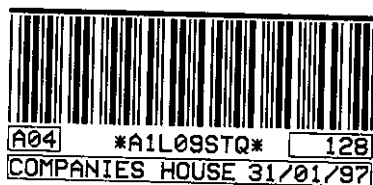


MARATECH (UK) LIMITED

FINANCIAL ACCOUNTS FOR THE
PERIOD ENDED 31 MARCH 1996

RAMSAY HAKIM & CO

CHARTERED ACCOUNTANTS



MARATECH (UK) LIMITED

DIRECTORS: D.Kingsley
C.S.Frost
J.Carty

SECRETARY: Cripps Secretaries Limited

REGISTERED OFFICE: Seymour House
11-13 Mount Ephraim Road
Tunbridge Wells
Kent TN1 1EN

REGISTERED NUMBER: 3020376

BANKERS: Barclays Bank PLC
Milton Keynes
Ashton House
497 Silbury Boulevard
Central Milton Keynes, MK9 2LD

SOLICITORS: Cripps Harries Hall
Seymour House
11-13 Mount Ephraim Road
Tunbridge Wells
Kent TN1 1EN

AUDITORS: Ramsay Hakim & Co
Chartered Accountants
Hathaway House
Popes Drive
London
N3 1QF

MARATECH (UK) LIMITED
FINANCIAL ACCOUNTS
FOR THE PERIOD ENDED 31 March 1996

CONTENTS

1. Report of the Directors
2. Statement of Directors Responsibilities
3. Report of the Auditors
4. Profit and Loss Account
5. Balance Sheet
6. Notes to Accounts

The following pages do not form part of the Statutory Accounts

7. Trading and Profit and Loss Account
8. Schedule to the Trading and Profit
and Loss Account
9. Profit and Loss Account Summaries

MARATECH (UK) LIMITED
REPORT OF THE DIRECTORS

FOR THE PERIOD ENDED 31 March 1996

The directors present their annual report with the accounts of the company for the Period ended 31 March 1996.

PRINCIPAL ACTIVITY

The principal activity of the company in the Period under review was Recovery, Renovation and resale of speciality paper for the label industry.

REVIEW OF BUSINESS

A summary of the results for the Period is given on page 3 of the accounts. The directors consider the state of affairs to be satisfactory.

DIVIDENDS

The directors do not recommend the payment of a dividend.

DIRECTORS

The directors in office in the Period and their beneficial interests in the company's issued ordinary share capital were as follows:

	Ordinary Shares of £1 each <u>1996</u>
D.Kingsley	245
C.S.Frost	510
J.Carty (Resigned 24th August 1995)	245

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 and loss of the company for that period.

In preparing these those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that 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 responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

CLOSE COMPANY

The company is a close company as defined by the Income and Corporation Taxes Act 1988.

Continued.....

MARATECH (UK) LIMITED
REPORT OF THE DIRECTORS (CONTINUED)
FOR THE PERIOD ENDED 31 March 1996

EMPLOYEES

The directors endeavour to ensure that as far as possible the training, career development and promotion of disabled persons is the same as for other employees. Should employees become disabled, every effort is made to ensure that their employment continues and appropriate retraining is received.

EVENTS SINCE THE END OF THE PERIOD

Since the end of the year, the Company entered into an agreement with Barclays Commercial Services to factor its trade debtors and thus provide additional working capital.

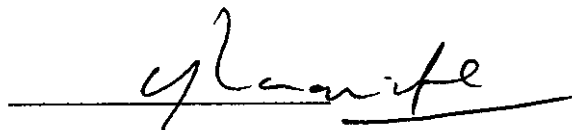
POLITICAL AND CHARITABLE DONATIONS

There were no political or charitable donations during the year.

AUDITORS

In accordance with section 385 of the Companies act 1985, a resolution proposing the appointment of auditors, Messrs Creaseys will be made at the next Annual General Meeting.

Signed on behalf of the
board of directors



Cripps Secretaries Limited
Secretary

C. J. LANGRIDGE
DIRECTOR
CRIPPS SECRETARIES LIMITED

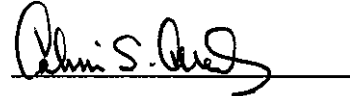
15th January 1997

MARATECH (UK) LIMITEDSTATEMENT OF DIRECTORS' RESPONSIBILITIES

We are required under company law to prepare financial accounts for each financial Period 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 accounts we are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial accounts;
- prepare the financial accounts 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 accounts comply with 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.



C. Frost

Director

On behalf of the Board

14th January 1997

AUDITORS' REPORT TO THE SHAREHOLDERS OF
MARATECH (UK) LIMITED

We have audited the financial accounts on pages 4 to 6 which have been prepared under the historical cost convention and the accounting policies set out on page 6a.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 2 the company's directors are responsible for the preparation of financial accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial accounts, 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 accounts are free from material misstatement, whether caused by fraud or other irregularity or error. However the evidence available to us was limited because:-

1. we were appointed auditors in April 1996 and in consequence of and as a result of the subsequent corruption of data records (see 2. below) we were unable to obtain adequate assurance regarding the quantities and condition of stock and work in progress appearing in the balance sheet at £360,259. Any adjustment to this figure would have a consequential significant effect on the loss for the period ended 31 March 1996.
2. There was corruption of data entries made between the 10th April 1996 and the 16th May 1996, and the company failed to maintain adequate backup procedures, resulting in our being unable to inspect and verify entries made in in the nominal ledger after the 10th of April 1996 (the date of the corruption of the records).

The net effect of loss of audit trail was reduce the losses by £25,377 between the figures presented on the 10th April and 16th May 1996.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

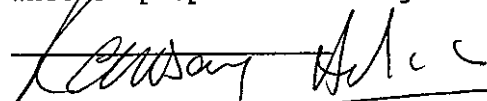
OPINION: Disclaimer on view given by financial statements:

Because of the possible effect of the limitation in evidence available to us, we were unable to form an opinion as to whether the financial statements give a true and fair view of the state of the company's affairs as at 31 March 1996 and of its loss for the Period then ended. In all other respects, in our opinion the financial statements have been properly prepared in accordance with Companies Act 1985 to 1990.

continued page 3(a)

AUDITORS' REPORT TO THE SHAREHOLDERS OF
MARATECH (UK) LIMITED (CONTINUED)

In respect alone of the limitation of our work relating to stock and Work in Progress and the lack of access to entries made after 10 April 1996, we have not obtained all the information and explanations that we consider necessary for the purpose of our audit; and we were unable to determine whether proper accounting records had been maintained.



Ramsay ~~Hakim~~ & Co
Registered Auditor
Chartered Accountants
Hathaway House
Popes Drive
Finchley
London N3 1QF

15th January 1997

MARATECH (UK) LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 31 March 1996

	<u>Notes</u>	<u>1996</u>
		£ £
TURNOVER	2	935,894
Cost of Sales		321,360
<u>GROSS PROFIT</u>		<u>614,534</u>
Net Operating Expenses		
Distribution Costs		71,064
Administrative Expenses		<u>602,777</u>
		<u>673,841</u>
<u>OPERATING LOSS</u>	3	(59,307)
Other Income	5	<u>872</u>
<u>LOSS ON ORDINARY ACTIVITIES BEFORE INTEREST</u>		(58,435)
Interest Payable	6	<u>13,800</u>
<u>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</u>		(72,235)
Tax on Ordinary Activities	7	<u>-</u>
<u>LOSS ON ORDINARY ACTIVITIES AFTER TAXATION</u>		<u>£ (72,235)</u>
<u>STATEMENT OF RETAINED EARNINGS</u>		
Loss for the Year		<u>(72,235)</u>
<u>RETAINED LOSS CARRIED FORWARD</u>		<u>£ (72,235)</u>

None of the company's activities were acquired or discontinued during the above financial year.

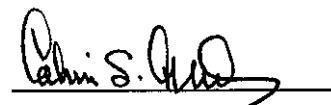
There were no recognised gains or losses during the year.

The notes on pages 6a to 6d form part of these accounts.

MARATECH (UK) LIMITEDBALANCE SHEET
AS AT 31 March 1996

	<u>Notes</u>	£	<u>1996</u>	£
FIXED ASSETS				
Intangible Assets	9		41,454	
Tangible Assets	8		142,598	
			<hr/>	
			184,052	
CURRENT ASSETS				
Stock	10	360,259		
Debtors	11	282,553		
Cash at Bank and in Hand		6,394		
		<hr/>		
		649,206		
CREDITORS : Amounts Falling				
Due within One Year	12	(469,010)		
		<hr/>		
NET CURRENT ASSETS			180,196	
			<hr/>	
TOTAL ASSETS LESS CURRENT LIABILITIES			364,248	
CREDITORS : Amounts Falling				
Due After more than One Year	13		435,483	
			<hr/>	
			£ (71,235)	
			<hr/>	
CAPITAL AND RESERVES				
Share Capital	14		1,000	
Profit and Loss Account			(72,235)	
			<hr/>	
<u>TOTAL SHAREHOLDERS' FUNDS</u>			£ (71,235)	
			<hr/>	

Signed on behalf of the
board of directors



C. Frost
Director

Approved by the board: 15th January 1997

The notes on pages 6a to 6d form part of these accounts.

MARATECH (UK) LIMITEDNOTES TO ACCOUNTS
FOR THE PERIOD ENDED 31 March 1996**1. ACCOUNTING POLICIES****Basis of Accounting**

The accounts have been prepared under the historical cost convention.

Turnover

Turnover represents the net invoiced sales of goods, excluding VAT.

Tangible Fixed Assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life:

Leasehold Property Improvements	25% on Cost
Plant and Equipment and Fixtures	25% on cost

Intangible Fixed Assets

Costs have been capitalised and are amortised over the estimated life of the asset as follows:

Development Costs	25% straight line basis
-------------------	-------------------------

Stock

Stock is valued by the Directors at the lower of cost and net realisable value, after making due allowance for obsolete and slow-moving items.

Foreign Currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating loss.

Cash Flow Statement

The company has taken advantage of the exemption provided by Financial Reporting Standard 1 and has not prepared a Cash Flow Statement for the Period.

2. TURNOVER

The Turnover and Loss (- Profit) before taxation for the Period is attributable to the principal activity of the Company which is Recovery, Renovation and resale of speciality paper for the label industry.

Turnover attributable to each geographical market is as follows:

	<u>1996</u> £
United Kingdom	601,933
Europe	77,200
Others	256,761
	<hr/> 935,894 <hr/>

MARATECH (UK) LIMITED

NOTES TO ACCOUNTS
FOR THE PERIOD ENDED 31 March 1996

3. OPERATING LOSS

The Operating Loss (- Profit) is stated
after charging:

	<u>1996</u> £
Depreciation of Tangible Fixed Assets	47,532
Amortisation of Intangible Fixed Assets	13,818
Staff Costs - note 4	263,189
Auditors' Remuneration	5,000
	<u> </u>

4. STAFF COSTS

The costs incurred, were as follows:

	<u>1996</u> £
Wages and Salaries	242,719
Social Security Costs	20,470
	<u> </u>
	263,189
	<u> </u>

The average monthly number of employees
during the year was as follows:

Office and Management	5
Production and Sales	17
	<u> </u>
	22
	<u> </u>

5. OTHER INCOME

	<u>1996</u> £
Bank Interest Received	872
	<u> </u>

6. INTEREST PAYABLE

	<u>1996</u> £
Bank Interest	13,800
	<u> </u>
	13,800
	<u> </u>

7. TAXATION

The company has no liability to Corporation Tax for the Period ended
31 March 1996.

MARATECH (UK) LIMITED**NOTES TO ACCOUNTS
FOR THE PERIOD ENDED 31 March 1996****8. TANGIBLE FIXED ASSETS**

	Plant & Equipment	Leasehold Property	TOTAL
	£	£	£
COST			
Additions in the Period	171,301	18,829	190,130
At 31 March 1996	171,301	18,829	190,130
DEPRECIATION			
Charge for the Period	(42,825)	(4,707)	(47,532)
At 31 March 1996	(42,825)	(4,707)	(47,532)
NET BOOK VALUE			
At 31 March 1996	128,476	14,122	142,598

Included in the cost of Plant and Equipment is the sum of £10,136 recharged by the Company's USA associated company to cover the cost of assembling the Plant and Equipment.

9. INTANGIBLE FIXED ASSETS

	Startup Development Costs
	£
At 10 February 1995	-
Additions in Period	55,272
Amortisation for Period	(13,818)
At 31 March 1996	41,454

The above costs represent costs recharged by the Company's U.S.A. associated company in seconding its Director and Employees to the UK and advising and training UK personel to operate the plant and machinery.

10. STOCKS

	1996 £
Finished Goods and Goods for Resale	360,259

11. DEBTORS

	1996 £
Amounts due within one year:	
Trade Debtors	266,328
Other Debtors	4,770
Prepayments	2,309
Value Added Tax	9,146
	282,553

MARATECH (UK) LIMITEDNOTES TO ACCOUNTS
FOR THE PERIOD ENDED 31 March 199612. CREDITORS: Amounts falling
Due within One Year

	<u>1996</u> £
Bank Loans and Overdrafts (see below)	150,172
Trade Creditors	193,868
Amounts Owed Associated Company	5,298
Other Creditors:	
Social Security and Other Taxes	63,592
Directors and Shareholders Loan Accounts	25,926
Accruals	30,154
	<hr/> 469,010 <hr/>
Bank Overdraft	34,770
Bank Loan Account	115,402
	<hr/> 150,172 <hr/>

The bank loan and overdraft are secured by a fixed and floating charge over the other assets and related undertakings of the company.

13. CREDITORS: Amounts Falling
Due After more than One Year

	<u>1996</u> £
Trade Creditors	360,738
Directors Loan Accounts	74,745
	<hr/> 435,483 <hr/>

14. SHARE CAPITAL

	<u>1996</u> £
Authorised: 250,000 Ordinary Shares of £1 each	250,000
	<hr/>
Allotted, Issued and Fully Paid	1,000
	<hr/>

During the Period 1,000 shares of £1 each were allotted and fully paid for cash at par.

MARATECH (UK) LIMITEDTRADING AND PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 31 March 1996

	1996	
	£	£
Sales (UK)	605,628	
Sales (EEC)	77,200	
Sales (Non EEC)	256,761	
Discounts Allowed	(3,695)	
	<hr/>	
	935,894	
 <u>COST OF SALES</u>		
Purchases	688,122	
Discounts Received	(6,503)	
Closing Stock	(360,259)	
Transport and Carriage	71,064	
	<hr/>	
	392,424	
 <u>GROSS PROFIT</u>		543,470
Bank Interest Received		872
		<hr/>
		544,342
 <u>LESS OVERHEADS</u>		
ADMINISTRATION	536,427	
AUDIT COSTS	5,000	
FINANCIAL COSTS	13,800	
DEPRECIATION	61,350	
	<hr/>	
		616,577
 <u>NET LOSS FOR THE YEAR</u>		<hr/>
		£ 72,235
		<hr/>