

Registrar

**ACORN CORPORATION LIMITED
AND SUBSIDIARY UNDERTAKINGS
(Registered Number 654674)**

**ANNUAL REPORT
YEAR ENDED 31 DECEMBER 1997**

**PANNELL KERR FORSTER
Chartered Accountants**



ACORN CORPORATION LIMITED AND SUBSIDIARY UNDERTAKINGS
ANNUAL REPORT
31 DECEMBER 1997

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**ACORN CORPORATION LIMITED
DIRECTORS' REPORT**

B M Duner (Chairman)
C M Duner
M D Dyer
D W Parker

The directors present their annual report together with the audited accounts of the company and group for the year ended 31 December 1997.

PRINCIPAL ACTIVITIES

The principal activities of the Acorn Corporation Limited group of companies are the provision of marketing services for manufacturers of paper, film and related products and the sale of paper.

REVIEW OF BUSINESS DEVELOPMENT

1997 witnessed further price reductions in most market areas in which the group is active, partly influenced by the strength of Sterling. Our office products subsidiary, Business Essentials Limited, was sold during the year to its management and extensive restructuring was carried out in our agency businesses in response to changing product portfolios. The group's performance in 1998 to date has benefited from these measures.

RESULTS AND DIVIDENDS

The profit for the financial year after tax amounted to £162,754.

Interim dividends amounting to £32,690 were paid during the year. No final dividend is recommended.

DIRECTORS

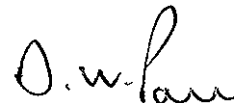
The directors listed above have served throughout the year.

None of the directors has had any interest in the share capital of the company or other companies in the group which is required to be recorded in the register maintained by the company in accordance with Section 325 of the Companies Act 1985 except Mr B M Duner who owned throughout the year the whole of the issued share capital of Acorn Corporation Limited (10,000 Ordinary Shares of £1).

AUDITORS

A resolution to reappoint the auditors, Pannell Kerr Forster, will be proposed at the Annual General Meeting.

BY ORDER OF THE BOARD



D W Parker
Secretary

26 October
..... 1998

ACORN CORPORATION LIMITED
STATEMENT OF 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 the group as at the end of the financial year and of the profit or loss of the group for that year. 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 group 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**AUDITORS' REPORT TO THE SHAREHOLDERS OF
ACORN CORPORATION LIMITED**

We have audited the financial statements on pages 4 to 23 which have been prepared under the accounting policies set out on pages 10 and 11.

Respective responsibilities of directors and auditors

As described on page 2 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. 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 and the group'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 affairs of the company and the group as at 31 December 1997 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Pannell Kerr Forster

PANNELL KERR FORSTER
Chartered Accountants
Registered Auditors

Guildford

28 October 1998

ACORN CORPORATION LIMITED AND SUBSIDIARY UNDERTAKINGS
CONSOLIDATED PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 1997

	<u>Notes</u>	<u>£</u>	<u>1997</u> <u>£</u>	<u>1996 as restated</u> <u>£</u>
Turnover	2			
Continuing operations		21,552,499		19,645,189
Discontinued operations		789,349		1,082,227
		<hr/>	22,341,848	<hr/>
Change in stocks			432,435	20,727,416
			<hr/>	45,252
			22,774,283	20,772,668
Other operating income			175,808	79,777
			<hr/>	<hr/>
			22,950,091	20,852,445
Raw materials and consumables		(19,712,273)		(17,190,779)
Other external charges		-		(389,998)
		<hr/>	(19,712,273)	<hr/>
				(17,580,777)
			3,237,818	3,271,668
Staff costs	3	(1,944,520)		(2,031,113)
Depreciation		(146,951)		(163,289)
Other operating charges		(1,086,267)		(1,203,143)
		<hr/>	(3,177,738)	<hr/>
				(3,397,545)
Operating profit/(loss) before interest				
Continuing operations		136,243		105,742
Discontinued operations		(76,163)		(231,619)
		<hr/>	60,080	<hr/>
				(125,877)
Exceptional items:				
Gains on sale of shares in subsidiary undertakings		35,748		9,131
Capital gains on termination of agency agreements		390,172		12,738
Gain on sale of fixed asset investments		-		146,660
Restructuring costs		(62,243)		-
		<hr/>	363,677	<hr/>
				168,529
Income from interests in associated undertakings			85,425	71,811
Interest receivable and similar income	4	3,691		8,602
Interest payable and similar charges	5	(175,008)		(61,804)
		<hr/>	(171,317)	<hr/>
				(53,202)
Profit on ordinary activities before taxation	6		337,865	61,261
Tax on profit on ordinary activities	7		(175,111)	(23,627)
			<hr/>	<hr/>
Profit on ordinary activities after taxation			162,754	37,634
Minority interests			(117,158)	(56,704)
			<hr/>	<hr/>
Profit/(loss) for the financial year attributable to members			45,596	(19,070)
Dividends paid			(32,690)	(10,299)
			<hr/>	<hr/>
Retained profit/(loss) for the financial year transferred to reserves	18		12,906	(29,369)
			<hr/>	<hr/>

Movement on reserve is shown in note 18.


ACORN CORPORATION LIMITED AND SUBSIDIARY UNDERTAKINGS
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
YEAR ENDED 31 DECEMBER 1997

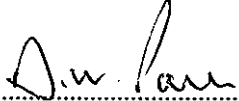
	<u>1997</u> £	<u>1996</u> £
Profit/(loss) for the financial year	45,596	(19,070)
Currency translation differences	(12,610)	8,260
Total recognised gains and losses relating to the year and recognised since last annual report	<u>32,986</u>	<u>(10,810)</u>

ACORN CORPORATION LIMITED AND SUBSIDIARY UNDERTAKINGS
CONSOLIDATED BALANCE SHEET
31 DECEMBER 1997

	<u>Notes</u>	<u>1997</u>	<u>1996</u>
		£	£
FIXED ASSETS			
Intangible assets	8	213,382	219,382
Tangible assets	9	393,827	446,510
Investments	10	40	40
		<hr/>	<hr/>
		607,249	665,932
CURRENT ASSETS			
Investments		-	19,086
Stocks - goods for resale		779,331	364,838
Debtors	11	5,983,457	6,560,606
Cash at bank and in hand		145,966	255,539
		<hr/>	<hr/>
		6,908,754	7,200,069
CREDITORS			
Amounts falling due within one year	13	(5,785,052)	(6,091,223)
		<hr/>	<hr/>
NET CURRENT ASSETS		1,123,702	1,108,846
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/>	<hr/>
		1,730,951	1,774,778
CREDITORS			
Amounts falling due after more than one year	14	(16,395)	(57,548)
PROVISION FOR LIABILITIES AND CHARGES	15	(104,547)	(117,771)
		<hr/>	<hr/>
NET ASSETS		1,610,009	1,599,459
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called up share capital	16	10,000	10,000
Capital redemption reserve	17	90,000	90,000
Profit and loss account	18	783,951	783,655
		<hr/>	<hr/>
EQUITY SHAREHOLDERS' FUNDS	19	883,951	883,655
Equity minority interests		726,058	715,804
		<hr/>	<hr/>
		1,610,009	1,599,459
		<hr/>	<hr/>

Approved by the Board on 26th October 1998

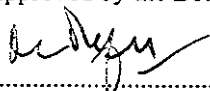

.....
M D Dyer - Director


.....
D W Parker - Director

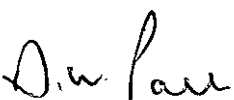
ACORN CORPORATION LIMITED
BALANCE SHEET
31 DECEMBER 1997

	<u>Notes</u>	£	<u>1997</u>	£	<u>1996</u>	£
FIXED ASSETS						
Tangible assets	9		1,093		765	
Investments	10		126,602		126,602	
			<hr/>		<hr/>	
			127,695		127,367	
CURRENT ASSETS						
Investments		-		19,086		
Debtors	11	72,883		29,671		
Cash at bank and in hand		788		567		
		<hr/>		<hr/>		
		73,671		49,324		
CREDITORS						
Amounts falling due within one year	13	(2,723)		(4,253)		
		<hr/>		<hr/>		
NET CURRENT ASSETS			70,948		45,071	
			<hr/>		<hr/>	
NET ASSETS			198,643		172,438	
			<hr/>		<hr/>	
CAPITAL AND RESERVES						
Called up share capital	16		10,000		10,000	
Capital redemption reserve	17		90,000		90,000	
Profit and loss account	18		98,643		72,438	
			<hr/>		<hr/>	
EQUITY SHAREHOLDERS' FUNDS			198,643		172,438	
			<hr/>		<hr/>	

Approved by the Board on 26th October 1998



 M D Dyer - Director



 D W Parker - Director

ACORN CORPORATION LIMITED AND SUBSIDIARY UNDERTAKINGS
CONSOLIDATED CASHFLOW STATEMENT
YEAR ENDED 31 DECEMBER 1997

	<u>Notes</u>	<u>£</u>	<u>1997</u>	<u>£</u>	<u>£</u>	<u>1996</u>	<u>£</u>
Net cash flow from operating activities	20		(142,833)			(232,536)	
Returns on investments and servicing of finance							
Interest received		3,691			8,602		
Interest paid		(175,008)			(61,804)		
Dividends received from associated undertaking		46,874			51,900		
Dividends paid to minority interests		(37,997)			(39,500)		
Net cash outflow from returns on investments and servicing of finance			(162,440)			(40,802)	
Taxation							
Corporation tax recovered/(paid)			13,803			(180,406)	
Capital expenditure and financial investment							
Purchase of tangible fixed assets		(128,131)			(155,868)		
Sale of tangible fixed assets		25,655			5,644		
Purchase of intangible fixed assets		-			(205,518)		
Sale of investments		27,816			163,178		
Capital gains on termination of agency agreements		390,172			12,738		
Restructuring costs		(62,243)			-		
Minority element of share issue in subsidiary		-			25,000		
Net cash inflow/(outflow) from investing activities			253,269			(154,826)	
Disposal							
Net inflow/(outflow) on sale of subsidiary undertaking	22		18,002			(4,424)	
Equity dividends paid			(32,690)			(10,299)	
Net cash outflow before financing			(52,889)			(623,293)	
Financing							
Principal payment under finance leases		(53,127)			(17,632)		
Net cash outflow from financing			(53,127)			(17,632)	
Decrease in cash	21		(106,016)			(640,925)	

ACORN CORPORATION LIMITED AND SUBSIDIARY UNDERTAKINGS
CONSOLIDATED CASHFLOW STATEMENT
YEAR ENDED 31 DECEMBER 1997

	<u>Notes</u>	<u>1997</u> £	<u>1996</u> £
Reconciliation of net cash flow to movement in net funds			
Decrease in cash in the year		(106,016)	(640,925)
Cash outflow from reduction in lease financing		53,127	17,632
Change in net funds resulting from cash flows		(52,889)	(623,293)
New finance leases		(8,566)	(20,836)
Movement in net funds in the year		(61,455)	(644,129)
Net funds at 1 January 1997		156,183	800,312
Net funds at 31 December 1997	21	94,728	156,183

ACORN CORPORATION LIMITED AND SUBSIDIARY UNDERTAKINGS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1997

1 ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items which are considered material to the group's affairs.

(a) Basis of preparation

These financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

(b) Depreciation of fixed assets

Fixed assets are written off over their estimated useful lives in equal annual instalments.

The following principal rates of depreciation are used:

Freehold property	2%
Computer, furniture, fittings and equipment	15% - 20%
Motor vehicles	25%
Short-term leasehold improvements	15%
Long leasehold property	Over the period of the lease

(c) Turnover

Turnover represents the total of agency commissions receivable and invoiced sales, excluding Value Added Tax.

(d) Consolidation policies

The consolidated balance sheet and profit and loss account include the accounts of the holding company and all of its subsidiaries made up to the end of the financial year.

Undertakings, other than subsidiary undertakings, in which the group has an investment representing not less than 20% of the voting rights and over which it exerts significant influence are treated as associated undertakings. The group accounts include the appropriate share of these undertakings' results and reserves based on audited accounts to 31 December 1997.

Goodwill on consolidation is written off directly against reserves in the year of purchase.

(e) Foreign currencies

The accounts of overseas subsidiaries have been translated at the rates ruling on 31 December 1997. Exchange differences arising on the retranslation of these accounts at the beginning of the year are dealt with as a movement in reserves. Other gains and losses on exchange are included in the profit on ordinary activities before taxation.

(f) Deferred taxation

Provision is made for deferred taxation using the liability method on differences which arise from the inclusion of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements except where the tax reduction is expected to continue. Deferred taxation is computed at the rates of tax estimated to be applicable when the timing differences reverse.

Deferred tax assets arising in connection with pension contributions are recognised where the directors consider it appropriate in the circumstances of the relevant pension scheme.

ACORN CORPORATION LIMITED AND SUBSIDIARY UNDERTAKINGS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1997

1 ACCOUNTING POLICIES (continued)

(g) Stock

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

(h) Profit and loss account

The parent company has not presented its own profit and loss account in accordance with S230 of the Companies Act 1985.

(i) Investments

Investments classified as fixed assets are stated at cost less any provision required for diminution in value.

(j) Pensions

The expected cost of pensions in respect of defined benefit schemes is charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees in the scheme. Variations from the regular cost are spread over the expected remaining service lives of current employees in the scheme. Contributions to defined contribution schemes are charged to the profit and loss account in the year in which they are made.

(k) Finance and operating leases

Assets acquired under finance leases are treated as tangible fixed assets and depreciation is provided accordingly. The value of future rentals is shown as a liability and the interest element of rental obligations is charged to the profit and loss account over the period of the lease.

Lease charges in respect of operating leases are recognised in the profit and loss account over the lives of the lease agreement as incurred.

(l) Purchased goodwill

Purchased goodwill is amortised through the profit and loss account over the directors' estimate of its useful life of 5 years.

(m) Purchased agency agreements

Purchased agency agreements are capitalised as intangible fixed assets and amortised to their estimated residual value over the directors' estimate of their useful economic life.

ACORN CORPORATION LIMITED AND SUBSIDIARY UNDERTAKINGS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1997

2 ANALYSIS OF TURNOVER AND OPERATING COSTS

	<u>Continuing</u>	<u>1997 Dis- continued</u>	<u>Total</u>	<u>Continuing</u>	<u>1996 (as restated) Dis- continued</u>	<u>Total</u>
	£	£	£	£	£	£
Turnover	21,552,499	789,349	22,341,848	19,645,189	1,082,227	20,727,416
Change in stocks	424,133	8,302	432,435	38,668	6,584	45,252
Other operating income	175,808	-	175,808	77,716	2,061	79,777
Raw materials and consumables	(19,061,653)	(650,620)	(19,712,273)	(16,602,877)	(587,902)	(17,190,779)
Other external charges	-	-	-	(111,215)	(278,783)	(389,998)
Staff costs	(1,812,466)	(132,054)	(1,944,520)	(1,782,864)	(248,249)	(2,031,113)
Depreciation	(135,161)	(11,790)	(146,951)	(148,864)	(14,425)	(163,289)
Other operating costs	(1,006,917)	(79,350)	(1,086,267)	(1,010,011)	(193,132)	(1,203,143)
	<u>(21,416,256)</u>	<u>(865,512)</u>	<u>(22,281,768)</u>	<u>(19,539,447)</u>	<u>(1,313,846)</u>	<u>(20,853,293)</u>
Operating profit/(loss)	<u>136,243</u>	<u>(76,163)</u>	<u>60,080</u>	<u>105,742</u>	<u>(231,619)</u>	<u>(125,877)</u>

The amounts disclosed as relating to discontinued operations related to the sale of office products and freight forwarding services. All other amounts relate to paper and film sales and services and the sale of paper products.

	<u>1997</u>	<u>1996</u>
	£	£
The analysis of turnover by geographical market was:		
United Kingdom	22,134,659	20,367,286
Eire	207,189	360,130
	<u>22,341,848</u>	<u>20,727,416</u>

3 STAFF COSTS

Wages and salaries	1,617,955	1,686,659
Social security costs	144,356	157,084
Other pension costs (Note 27)	182,209	187,370
	<u>1,944,520</u>	<u>2,031,113</u>

ACORN CORPORATION LIMITED AND SUBSIDIARY UNDERTAKINGS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1997

3	STAFF COSTS (continued)	<u>1997</u>	<u>1996</u>
		Number	Number
	The average weekly number of employees during the year was as follows:		
	Sales and administration	60	72
	Warehouse and depot staff	-	3
		<hr/>	<hr/>
		60	75
		<hr/>	<hr/>
4	INTEREST RECEIVABLE AND SIMILAR CHARGES		
	All interest receivable relates to bank interest and dividend income from quoted investments received.		
5	INTEREST PAYABLE AND SIMILAR CHARGES	<u>1997</u>	<u>1996</u>
		£	£
	Bank interest	7,366	3,285
	Other interest	167,642	58,519
		<hr/>	<hr/>
		175,008	61,804
		<hr/>	<hr/>
6	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		
(a)	This is stated after charging/(crediting):		
	Amortisation of purchased goodwill	6,000	6,000
	Directors' emoluments (Note 6(b))	145,524	124,514
	Auditors' remuneration:		
	-audit services	27,715	27,640
	-other services	15,596	21,550
	Operating lease rentals (Note 26)	301,595	325,674
	Profit on sale of tangible fixed assets	(22,363)	(1,189)
		<hr/>	<hr/>
(b)	Directors' emoluments		
	Fees	2,500	1,500
	Emoluments for management	143,024	123,014
		<hr/>	<hr/>
		145,524	124,514
		<hr/>	<hr/>

Retirement benefits were accruing during the year to one director under a defined benefit scheme.

ACORN CORPORATION LIMITED AND SUBSIDIARY UNDERTAKINGS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1997

7	TAXATION	£	<u>1997</u> £	£	<u>1996</u> £
	UK Corporation Tax based on profits for the year	127,022	127,022	7,472	7,472
	Transfer to deferred taxation (note 15)		9,477		20,799
	Share of tax attributable to associated undertaking		34,934		29,737
			171,433		58,008
	Adjustment in respect of previous years: Corporation tax		3,678		(34,381)
			175,111		23,627

£103,298 of the tax charge relates to the exceptional items.

8	INTANGIBLE ASSETS	<u>Agency agreements</u> £	<u>Purchased goodwill</u> £	<u>Total</u> £
	Cost			
	At 1 January 1997 and at 31 December 1997	205,518	31,864	237,382
	Amortisation			
	Balance at 1 January 1997	-	18,000	18,000
	Charge for year	-	6,000	6,000
	Balance at 31 December 1997	-	24,000	24,000
	Net book value			
	At 31 December 1997	205,518	7,864	213,382
	At 31 December 1996	205,518	13,864	219,382

Purchased goodwill represents the excess of the cost over the book value of the net assets of Condor Paper Sales acquired in 1994.

ACORN CORPORATION LIMITED AND SUBSIDIARY UNDERTAKINGS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1997

9 TANGIBLE FIXED ASSETS

GROUP	Freehold property £	Computer, furniture, fittings & equipment £	Motor vehicles £	Long leasehold £	Short-term leasehold improve- ments £	Total £
Cost						
Balance at 1 January 1997	4,153	666,691	501,918	75,019	43,867	1,291,648
Exchange adjustment	-	(5,652)	(4,324)	-	-	(9,976)
Additions	-	82,697	54,000	-	-	136,697
Disposals	-	(138,529)	(134,945)	-	-	(273,474)
Eliminated on disposal of subsidiary	-	(29,938)	(38,283)	-	(3,277)	(71,498)
Balance at 31 December 1997	4,153	575,269	378,366	75,019	40,590	1,073,397
Depreciation						
Balance at 1 January 1997	700	427,934	366,861	7,578	42,065	845,138
Exchange adjustment	-	(2,837)	(2,541)	-	-	(5,378)
Charge for year	70	76,413	69,626	758	84	146,951
Eliminated on disposals	-	(135,237)	(134,945)	-	-	(270,182)
Eliminated on disposal of subsidiary undertaking	-	(8,708)	(25,929)	-	(2,322)	(36,959)
Balance at 31 December 1997	770	357,565	273,072	8,336	39,827	679,570
Net book value						
At 31 December 1997	3,383	217,704	105,294	66,683	763	393,827
At 31 December 1996	3,453	238,757	134,996	67,441	1,863	446,510

Included above are the following amounts in respect of assets held under finance lease contracts.

GROUP	Motor vehicles £
Net book value at 31 December 1997	45,270
Depreciation charged in the year	29,496

ACORN CORPORATION LIMITED AND SUBSIDIARY UNDERTAKINGS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1997

9 TANGIBLE FIXED ASSETS (continued)

COMPANY	Computer, furniture, fittings and equipment £	Motor vehicles £	Total £
Cost			
Balance at 1 January 1997	900	28,881	29,781
Additions	543	-	543
	<hr/>	<hr/>	<hr/>
Balance at 31 December 1997	1,443	28,881	30,324
	<hr/>	<hr/>	<hr/>
Depreciation			
Balance at 1 January 1997	135	28,881	29,016
Charge for the year	215	-	215
	<hr/>	<hr/>	<hr/>
Balance at 31 December 1997	350	28,881	29,231
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 December 1997	1,093	-	1,093
	<hr/>	<hr/>	<hr/>
At 31 December 1996	765	-	765
	<hr/>	<hr/>	<hr/>

10 INVESTMENTS

GROUP	Interest in associated undertakings £
Cost	
At 1 January 1997 and 31 December 1997	40
	<hr/>

Interest in associated undertakings

Ekman Cleave Group Limited owns 40 'B' ordinary shares of £1 each, representing 40% of the issued share capital of Trebruk Marketing Limited, a company registered in England and Wales. The company is engaged in the business of paper and film services.

Ekman Cleave (Ireland) Limited owns 49% of the issued share capital of Trebruks Marketing (Ireland) Limited, a company incorporated in the Republic of Ireland, which has been dormant throughout the year. The investment comprises 49 ordinary shares of IR£1 each.

ACORN CORPORATION LIMITED AND SUBSIDIARY UNDERTAKINGS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1997

10 INVESTMENTS (continued)

COMPANY	Investment in subsidiary undertakings £
Cost	
At 1 January 1997 and 31 December 1997	136,602
	<hr/>
Provisions	
At 1 January 1997 and 31 December 1997	(10,000)
	<hr/>
Net book value	
At 31 December 1996 and 31 December 1997	126,602
	<hr/> <hr/>

Investment in subsidiary undertakings

At 31 December 1997 the group comprised the following companies:

Name	Class of shareholding
Acorn Corporation Limited	Ordinary £1 shares
Ekman Cleave Group Limited	Ordinary £1 shares
Armstrong Bradley Limited*	Ordinary £1 shares
Cartonboard Cascades Limited*	Ordinary £1 shares
Ekman Cleave Limited*	Ordinary £1 shares
Ekman Cleave International Limited*	Ordinary £1 shares
Ekman Cleave (Ireland) Limited*	Ordinary IR£1 shares
Ekman Cleave (London) Limited*	Ordinary £1 shares
Ekman Cleave (Scotland) Limited*	Ordinary £1 shares
Merstec Marketing Limited*	Ordinary £1 shares
Norca Limited	Ordinary £1 shares
Precision Publishing Papers Limited*	Ordinary £1 shares
Target Paper Limited*	Ordinary £1 shares
Target Paper and Board Sales Limited*	Ordinary IR£1 shares

* Denotes indirect shareholdings

Acorn Corporation Limited wholly owns Norca Limited and 60% of Ekman Cleave Group Limited and its subsidiaries, which are wholly owned, except for Precision Publishing Papers Limited in which Ekman Cleave Group Limited has a 75% holding. All subsidiaries are registered in England and Wales with the exception of Ekman Cleave (Scotland) Limited which is registered in Scotland and Ekman Cleave (Ireland) Limited and Target Paper and Board Sales Limited, which are incorporated in Eire.

All subsidiaries are engaged in the business of paper and film sales and services.

ACORN CORPORATION LIMITED AND SUBSIDIARY UNDERTAKINGS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1997

11 DEBTORS

	<u>1997</u>		<u>1996</u>	
	<u>Group</u>	<u>Company</u>	<u>Group</u>	<u>Company</u>
	£	£	£	£
Due within one year:				
Trade debtors	5,737,546	-	6,250,522	-
Amounts owed by subsidiary undertakings (note 12)	-	66,190	-	27,620
Amounts owed by associated undertakings	69,000	-	62,400	-
Corporation tax	189	189	23,450	1,255
Other debtors	69,784	6,504	83,813	796
Prepayments and accrued income	91,247	-	128,347	-
Dividends receivable from associate	15,691	-	12,074	-
	<u>5,983,457</u>	<u>72,883</u>	<u>6,560,606</u>	<u>29,671</u>

12 AMOUNTS DUE FROM SUBSIDIARY UNDERTAKINGS

Provision has been made in the accounts of the holding company against an amount of £42,355 (1996: £42,355) due from a subsidiary.

13 CREDITORS

	<u>1997</u>		<u>1996</u>	
	<u>Group</u>	<u>Company</u>	<u>Group</u>	<u>Company</u>
	£	£	£	£
Amounts falling due within one year:				
Bank loans & overdrafts	5,410	1,523	8,967	136
Trade creditors	3,530,998	-	4,623,677	-
Amounts due to associated undertakings	26,000	-	-	-
Corporation tax	121,319	-	-	-
Other taxes & social security	187,008	-	223,215	-
Other creditors	197,102	-	378,052	1,332
Advances under invoice discounting facility	1,270,666	-	521,784	-
Finance lease obligations	29,433	-	32,841	-
Accruals	334,366	1,200	280,437	2,785
Proposed dividends to minorities	82,750	-	22,250	-
	<u>5,785,052</u>	<u>2,723</u>	<u>6,091,223</u>	<u>4,253</u>

The advances under the invoice discounting facility are secured on the debtors of a subsidiary undertaking.

14 CREDITORS

	<u>1997</u>		<u>1996</u>	
	<u>Group</u>	<u>Company</u>	<u>Group</u>	<u>Company</u>
	£	£	£	£
Amounts falling due after more than one year:				
Finance lease obligations (payable within two to five years)	16,395	-	57,548	-
	<u>16,395</u>	<u>-</u>	<u>57,548</u>	<u>-</u>

ACORN CORPORATION LIMITED AND SUBSIDIARY UNDERTAKINGS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1997

15 PROVISION FOR LIABILITIES AND CHARGES

	<u>Pension provision</u> £	<u>Deferred taxation</u> £	<u>Total</u> £
Group			
At 1 January 1997	165,624	(47,853)	117,771
Charge/(credit) for the year	(22,624)	9,400	(13,224)
	<hr/>	<hr/>	<hr/>
At 31 December 1997	143,000	(38,453)	104,547
	<hr/>	<hr/>	<hr/>

The deferred tax provision includes £5,877 arising as a result of accelerated capital allowances. The remaining balance relates to the pension provision.

16 SHARE CAPITAL

	<u>Ordinary shares of £1 each</u> <u>Authorised</u> £	<u>Allotted and</u> <u>fully paid</u> £
At 1 January 1997 and 31 December 1997	300,000	10,000
	<hr/>	<hr/>

17 CAPITAL REDEMPTION RESERVE

	£
At 1 January 1997 and 31 December 1997	90,000
	<hr/>

18 PROFIT AND LOSS ACCOUNT

	<u>Group</u> £	<u>Company</u> £
At 1 January 1997	783,655	72,438
Currency translation differences	(12,610)	-
Profit for the year	12,906	26,205
	<hr/>	<hr/>
At 31 December 1997	783,951	98,643
	<hr/>	<hr/>

The cumulative amount of goodwill written off to reserves amounts to £55,360.

A profit on ordinary activities after taxation amounting to £58,895 (1996: £3,344 loss) is dealt with in the accounts of Acorn Corporation Limited.

Profits/(losses) were retained as follows:

	<u>1997</u> £	<u>1996</u> £
By Acorn Corporation Limited	26,205	(13,643)
By subsidiaries	(13,299)	(15,726)
	<hr/>	<hr/>
	12,906	(29,369)
	<hr/>	<hr/>

ACORN CORPORATION LIMITED AND SUBSIDIARY UNDERTAKINGS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1997

19 RECONCILIATION OF MOVEMENTS IN SHAREHOLDER'S FUNDS	<u>1997</u> £	<u>1996</u> £
Profit/(loss) for the financial year attributable to members	45,596	(19,070)
Dividends	(32,690)	(10,299)
	<hr/>	<hr/>
Other recognised gains and losses relating to the year	12,906 (12,610)	(29,369) 8,260
	<hr/>	<hr/>
Net increase/(decrease) in shareholder's funds	296	(21,109)
Opening shareholder's funds	883,655	904,764
	<hr/>	<hr/>
Closing shareholder's funds	883,951	883,655
	<hr/> <hr/>	<hr/> <hr/>
 20 NET CASH FLOW FROM OPERATING ACTIVITIES		
Operating profit before interest	60,080	(125,877)
Amortisation of goodwill	6,000	6,000
Depreciation of tangible fixed assets	146,951	163,289
Profit on sale of tangible fixed assets	(22,363)	(1,189)
Profit on disposal of current asset investments	(8,730)	-
Increase in stocks	(414,493)	(43,144)
Decrease/(increase) in trade debtors	565,261	(568,363)
Decrease/(increase) in amounts due from associated undertakings	19,400	(5,994)
Decrease in other debtors	14,029	9,361
Decrease/(increase) in prepayments and accrued income	37,100	(5,323)
(Decrease)/increase in trade creditors	(1,092,679)	461,899
(Decrease)/increase in other taxes	(36,207)	72,855
(Decrease)/increase in other creditors	(180,950)	209,640
Increase/(decrease) in accruals	53,929	(262,128)
Decrease in pension provision	(22,624)	(32,432)
Increase/(decrease) in advances under invoice discounting facility	748,882	(120,962)
Exchange adjustments	(16,419)	9,832
	<hr/>	<hr/>
Net cash flow from operating activities	(142,833)	(232,536)
	<hr/> <hr/>	<hr/> <hr/>

ACORN CORPORATION LIMITED AND SUBSIDIARY UNDERTAKINGS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1997

21 ANALYSIS OF CHANGES IN NET FUNDS

	At 1 January 1997 £	<u>Cashflows</u> £	<u>Other changes</u> £	At 31 December 1997 £
Cash in hand and at bank	255,539	(109,573)	-	145,966
Bank overdraft	(8,967)	3,557	-	(5,410)
	<hr/>	<hr/>	<hr/>	<hr/>
Debt due within one year	246,572	(106,016)	-	140,556
	(32,841)	32,841	(29,433)	(29,433)
Debt due in more than one year	(57,548)	20,286	20,867	(16,395)
	<hr/>	<hr/>	<hr/>	<hr/>
	156,183	(52,889)	(8,566)	94,728
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

22 DISPOSAL OF SUBSIDIARY

	£
Net assets disposed of:	
Fixed assets	34,539
Creditors	(52,285)
	<hr/>
	(17,746)
Profit on sale	35,748
Legal fees	2,000
	<hr/>
	20,002
	<hr/> <hr/>
Consideration	
Cash	20,002
	<hr/> <hr/>
Net cash movement	
Consideration	20,002
Legal fees	(2,000)
	<hr/>
Net cash inflow	18,002
	<hr/> <hr/>

23 CONTINGENT LIABILITIES

Company

At 31 December 1997 a contingent liability existed in respect of a guarantee given for a subsidiary lease at an annual rent of £144,375 (1996: £144,375).

ACORN CORPORATION LIMITED AND SUBSIDIARY UNDERTAKINGS
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 1997

24 CAPITAL COMMITMENTS

There were authorised and contracted capital commitments by subsidiaries at 31 December 1997 of £Nil (1996: £Nil).

25 TRANSACTIONS WITH DIRECTORS

During the year the Company advanced money to Mr B M Duner, a Director, to enable him to meet business expenditure. Such advances amounted to £1,268 at 1 January 1997 and £5,559 at 31 December 1997, the latter being the maximum amount advanced during the year.

26 OPERATING LEASES

(a) At 31 December 1997 there were commitments for the next year under non-cancellable operating leases as follows:

<u>Group</u>	<u>1997</u>		<u>1996</u>	
	<u>Land & buildings</u> £	<u>Other</u> £	<u>Land & buildings</u> £	<u>Other</u> £
On leases expiring within one year	-	16,809	-	9,503
On leases expiring within two to five years	17,671	10,382	24,676	37,653
On leases expiring thereafter	224,078	-	212,648	-
	<u>241,749</u>	<u>27,191</u>	<u>237,324</u>	<u>47,156</u>

(b) The total of operating lease rentals charged as an expense in the profit and loss account comprises:

	<u>1997</u> £	<u>1996</u> £
Hire of plant and machinery	-	58,214
Other rentals	301,595	267,460
	<u>301,595</u>	<u>325,674</u>

27 PENSIONS

The group operates several pension schemes for its employees in the United Kingdom and Eire. The principal schemes are of the defined benefit type and are funded upon the advice of professionally qualified actuaries. The assets of the main UK scheme are held in a separate trustee administered fund. The Irish scheme is an insured arrangement.

The main UK scheme was last valued on 1 January 1996 using the projected unit credit method. The principal actuarial assumption adopted was that investment return would exceed the increase in average earnings by 1%. The market value of the assets at the valuation date was £5,493,000 and the actuarial value of the assets was sufficient to cover 112% of the benefits which had accrued to members after allowing for expected future increases in pensionable remuneration.

ACORN CORPORATION LIMITED AND SUBSIDIARY UNDERTAKINGS
NOTES TO THE FINANCIAL STATEMENTS
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27 PENSIONS (continued)

The Irish scheme was last valued on 1 January 1996 using the attained age method. The principal actuarial assumption adopted was that investment return would exceed the increase in average earnings by 2% with specific allowance for a senior member close to retirement. The market value of the assets at the valuation date was £577,254. The actuarial value of the assets at the valuation date represented 94% of the liability for benefits which had accrued to members after allowing for expected future increases in pensionable remuneration. In December 1996 a contribution was paid into the scheme sufficient to eliminate the actuarial deficiency at 1 January 1996.

Employer contributions charged in the accounts were £182,209 (1996: £187,370). A provision of £143,000 (1996: £165,624) and a prepayment of £Nil (1996: £31,606) are included in the consolidated balance sheet resulting from the cumulative differences between the amount recognised as cost and the amounts paid into the schemes.

28 CONTROLLING PARTY

Acorn Corporation Limited is ultimately controlled by Mr B Duner.

29 RELATED PARTY TRANSACTIONS

During the year the Acorn Group had the following transactions with related parties:

Name	Relationship	Transaction	Amount £	Year end balance Dr/(Cr) £
Trebruk AB	Joint venturer	Provision of services of director	26,000	(26,000)
Trebruk Marketing Ltd	Associated undertaking	Provision of services, accommodation and facilities	260,000	-
Trebruk Marketing Ltd	Associated undertaking	Expenses recharged	28,592	(1,737)
Trebruk Marketing Ltd	Associated undertaking	Dividend	50,492	15,692
Trebruk Marketing Ltd	Associated undertaking	Loan	-	69,000
Mr A Duner	Close family of controlling party	Market research services	4,581	-
Mr B Duner	Controlling party	Provision of office accommodation	3,800	-
Miss S Duner	Close family of controlling party	Secretarial services	1,600	-