

R T TANNER & COMPANY LIMITED

ACCOUNTS FOR THE YEAR ENDED 31 MARCH 1993

TOGETHER WITH DIRECTORS' AND AUDITORS' REPORTS

(Registered number 96467)

DIRECTORS' REPORT

The directors submit their report and audited accounts for the year to 31 March 1993.

Principles Activity and Business Review

The principal activity of the Company continues to be the merchanting of paper and envelope manufacture.

The Company experienced another difficult year resulting in a loss, excluding exceptional items, for the year of £697,641 (1992 - loss £241,501). The directors recognised in early 1993 that without the introduction of new management expertise and a significant injection of new equity the Company could no longer continue to trade, and, following a review of possibilities, in July 1993 the Company agreed arrangements with two senior executives (C A Mathias and M J Gill) with experience in general management, sales and marketing and financial planning whereby their services are now available to the Company. In addition these executives have provided the Company with new loan capital, arranged for the sale and leaseback of the Company's freehold property and obtained new working capital financing.

These changes were finalised in July 1993 and since that time the Company's annual cost base has been reduced significantly, through a programme of staff rationalisation and production scheduling improvements. Furthermore, actions have also been taken to stabilise our customer base and provide improved management information from which commercial decision making can now be made with greater confidence.

We believe that these changes have enabled the Company to strengthen its position in a difficult market place and should allow the Company to move forward into profitability.

Changes in Presentation of the Accounts

Following the introduction of Financial Reporting Standard No 3, "Reporting Financial Performance", the presentation of the accounts has been amended to conform with the new requirements.

Dividends

Dividends in respect of the Company's Preference Shares amounted to £1,166 (1992 - £1,166). No dividends are proposed in respect of the Company's Ordinary Shares (1992 - £Nil).

Directors and their interests

The directors who held office during the year and to date are as follows:

A D P Tanner	(resigned 30 July 1993)
P D Tanner	
G Rosser	
M I Kerlogue	(resigned 8 January 1993)
W Pearson	(ceased to be a director 11 February 1993)

The interests of the directors in office at the year end in the shares of the Company and Auctor Limited, the ultimate holding company were as follows:

	1 April 1992		31 March 1993	
	Ordinary Shares	Auctor Limited	Ordinary Shares	Auctor Limited
A D P Tanner	600	200	600	200
P D Tanner	267	140(*)	267	140(*)
G Rosser	200	-	200	-
Tanner Family holding	25,541	-	25,541	-

* 20 held non-beneficially

In addition C A Mathias and M J Gill, consultants to the Company, are interested in 66.6% of the Company's Ordinary Share capital though the conversion rights attaching to £80,000 of convertible secured loan stock held by Entropy (CMG) Limited, a company in which they have a controlling interest.

Close Company status

The Company is a close company within the provisions of the Income and Corporation Taxes Act 1988.

Fixed Assets

Information relating to changes in tangible fixed assets is given in Note 5 to the Accounts.

Charitable and Political Contributions

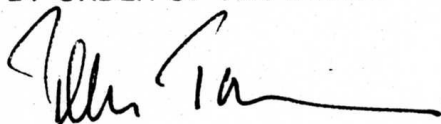
The Company made no charitable or political contributions during the year (1992 - £Nil).

Subsequent Events

As outlined in the Business Review the Company raised additional funds on 30 July 1993 through the issue of £105,000 secured five year loan stock (of which £80,000, held by Entropy (CMG) Limited, is convertible into 66.6% of the Company's Ordinary Share capital at the option of the holder), the sale and leaseback of the Company's freehold property (to Entropy (CMG) Limited, for sale proceeds of £200,000 with an annual rental of £24,000 per annum) and the obtaining of new secured banking facilities to meet the Company's forecast requirements.

R T TANNER & COMPANY LIMITED

BY ORDER OF THE BOARD

A handwritten signature in black ink, appearing to read 'P D Tanner', with a long horizontal flourish extending to the right.

P D Tanner
Secretary
Wheatsheaf Works
Maxim Road
Dartford
Kent
21 March 1994

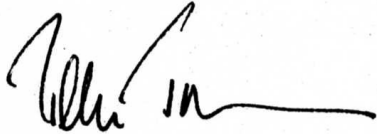
DIRECTORS' RESPONSIBILITY

Company law requires the directors to prepare Accounts for each financial year which give a true and fair view of the state of affairs of the Company and of its profit or loss for that period. In preparing those Accounts 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;
- prepare the 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 enable them to ensure that the Accounts 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.

BY ORDER OF THE BOARD



P D Tanner
Secretary

21 March 1994

**AUDITORS' REPORT TO THE MEMBERS OF
R T TANNER & COMPANY LIMITED**

We have audited the accounts on pages 6 to 19.

Respective responsibilities of directors and auditors

As described on page 4 the Company's directors are responsible for the preparation of the Accounts. It is our responsibility to form an independent opinion, based on our audit, on these Accounts and to report our opinion to you.

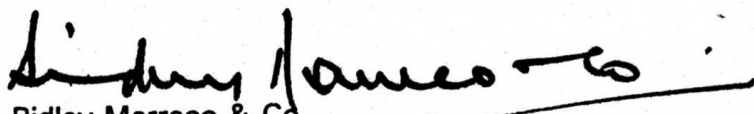
Basis of opinion

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 Accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the 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 Accounts 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 Accounts.

Opinion

In our opinion the Accounts give a true and fair view of the state of affairs of the Company at 31 March 1993 and of its loss, total recognised gains and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Ridley Marreco & Co
Chartered Accountants and Registered Auditors

24th March 1994

R T TANNER & COMPANY LIMITED

**PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 MARCH 1993**

		1993 £	1992 £
	Notes		
Turnover	1	6,061,138	7,210,542
Cost of sales		(5,054,323)	(5,594,269)
Gross profit	16-6	1,006,815	1,616,273 22-4
Distribution costs		(440,510)	(702,920)
Administrative expenses		(1,136,787)	(1,072,042)
Profit (loss) on disposal of tangible fixed assets		(17,910)	11,710
Exceptional items	3	270,543	87,000
Operating loss		(317,849)	(59,979)
Interest	2	(109,249)	(94,522)
Loss on ordinary activities	3	(427,098)	(154,501)
Retained earnings beginning of year		778,721	934,388
Dividends		(1,166)	(1,166)
Retained earnings end of year	12	350,457	778,721

The accompanying notes form an integral part of these accounts.



Note: All Income and Expenditure has been derived from continuing operations and there are no other items of recognised gains or losses.

R T TANNER & COMPANY LIMITED

**BALANCE SHEET
AS AT 31 MARCH 1993**

	Notes	1993 £	1992 £
Fixed assets			
Tangible fixed assets	5	861,729	983,196
Investments	6	303	303
		<u>862,032</u>	<u>983,499</u>
Current assets			
Stocks	7	331,064	725,806
Debtors	8	1,535,281	1,501,288
Cash at bank and in hand		107	3,089
		<u>1,866,452</u>	<u>2,230,183</u>
Creditors: amounts falling due within one year	9	(2,188,781)	(2,232,863)
Net current liabilities		<u>(322,329)</u>	<u>(2,680)</u>
Total assets less current liabilities		539,703	980,819
Creditors: amounts falling due after more than one year	10	-	(12,852)
Net assets		<u>539,703</u>	<u>967,967</u>
Capital and reserves			
Called up share capital	11	46,400	46,400
Profit and loss account	12	493,303	778,721
Other reserves	12	-	142,846
Total capital employed		<u>539,703</u>	<u>967,967</u>

APPROVED BY THE BOARD OF DIRECTORS ON 21 MARCH 1994

P D Tanner )
G Rosser )
Directors

The accompanying notes form an integral part of these balance sheets.

**CASH FLOW STATEMENT
YEAR ENDED 31 MARCH 1993**

	Notes to cash flow statement	1993 £	1992 £
Net inflows from continuing operating activities	A	107,242	157,241
Servicing of finance			
Interest received		1,075	134
Interest and other charges paid		(110,324)	(94,656)
Net outflows on servicing of finance		(109,249)	(94,522)
Investing activities			
Acquisition of tangible fixed assets		(3,920)	(22,439)
Disposal of tangible fixed assets		19,626	19,200
Disposal of fixed asset investments		-	90,000
Net inflows on investing activities		15,706	86,761
Financing			
Dividends paid		(1,166)	(1,166)
Change in short-term debt		(15,515)	(146,246)
Net outflows from financing		(16,681)	(147,412)
Net inflows (outflows)		(2,982)	2,068
Cash at beginning of year		3,089	1,021
Cash at end of year		107	3,089

The accompanying notes form an integral part of these statements.

**NOTES TO CASH FLOW STATEMENT
YEAR ENDED 31 MARCH 1993**

	1993	1992
	£	£
A. Reconciliation of operating loss to net cashflows from continuing operating activities		
Operating loss	(317,849)	(59,979)
Depreciation charge	87,851	109,566
Loss (profit) on disposal of tangible fixed assets	17,910	(11,710)
Profit on disposal of investments	-	(87,000)
Decrease in stocks	394,742	237,611
Decrease (increase) in debtors	(33,993)	183,290
Decrease in creditors	(41,419)	(214,537)
	-----	-----
Net inflows from continuing operating activities	<u>107,242</u>	<u>157,241</u>

STATEMENT OF ACCOUNTING POLICIES

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and with the preceding period is set out below.

a) Basis of accounting

The Accounts are prepared under the historical cost convention and in accordance with applicable Accounting Standards.

b) Tangible fixed assets

Tangible fixed assets are shown at historical cost less accumulated depreciation. Depreciation is provided at rates calculated to write off the cost of each asset on a reducing balance basis, as follows:

Plant & machinery	- 10% per annum
Computers, motor vehicles, furniture and equipment	- 7.5% to 25% per annum

No depreciation is provided in respect of Freehold Land.

The Freehold Property is maintained, as a matter of Company policy, by a programme of repair and refurbishment such that the residual value of the property remains in excess of book value. Having regard to this, it is the opinion of the directors that depreciation on the property as required by the Companies Act 1985 and accounting standards would not be material. No value is attributable to Leasehold Properties.

c) Investments

Investments are stated in the balance sheet at cost.

d) Stock

Stocks are stated in the balance sheet the lower of cost or net realisable value.

e) Turnover

Turnover is the invoiced value of sales during the period inclusive of VAT.

f) Taxation

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation (which arises from differences in the timing of the recognition of items in the accounts and by the tax authorities) has been calculated on the liability method. Deferred tax is provided on timing differences, which will probably reverse at the rates of tax likely to be in force at the time of reversal. Deferred tax is not provided on timing differences which, in the opinion of the directors, will probably not reverse.

STATEMENT OF ACCOUNTING POLICIES CONTINUED

g) Pension costs

The Company provides pensions to certain of its employees through a defined benefit scheme. The assets of the scheme are held independently of the Company. The amount charged to the profit and loss account is calculated so as to spread the cost of the pensions over the employees' estimated working lives with the Company.

h) Leases

Assets held under finance leases are capitalised within tangible fixed assets and depreciated at the appropriate rate. The capital element of future lease payments is included in creditors.

Rentals under operating leases are charged on a straight-line basis over the lease term.

NOTES TO THE ACCOUNTS

1. TURNOVER ANALYSIS

The Company's turnover is earned principally from sales to customers in the United Kingdom.

2. INTEREST

	1993 £	1992 £
Bank	55,738	85,680
HP and finance leases	6,018	8,976
Other	1,545	-
Factoring charges	47,023	-
	-----	-----
	110,324	94,656
Interest income	(1,075)	(134)
	-----	-----
	<u>109,249</u>	<u>94,522</u>

NOTES TO THE ACCOUNTS CONTINUED

3. LOSS ON ORDINARY ACTIVITIES

Loss on ordinary activities is
stated after charging (crediting):

	1993	1992
	£	£
Rental of plant and machinery	31,682	31,328
Depreciation of tangible fixed assets	87,851	109,566
Auditors' remuneration	11,000	8,500
Auditors' non-audit remuneration	6,500	5,450
Pension costs (defined benefit scheme)	48,991	44,819
	<u> </u>	<u> </u>
 Exceptional items		
Litigation settlement proceeds	(300,000)	-
Disposal of investment in related company	-	(87,000)
Compensation for loss of office (Note 4)	29,457	-
	<u> </u>	<u> </u>
	<u>(270,543)</u>	<u>(87,000)</u>

4. STAFF COSTS

Employee costs during the year amounted to:

	1993	1992
	£	£
Wages and salaries	1,588,827	1,742,724
Social security costs	152,284	164,641
Other pension costs (defined benefit scheme)	48,991	44,819
	<u> </u>	<u> </u>
	<u>1,790,102</u>	<u>1,952,184</u>

The average weekly number of persons employed by the Company during the year was 101 (1992 - 109).

NOTES TO THE ACCOUNTS CONTINUED**4. STAFF COSTS (continued)**

Directors' remuneration in respect of the directors of the Company was as follows:

	1993	1992
	£	£
Directors' emoluments for services as director	189,863	149,166
Compensation for loss of office	29,457	-
	<u>219,320</u>	<u>149,166</u>

The directors' remuneration shown above (excluding pension contributions and compensation for loss of office) included:

Chairman	£ 10,126	£ 4,583
	<u> </u>	<u> </u>
Highest paid director	£ 43,270	£ 35,000
	<u> </u>	<u> </u>

Directors received emoluments (excluding pension contributions) in the following ranges:

	No	No
£ 101 - £ 5,000	-	1
£ 10,001 - £ 15,000	1	-
£ 30,001 - £ 35,000	-	4
£ 35,001 - £ 40,000	1	-
£ 40,001 - £ 45,000	3	-
	<u> </u>	<u> </u>

NOTES TO THE ACCOUNTS CONTINUED**5. TANGIBLE FIXED ASSETS**

The movement in the year was as follows:

	Freehold Land & Buildings £	' Plant & machinery £	Other £	Total £
Cost				
Beginning of year	182,561	1,388,280	435,830	2,006,671
Additions	-	3,920	-	3,920
Disposals	-	-	(110,145)	(110,145)
End of year	<u>182,561</u>	<u>1,392,200</u>	<u>325,685</u>	<u>1,900,446</u>
Depreciation				
Beginning of year	-	754,523	268,952	1,023,475
Charge	-	63,768	24,083	87,851
Disposals	-	-	(72,609)	(72,609)
End of year	<u>-</u>	<u>818,291</u>	<u>220,426</u>	<u>1,038,717</u>
Net book value				
Beginning of year	<u>182,561</u>	<u>633,757</u>	<u>166,878</u>	<u>983,196</u>
End of year	<u>182,561</u>	<u>573,909</u>	<u>105,259</u>	<u>861,729</u>

R T TANNER & COMPANY LIMITED**NOTES TO THE ACCOUNTS CONTINUED**

6. INVESTMENTS

	1993	1992
	£	£
Cost	303	303

7. STOCKS

Raw materials and finished goods	308,564	693,930
Work in progress	22,500	31,876
	-----	-----
	331,064	725,806

8. DEBTORS

	1993	1992
	£	£
Trade debtors	1,094,602	1,422,642
Amounts owed by related undertakings	12,369	12,115
Other debtors	-	1,677
Litigation settlement proceeds (net)	357,261	-
Prepayments	71,049	64,854
	-----	-----
	1,535,281	1,501,288

9. CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR

	1993	1992
	£	£
Bank loans and overdrafts (*)	48,570	687,832
Bills of exchange payable	21,800	21,289
Amounts due to factoring company	646,933	-
Trade creditors	1,201,121	1,206,628
Hire purchase and finance lease obligations	13,290	24,135
Other taxes and social security costs	137,980	126,036
Dividends payable	1,259	1,259
Amounts owed to group undertakings	18,837	20,449
Accruals	84,754	142,678
Other creditors	14,237	2,557
	-----	-----
	2,188,781	2,232,863

Loans and overdrafts from the Company's two bankers are secured by fixed charges over the Company's freehold property and floating charges over the Company's remaining assets with the exception of trade debtors the Company's trade debtors are subject to an assignment to a factoring company.

NOTES TO THE ACCOUNTS CONTINUED

10. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	' 1993 £	1992 £
Hire purchase and finance lease obligations	-	12,852
	-----	-----
	-	12,852
	=====	=====

11. CALLED UP SHARE CAPITAL

	1993 and 1992 Authorised No	1993 and 1992 Issued No	1993 and 1992 Authorised £	1993 and 1992 Issued £
3.5% cumulative 1st preference shares of £1 each	15,000	8,200	15,000	8,200
2.8% cumulative 2nd preferences shares of £1 each	40,000	31,398	40,000	31,398
Ordinary shares of 25p each	60,000	27,208	15,000	6,802
	-----	-----	-----	-----
	115,000	66,806	70,000	46,400
	=====	=====	=====	=====

12. OTHER RESERVES

The movement for the year comprised:

	Profit & loss account £	Other reserves £
Beginning of year	778,721	142,846
Loss for the financial year	(427,098)	-
Dividends	(1,166)	-
Transfer to profit and loss account	142,846	(142,846)
	-----	-----
End of year	493,303	-
	=====	=====

NOTES TO THE ACCOUNTS CONTINUED

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1993 £	1992 £
Loss for the financial year	(427,098)	(154,501)
Dividends	(1,166)	(1,166)
	-----	-----
Net reduction in shareholders' funds	(428,264)	(155,667)
Shareholders' funds brought forward	967,967	1,123,634
	-----	-----
Shareholders' funds carried forward	<u>539,703</u>	<u>967,967</u>

14. PENSION SCHEME - DEFINED BENEFIT

Retirement and death benefits are provided for certain employees. Members of the scheme are contracted out of the state earnings related pension scheme and the assets of the scheme are invested with insurance companies and are held separately from the Company's assets.

Contributions to the scheme are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation was at 6 April 1991. The significant assumptions were that wages and salaries would increase on average by 8.5% per annum, the return on investments would be 9.5% per annum, and that annuities would be purchased for retiring members at a yield of 9% per annum.

The most recent actuarial valuation showed that the market value of the scheme's assets was £868,000 and that the actuarial value of those assets represented 114% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The contributions of the Company and employees have been 10% and 5% of earnings respectively.

NOTES TO THE ACCOUNTS CONTINUED

15. HIRE PURCHASE AND FINANCE LOANS

	1993	1992
	£	£
Total repayments due	16,764	46,437
Interest not yet due	(3,474)	(9,450)
	<u>13,290</u>	<u>36,987</u>

16. CAPITAL COMMITMENTS

The Company has no authorised capital commitments (1992 - £Nil).

17. ULTIMATE HOLDING COMPANY

The Company's ultimate holding company is Auctor Limited a company registered in England and Wales. Copies of Auctor Limited's consolidated financial statements can be obtained at Wheatsheaf Works, Maxim Road, Dartford, Kent.