAPER SPECTRUM LIMITED**

2.

ACCOUNTANT'S REPORT

I report on the financial statements for the year ended 31 March 1997 set out on pages 3 to 9.

Respective responsibilities of directors and reporting accountants

As described on page 5 the directors are responsible for the preparation of financial statements, and they consider that the company is exempt from audit. It is my responsibility to carry out procedures designed to enable me to report my opinion.

Basis of my opinion

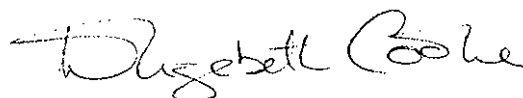
My work was conducted in accordance with the Statement of Standards for Reporting Accountants, and so my procedures consisted of comparing the financial statements with the accounting records kept by the company, and making such limited enquiries of the officers of the company as I considered necessary for the purposes of this report. These procedures provide only the assurance expressed in my opinion.

Opinion

In my opinion

- i the financial statements are in agreement with the accounting records kept by the company under Section 221 of the Companies Act 1985
- ii having regard only to, and on the basis of, the information contained in those accounting records:
 - a the financial statements have been drawn up in a manner consistent with the accounting requirements specified in Section 249C(6) of the Act and
 - b the company satisfied the condition for exemption from an audit of the financial statements for the period specified in Section 249A(4) of the Act and did not, at any time within that period, fall within any of the categories of companies not entitled to the exemption specified in Section 249B(1).

ELIZABETH COOKE
CHARTERED ACCOUNTANT
4 Powys Avenue
Oadby
Leicester
LE2 2DP



8 December 1997

PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable Accounting Standards under the historical cost convention and on a going concern basis which assumes the continued support of the Directors.

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

a Turnover

Turnover is the total amount receivable by the company for goods supplied, excluding Value Added Tax.

b Depreciation

Depreciation is calculated to write down the cost less estimated residual value of all fixed assets on the reducing balance method over their expected useful lives. The periods and rates generally applicable are:

Improvements to leasehold property	over three years
Motor vehicles	25% per annum
Computer equipment	25% per annum
Office Equipment	25% per annum
Plant and machinery	15% per annum

c Stock

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

d Deferred taxation

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 a liability or asset will crystallise. Unprovided deferred tax is disclosed as a contingent liability.

e Contributions to pension funds

The pension costs charged against profits represent the amount of contributions paid to the directors' personal pension fund policies during the year.

f Leased assets

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

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.

PROFIT AND LOSS ACCOUNT

For the year ended 31 March 1997

	<u>Note</u>	<u>1997</u> £	<u>1996</u> £
Turnover	1	210,750	119,304
Cost of sales		<u>152,638</u>	<u>85,982</u>
Gross profit		58,112	33,322
Administrative expenses		<u>51,918</u>	<u>31,806</u>
Profit on ordinary activities before taxation		6,194	1,516
Tax on profit on ordinary activities	3	<u>1,562</u>	<u>552</u>
Profit on ordinary activities for the financial period	1 and 10	<u>4,632</u>	<u>964</u>

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

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

BALANCE SHEET

At 31 March 1997

	Note	1997 £	1997 £	1996 £
Fixed assets				
Intangible assets	4		13,571	13,957
Current assets				
Stock		4,296		3,982
Debtors	5	56,300		35,824
Bank and cash balances		11,434		16,461
		<u>72,030</u>		<u>56,267</u>
Creditors: amounts falling due within one year	6	<u>74,707</u>		<u>65,084</u>
Net current liabilities			<u>-2,677</u>	<u>-8,817</u>
Total assets less current liabilities			10,894	5,140
Creditors: amounts falling due after more than one year	7		<u>-5,198</u>	<u>-4,076</u>
			<u>5,696</u>	<u>1,064</u>
Capital and reserves				
Called up share capital	9		100	100
Profit and loss account	10		<u>5,596</u>	<u>964</u>
			<u>5,696</u>	<u>1,064</u>

"For the period ended 31 March 1997, the company was exempt from audit of its financial statements under subsection (2) of Section 249A of the Companies Act 1985. No notice has been deposited by the members under subsection (2) of Section 249B calling for an audit in relation to these financial statements.

We acknowledge our responsibilities for:

-ensuring that the company keeps accounting records which comply with section 221 of the Companies Act 1985, and

-preparing financial statements which give a true and fair view of the state of affairs of the company at the end of the financial period and of its profit for the financial period in accordance with the requirements of Section 226, and which otherwise comply with the Companies Act relating to accounts, so far as applicable to the company." The financial statements were approved by the Board of Directors on 8 December 1997.

T B Herbert
Director



C J Roberts
Director



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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 1997

1. Turnover and profit on ordinary activities before taxation

Turnover and profit on ordinary activities before taxation is attributable to the one continuing activity of the company, the sale of paper and paper products.

Profit on ordinary activities before taxation is stated after:

	<u>1997</u>	<u>1996</u>
	£	£
Depreciation owned assets	1,368	2,596
assets on hire purchase	3,463	2,187
Operating lease rental - property	6,359	6,347

2. Employee information

Staff costs during the year were as follows:

	<u>1997</u>	<u>1996</u>
	£	£
Wages and salaries	21,265	4,690
Social security costs	1,931	708
Other pension costs	<u>2,000</u>	<u>-</u>
	<u>25,196</u>	<u>5,398</u>

The only employees of the company during the period were the two Directors.

Remuneration in respect of the Directors was:

Management remuneration and benefits	26,670	9,932
Contributions to personal pension policies for the directors	<u>2,000</u>	<u>-</u>
	<u>28,670</u>	<u>9,932</u>

3. Tax on profit on ordinary activities

The taxation charge on the profit for the period is made up as follows:

	<u>1997</u>	<u>1996</u>
	£	£
Corporation tax at 24% (1996:25%)	1,562	552

The corporation tax charge has been reduced by the excess of capital allowances over depreciation.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 1997

4. Tangible fixed assets

	Total	Leasehold	Motor	Plant and
	£	Improvements	Vehicles	equipment
		£	£	£
Cost				
At 1 April 1996	18,740	1,555	12,547	4,638
Additions in the year	<u>7,295</u>	<u>-</u>	<u>7,295</u>	<u>-</u>
	26,035	1,555	19,842	4,638
Disposals in the year	<u>3,800</u>	<u>-</u>	<u>3,800</u>	<u>-</u>
At 31 March 1997	<u>22,235</u>	<u>1,555</u>	<u>16,042</u>	<u>4,638</u>
Depreciation				
At 1 April 1996	4,783	518	3,138	1,127
Additions in the year	<u>4,831</u>	<u>518</u>	<u>3,463</u>	<u>850</u>
	9,614	1,036	6,601	1,977
Disposals in the year	<u>950</u>	<u>-</u>	<u>950</u>	<u>-</u>
At 31 March 1997	<u>8,664</u>	<u>1,036</u>	<u>5,651</u>	<u>1,977</u>
Net book amount				
At 31 March 1997	<u>13,571</u>	<u>519</u>	<u>10,391</u>	<u>2,661</u>
At 31 March 1996	<u>13,957</u>	<u>1,037</u>	<u>9,409</u>	<u>3,511</u>

The figures stated above include motor vehicles held under hire purchase contracts with a net book amount of £10,391. (1996:£6,559).

5. Debtors

	<u>1997</u>	<u>1996</u>
	<u>£</u>	<u>£</u>
Trade debtors	54,772	32,760
Sundry debtors	1,000	1,000
Prepayments	<u>528</u>	<u>2,064</u>
	<u>56,300</u>	<u>35,824</u>

6. Creditors: amounts falling due within one year

	<u>1997</u>	<u>1996</u>
	<u>£</u>	<u>£</u>
Trade creditors	55,090	36,604
Amounts due under hire purchase agreements	3,434	1,956
Corporation tax	1,562	552
Social Security and other taxes	3,604	887
Directors' current accounts	9,279	23,729
Accruals	<u>1,738</u>	<u>1,356</u>
	<u>74,707</u>	<u>65,084</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 1997

Borrowings are repayable as follows:

	1997 £	1996 £
Within one year		
Hire purchase	3,434	1,956
Directors' current accounts	9,279	23,729
After one and within two years		
Hire purchase	3,434	1,956
After two and within five years		
Hire purchase	<u>1,764</u>	<u>2,120</u>
	<u>17,911</u>	<u>29,761</u>

The figures stated above include motor vehicles held under hire purchase contracts with a net book amount of £10,391 (1996:£6,559).

7. Creditors: amounts falling due after more than one year

	1997 £	1996 £
Amounts due under hire purchase agreements	<u>5,198</u>	<u>4,076</u>

8 Deferred taxation

The company has a deferred asset of £29 (1996:deferred liability of £47) in respect of accelerated capital allowances. These are not provided in the financial statements.

9. Called up share capital

	1997 £	1996 £
Authorised		
10,000 ordinary shares of £1	<u>10,000</u>	<u>10,000</u>
Allotted, called up and fully paid		
100 ordinary shares of £1	<u>100</u>	<u>100</u>

10. Reconciliation of movements in shareholders' funds and reserves

	Profit and loss Account £	Movement in shareholders' funds	
		1997 £	1996 £
At 1 April 1996	964	1,064	-
Profit for the financial year	4,632	4,632	964
Issue of shares	-	-	100
At 31 March 1997	<u>5,596</u>	<u>5,696</u>	<u>1,064</u>

11. Leasing commitments

The company has entered into a three year lease on its business premises at a rent of £6,386 per annum. The lease expires in March 1998.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 1997

12. Transactions with related parties

The Directors are both partners in the business of Papertec which supplies collated paper products to the company on a normal arm's length basis. The value of purchases by the company from Papertec in the year ended 31 March 1997 was £11,510 and the amount owing to the partnership at 31 March 1997 was £7,779 (1996: £1,569).

The directors have made interest free loans to the company as follows:

	<u>1997</u>	<u>1996</u>
	£	£
T B Herbert	4,052	11,695
C J Roberts	<u>5,227</u>	<u>12,034</u>
	<u>9,279</u>	<u>23,729</u>