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**NORTH EAST GRAPHIC SUPPLIES LIMITED**

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**REPORT OF THE DIRECTORS**

The Directors have pleasure in submitting their fourth annual report together with the audited accounts of the Company for the year ended 31st December 1994.

**BUSINESS REVIEW**

The Directors are pleased to report that the Company achieved a trading profit for the year. No dividend is recommended. The principal activity of the Company continues to be that of the supply and distribution of graphic arts and printing materials, equipment and ancillary products.

**DIRECTORS AND THEIR INTERESTS IN SHARES**

The following Directors have served throughout the year and their interests in the shares of the Company are duly noted:

£1 Ordinary Shares

E Mordin	-
G R Dennis	-
R Cowie	200
M Cowie (appointed 1st April 1994)	200

Messrs Mordin and Dennis have a beneficial interest in the shares of the Company by virtue of their ownership of the ultimate holding company, Kramer Associates Limited - a Company incorporated in the United Kingdom and which owns 60% of the issued share capital of North East Graphic Supplies Limited.

**AUDITORS**

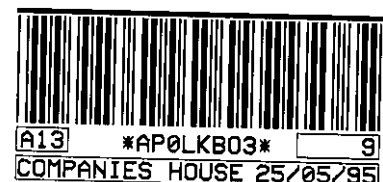
In accordance with Section 385 of the Companies Act 1985 a resolution for the appointment of auditors is to be put before the Annual General Meeting.

On behalf of the Board

E Mordin  
Director



23rd May 1995



**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:

- a) select suitable accounting policies and then apply them consistently;
- b) make judgements and estimates that are reasonable and prudent;
- c) state whether applicable accounting standards have been followed;
- d) 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

**TO THE MEMBERS OF NORTH EAST GRAPHIC SUPPLIES LIMITED**

We have audited the Financial Statements which have been prepared under the historical cost convention and the accounting policies set out.

**Respective responsibilities of directors and auditors**

As described 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 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 December 1994 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Carrington Business Park  
Carrington  
Manchester  
M31 4XL

23rd May 1995



Registered Auditors  
Chartered Accountants

**PROFIT AND LOSS ACCOUNT**

for the year ended 31st December 1994

	Notes	1994	1993
		£	£
<b>TURNOVER</b>	1	666,684	626,482
Cost of Sales		462,241	445,456
		-----	-----
<b>GROSS PROFIT</b>		204,443	181,026
 <b>DISTRIBUTION COSTS</b>			
Depreciation of vehicles	1	8,058	11,031
Other distribution costs		39,917	29,766
		-----	-----
		47,975	40,797
		-----	-----
		156,468	140,229
 <b>ADMINISTRATION EXPENSES</b>			
Depreciation	1	1,153	921
Auditors' remuneration		1,200	1,200
Other administrative expenses		143,304	131,708
		-----	-----
		145,657	133,829
		-----	-----
		10,811	6,400
Interest payable	1	4,507	6,042
		-----	-----
 <b>NET TRADING PROFIT ON ORDINARY ACTIVITIES</b>			
		6,304	358
Taxation	3	2,367	616
		-----	-----
 <b>PROFIT(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION TRANSFERRED TO RESERVES</b>			
	6	3,937	( 258)
		=====	=====

The notes on Pages 7 to 9 form part of these Financial Statements

**NORTH EAST GRAPHIC SUPPLIES LIMITED**

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**BALANCE SHEET**

as at 31st December 1994

	Notes	1994 £	1993 £
<b>TANGIBLE FIXED ASSETS</b>	8	33,251	24,686
<b>CURRENT ASSETS</b>			
Stocks	1	68,579	70,414
Trade debtors		250,278	212,414
Sundry debtors and prepayments		6,348	3,383
Cash at bank and in hand		-	49
		-----	-----
		325,205	286,260
		-----	-----
<b>LESS CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR</b>			
Bank overdraft	4	47,747	48,040
Trade creditors		254,347	233,259
Hire Purchase creditors		4,927	6,289
Taxation and Social Security		19,098	7,520
Corporation Tax	3	2,367	616
Sundry creditors and accruals		6,881	3,380
Inter-company balances		6,832	6,832
		-----	-----
		342,199	305,936
		-----	-----
<b>NET CURRENT LIABILITIES</b>		( 16,994)	(19,676)
		-----	-----
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		16,257	5,010
<b>CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>			
Hire Purchase Creditors		7,622	312
		-----	-----
		8,635	4,698
		=====	=====
<b>REPRESENTED BY:</b>			
Called-up Share Capital	5	1,000	1,000
Profit and loss account	6	7,635	3,698
		-----	-----
		8,635	4,698
		=====	=====

E MORDIN )

G R DENNIS )

Directors

These Financial Statements were approved by the Board of Directors on 23rd May 1995  
The notes on Pages 7 to 9 form part of these Financial Statements

**CASH FLOW STATEMENT**

for the year ended 31st December 1994

	Notes	1994 £	1993 £
Net cash inflow from operating activities	10	23,143	12,643
Returns on investment and servicing of finance:			
Interest paid		( 4,507)	( 6,042)
		-----	-----
		18,636	6,601
Taxation:			
Corporation Tax paid		( 616)	( 1,882)
		-----	-----
		18,020	4,719
Investing activities:			
Receipts from sale of tangible fixed assets	6,000	12,200	
Payments to acquire tangible fixed assets	(23,776)	(24,544)	
		-----	-----
		(17,776)	(12,344)
		-----	-----
		244	( 7,625)
		=====	=====
Decrease in cash and bank equivalents	11	( 7,625)	( 7,625)
		=====	=====

**NORTH EAST GRAPHIC SUPPLIES LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS**

for the year ended 31st December 1994

**1. ACCOUNTING POLICIES**

The Financial Statements have been prepared under the historical cost convention and the principal accounting policies which have been applied to all material items are described below:

- a) Turnover represents the invoiced value of goods sold, net of returns and exclusive of Value Added Tax.
- b) Depreciation is calculated on a straight-line basis at the following annual rates:
 

Furniture and equipment	15%
Motor vehicles	25%
- c) Stocks are value at the lower of cost or the Directors' best estimate of net realisable value

Interest payable comprised:

	1994	1993
	£	£
On bank overdraft	3,340	3,189
On Hire Purchase loans repayable in less than 5 years	1,167	2,853
	-----	-----
	4,507	6,042
	-----	-----

**2. DIRECTORS REMUNERATION AND STAFF COSTS**

The Directors have received remuneration amounting to £60,588 (1993 £25,000) all of which was for management services.

The chairman's emoluments were £5,500 (1993-£nil) and the scale of the other directors' remuneration was:

	1994	1993
£0- £2,500	Nil	One
£5,001 - £7,500	One	Nil
£17,501 - £20,000	One	Nil
£22,501 - £25,000	Nil	One
£30,001 - £32,500	One	Nil

The average number of employees (including directors) was:

Sales	2	2
Administration	5	3
Distribution	3	3
	--	--
	10	8
	--	--

and their aggregate remuneration was:

	£	£
Salaries	106,699	79,167
National insurance	9,393	7,105
Pension contributions	1,608	1,608
	-----	-----
	117,700	87,880
	-----	-----

**NORTH EAST GRAPHIC SUPPLIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
for the year ended 31st December 1994

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**3. TAXATION**

The taxation charge for the year comprises a provision for UK Corporation Tax on the result for the year. In the opinion of the Directors, no material charge is required in respect of taxation deferred by timing differences.

**4. BANK OVERDRAFT**

The Company's overdraft facilities are secured by debenture on the Company's assets together with (a) cross-guarantees by the Holding Company, Kramer Associates Limited and another associated company and (b) the personal guarantee of one of the Directors.

**5. SHARE CAPITAL**

Authorised:	10,000 Ordinary Shares of £1 each (1993 - 10,000)
Issued and fully paid	1,000 Ordinary Shares of £1 each (1993 - 1,000)

**6. PROFIT AND LOSS ACCOUNT**

	1994	1993
	£	£
Balance brought forward	3,698	3,957
Profit(Loss) per page 4	3,937	( 258)
	-----	-----
Balance carried forward	7,635	3,698
	-----	-----

**7. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES**

- a) Capital commitments
  - Contracted for £nil (1993 £nil)
  - Authorised but not contracted for £13,500 (1993 £nil)
- b) Contingent liabilities £nil (1993 £nil)

**8. TANGIBLE FIXED ASSETS**

	Motor vehicles	Fixtures & fittings	Total
	£	£	£
Cost brought forward	30,690	6,144	36,834
Additions	21,080	2,696	23,776
Disposals	( 7,500)	-	( 7,500)
	-----	-----	-----
	44,270	8,840	53,110
	-----	-----	-----
Deprecation brought forward	10,407	1,741	12,148
Charge for the year	8,058	1,153	9,211
Released on disposal	( 1,500)	-	( 1,500)
	-----	-----	-----
	16,965	2,894	19,859
	-----	-----	-----



**NORTH EAST GRAPHIC SUPPLIES LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED**  
for the year ended 31st December 1994

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**8. TANGIBLE FIXED ASSETS - CONTINUED**

Net Book Value	Motor vehicles	Fixtures & fittings	Total
	£	£	£
as at 31st December 1993	20,283	4,403	24,686
as at 31st December 1994	27,305	5,946	33,251

**9. ULTIMATE HOLDING COMPANY**

The Company's ultimate holding company is Kramer Associates Limited a Company incorporated in the United Kingdom.

**10. NET CASH INFLOW FROM OPERATING ACTIVITIES**

	1994	1993
	£	£
Operating profit	10,811	6,400
Depreciation charges	9,211	11,952
Decrease (Increase) in Stocks	1,835	( 3,459)
(Increase) in Debtors	(40,829)	( 2,729)
Increase in Creditors	42,115	479
	-----	-----
	23,143	12,643
	-----	-----

**11. DECREASE IN CASH AND CASH EQUIVALENTS**

	1994	1993	Change
	£	£	£
Cash at bank and in hand	0	49	( 49)
Bank overdraft	(47,747)	(48,040)	293
	-----	-----	-----
	(47,747)	(47,991)	244
	-----	-----	-----