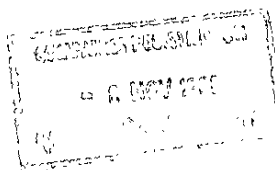


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ACCO HOLDINGS (UK) AND SUBSIDIARY COMPANIES

ACCOUNTS FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 1987

TOGETHER WITH DIRECTORS' AND AUDITORS' REPORTS

ACCO HOLDINGS UK AND SUBSIDIARY COMPANIES

DIRECTORS' REPORT

FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 1987

The directors present their first annual report on the affairs of the company and group together with the accounts and auditor's report for the six month period ended 31 December 1987.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The company was incorporated on 23 June 1987, and took over all the assets and liabilities of Acco World (UK) Inc on 21 August 1987 for a consideration of 100 shares at a nominal value of £1 each.

The principal activity of the group is the manufacture and marketing of products for storing, retrieving and displaying business information in offices, factories and computer installations.

RESULTS

Group retained profit for the six months ended 31 December 1987 was £1,632,000. The directors do not recommend the payment of a dividend.

DIRECTORS AND THEIR INTERESTS

The directors who served during the period were:

Appointed

G J Trussler	26 June 1987
C L Grove	26 June 1987
D K Chapman	14 August 1987
D R La Place	14 August 1987
N H Wesley	29 September 1987
B W Clark	13 August 1987
A J Snape	26 June 1987
F A P Hall	12 November 1987
S J Loffler	12 November 1987

No director had a beneficial interest in the ordinary share capital of the company.

FIXED ASSETS:

Information relating to changes in tangible fixed assets is given in Note 9 to the accounts.

DIRECTORS' REPORT (Continued)

DISABLED EMPLOYEES:

The company maintains a positive policy towards the employment of disabled people. It endeavours to offer equal opportunity in employment, training, career development and promotion wherever possible, both to newly disabled employees and to disabled job applicants.

EMPLOYEE CONSULTATION:

The group places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees, and on the various factors affecting the performance of the group. This is achieved through consultation with employees' representatives.

AUDITORS:

The directors will place a resolution before the annual general meeting to appoint Coopers & Lybrand as auditors for the ensuing year.

BY ORDER OF THE BOARD

A J Snape
Secretary

Nepicar House
London Road
Wrotham Heath
Sevenoaks
TN15 7RS

20 July 1988

ARTHUR ANDERSEN & Co.

1 SURREY STREET
LONDON WC2R 2PS

To the Members of ACCO HOLDINGS (UK)

We have audited the accounts set out on pages 4 to 19 in accordance with approved Auditing Standards.

In our opinion, the accounts, which have been prepared under the historical cost convention give a true and fair view of the state of the affairs of the group and of the company at 31 December 1987 and of the group profit and source and application of funds for the period then ended, and comply with the Companies Act 1985.

Arthur Andersen & Co.

Arthur Andersen & Co.
Chartered Accountants
London

26 July 1988

ACCO HOLDINGS (UK)
AND SUBSIDIARY COMPANIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 1987

	<u>Notes</u>	<u>£'000</u>
SALES	2	22,092
Cost of Sales		(13,402)
GROSS PROFIT		----- 8,690
Other operating expenses	3	(5,437)
OPERATING PROFIT		----- 3,253
Interest payable and similar charges	4	(742)
Interest receivable and similar income		19 -----
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	2,530
Tax on profit on ordinary activities	7	(888)
PROFIT ON ORDINARY ACTIVITIES		----- 1,642
Minority interests		(10) -----
RETAINED PROFIT for the period.		1,632 =====

The accompanying notes are an integral part of this profit and loss account.

ACCO HOLDINGS (UK)
AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET - 31 DECEMBER 1987

	<u>Notes</u>	<u>£'000</u>
FIXED ASSETS		
Tangible assets	9	12,709

		12,709

CURRENT ASSETS		
Stocks	10	9,747
Debtors	11	13,751
Cash at bank and in hand		1,962

		25,460
CREDITORS: Amounts falling due within one year	12	(15,279)

NET CURRENT ASSETS		10,181

TOTAL ASSETS LESS CURRENT LIABILITIES		22,890
CREDITORS: Amounts falling due after more than one year	13	(18,357)

PROVISIONS FOR LIABILITIES AND CHARGES	14	(1,535)

NET ASSETS		2,998
		=====
CAPITAL AND RESERVES		
Called-up share capital	15	-
Other reserves	16	1,107
Profit and loss account	16	1,632

Shareholders funds		2,739
Minority interests		259

TOTAL CAPITAL EMPLOYED		2,998
		=====

SIGNED ON BEHALF OF THE BOARD

G J Trueslar)
) Directors
C L Grove)

20 July 1988

The accompanying notes are an integral part of this balance sheet.

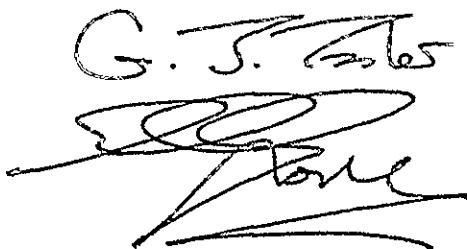
ACCO HOLDINGS (UK)

BALANCE SHEET - 31 DECEMBER 1987

	<u>Notes</u>	<u>£'000</u>
FIXED ASSETS		
Investments	8	26,323
CREDITORS: Amounts falling due within one year	12	(853)
TOTAL ASSETS LESS CURRENT LIABILITIES		25,470
CREDITORS: Amounts falling due after more than one year	13	(16,000)
		9,470
CAPITAL AND RESERVES		
Called-up share capital	15	-
Profit and loss account		(574)
Other reserve	16	10,044
TOTAL CAPITAL EMPLOYED		9,470

SIGNED ON BEHALF OF THE BOARD

G J Trussler)
) Directors
C L Grove)



The accompanying notes are an integral part of this balance sheet.

ACCO HOLDINGS (UK) AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 1987

SOURCE OF FUNDS	£'000
Retained profit for the period	1,632
Add (deduct) items not involving cash flow during the year	
- depreciation	416
- gain on disposal of tangible fixed assets	(21)
- increase in provisions for liabilities and charges	2
- profit attributable to minority shareholders	10

Total funds from operations	2,039
Surplus arising on acquisition (Notes 8 and 16)	1,206
Proceeds from disposal of tangible fixed assets	70

	3,315
	=====
 APPLICATION OF FUNDS	
Acquisition of non-current assets and liabilities of subsidiaries (Note 9)	(7,626)
Loss on translation of overseas currencies (net)	27
Purchase of tangible fixed assets	731
Decrease in creditors falling due after more than one year	2
Increase in net current assets, as shown below	10,181

	3,315
	=====
 INCREASE (DECREASE) IN NET CURRENT ASSETS	
Stocks	9,747
Debtors	13,751
Creditors: due within one year (excluding bank loans and overdrafts)	(15,174)

	8,324
 Movement in net liquid funds	
- cash at bank and in hand	1,962
- bank loans and overdrafts	(105)

	10,181
	=====

The accompanying notes are an integral part of this consolidated statement.

ACCO HOLDINGS (UK)

AND SUBSIDIARY COMPANIES

NOTES TO ACCOUNTS - 31 DECEMBER 1987

1. ACCOUNTING POLICIES:

The principal accounting policies are:

a) Basis of accounting

The accounts are prepared under the historical cost convention.

b) Basis of consolidation

The group accounts consolidate the accounts of the company and all of its subsidiaries made up to 31 December 1987. In the company's accounts investments in subsidiaries are stated at cost to the Acco World Corporation group plus the Acco World Corporation group's share of the post-acquisition retained profit and reserves of the subsidiaries as at 21 August 1987 with a corresponding credit to revaluation reserve. The directors consider that this policy more fairly represents the company's investments than carrying them at cost. Only dividends received and receivable are credited to the company's profit and loss account. No profit and loss account is presented for the company, as provided by Section 228(7) of the Companies Act 1985.

c) Tangible fixed assets

Tangible fixed assets are shown at cost or valuation at the date of acquisition by Acco World Corporation.

Depreciation is provided at rates calculated to write off the cost or valuation less estimated residual value of fixed assets on a straight-line basis over their estimated useful lives as follows:-

Freehold buildings	- 25-75 years
Leasehold buildings	- term of lease
Plant and machinery	- 3-15 years
Office equipment, furniture and fittings	- 5-10 years
Motor Vehicles	- 3 years

d) Stocks

Stocks are stated at the lower of cost and net realisable value.

Cost incurred in bringing each product to its present location and condition is based on:-

Raw materials - purchase cost on a first-in, first-out basis, including transport.

Work-in-progress - cost of direct materials and labour plus a reasonable proportion of manufacturing overheads based on normal levels of activity.

Net realisable value is based on estimated normal selling price less further costs expected to be incurred to completion and sale. Provision is made for obsolete, slow-moving or defective items where appropriate.

NOTES TO THE ACCOUNTS (Continued)

1. ACCOUNTING POLICIES (Continued):

e) Taxation

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

Deferred taxation (which arises from difference in the timing of the recognition of items, principally depreciation, 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.

f) Pension costs

It is the general policy of the company to fund pension liabilities, on the advice of external actuaries, by payment to independent trust or to insurance companies. Payments made to the funds and charged in the accounts comprise current and past service contributions. Independent actuarial valuations are carried out every 3 years

g) Foreign currency

The accounts of overseas subsidiaries are translated into sterling at the rate ruling at the balance sheet date and the consequent adjustment in the opening balances are dealt with through reserves.

Trading activities denominated in foreign currencies are recorded in sterling at the exchange rates as of the date of the transaction. Exchange differences arising from trading transactions are dealt with in the profit and loss account.

h) Turnover

Group turnover comprises the value of sales (excluding VAT and trade discount) of goods and services in the normal course of business.

i) Leases

Assets held under finance leases are reported at cost, with an equivalent liability categorised as appropriate under creditors due within or after one year. The asset is depreciated over the shorter of the lease period or its useful economic life. Finance charges are allocated to accounting periods over the period of the lease to produce a constant rate of return on the outstanding balance. Rentals are apportioned between finance charges and reduction of the liability, and allocated to cost of sales and other operating expenses as appropriate.

Rentals under operating leases are charged to profit and loss account on a straight-line basis over the lease term.

NOTES TO THE ACCOUNTS (Continued)

2. **SEGMENT INFORMATION:**

The group is considered to carry on one class of business, the manufacture and marketing of products for storing, retrieving and displaying business information in offices, factories and computer installations.

Contributions to turnover by geographical areas were as follows:

	<u>£'000</u>
Europe	18,795
Africa	998
Asia	241
Australasia	2,005
Americas	53

	22,092
	=====

3. **OTHER OPERATING EXPENSES:**

	<u>£'000</u>
Distribution costs	1,292
Selling and marketing costs	2,376
Administrative expenses	1,914

	5,582
Other operating income	(145)

	5,437
	=====

4. **INTEREST PAYABLE AND SIMILAR CHARGES:**

	<u>£'000</u>
On bank loans, overdrafts and other loans - repayable within five years.	127
On all other loans	615

	742
	=====

NOTES TO THE ACCOUNTS (Continued)

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION:

Profits on ordinary activities before
taxation is stated after crediting:-

	<u>£'000</u>
a) Rent receivable	33
b) Gain on disposal of tangible fixed assets	21
	=====
and after charging:-	
a) Depreciation on tangible fixed assets	
- owned	404
- held under finance leases	12
b) Operating lease rentals	
- hire of plant and machinery	56
- other	183
c) Auditors' remuneration	49
	=====

6. STAFF COSTS:

Particulars of employee costs (including executive directors) are as shown
below:-

	<u>£'000</u>
Employee costs during the period amounted to-	
Wages and salaries	4,248
Social security costs	385
Other pension costs	160
	4,793
	=====

The average weekly number of persons employed by the group during the
period was as follows-

	<u>Number</u>
Production	755
Distribution	157
Sales	203
Administration	153
	1,268
	=====

NOTES TO THE ACCOUNTS (Continued)

6. STAFF COSTS: (Continued)

The employee costs shown above include the following remuneration in respect of the directors of the company:

	<u>£</u>
Fee as directors	-
Other emoluments (including pension contributions)	75,194

	75,194
	=====

The directors remuneration shown above (excluding pension and pension contributions) included:

Chairman	17,752
	=====
Highest paid director	17,099
	=====

Other directors received emoluments (excluding pension and pension contributions) in the following ranges:

	<u>Number</u>
Up to £5,000	5
£10,001 - £15,000	1
£15,001 - £20,000	1

7. TAX ON PROFIT ON ORDINARY ACTIVITIES:

The tax charge is based on the profit for the period and comprises-

	<u>£'000</u>
UK corporation tax at 35%	775
Deferred taxation	2
Overseas taxation	111

	888
	=====

8. FIXED ASSET INVESTMENTS:

On 21 August 1987 the company acquired Acco World (UK) Inc. which owned the Twinlock Group. On 21 August 1987 Acco World (UK) Inc. was liquidated and the company acquired its separate net assets which included its investment in Twinlock Plc. The company has recorded its investments in Twinlock Plc as at the date of acquisition at cost to the Acco World Corporation group plus the Acco World Corporation group's share of post-acquisition retained profit and reserves of the subsidiaries.

The effect of the acquisition on the Source and Application of Funds Statement (page 7) is as follows:-

NOTES TO THE ACCOUNTS (Continued)

8. FIXED ASSET INVESTMENTS: (Continued)

	<u>Net assets acquired</u> <u>£'000</u>	<u>Consideration</u> <u>£'000</u>
Fixed assets	12,514	-
Loans	(18,359)	-
Provision for liabilities and charges	(1,532)	-
Minority interest	(249)	-
	-----	-----
	(7,626)	-
Net current assets	8,832	-
Issue of share capital	-	-
Surplus arising on acquisition (Note 16)	-	1,206
	-----	-----
	1,206	1,206
	=====	=====

Principal Group Investments

The following companies in the group, which are all direct subsidiaries of Twinlock Plc, have traded in the period. The remaining subsidiaries are not material to the group and therefore are not listed. The principal activity of all the subsidiaries listed below is the manufacture and marketing of products for storing, retrieving and displaying business information in offices, factories and computer installations. They are all wholly owned unless otherwise stated and the principal country of operation is that of incorporation or registration.

Registered in England

- Acco Europe Limited
- Office Systems International Limited

Registered in Northern Ireland

- Office Products International (Northern Ireland) Ltd.

Incorporated in South Africa

- Twinlock South Africa (Pty) Limited

Incorporated in Australia

- Office Products International Limited

Incorporated in Ireland

- Office Products International Limited (66 2/3 per cent)
- Twinlock Ireland Export Limited (66 2/3 per cent)

Twinlock Plc has entered into an agreement since the year end to sell its investment in Twinlock South Africa (Pty) Limited for SAR 1 million. This agreement is conditional upon obtaining approval from the South African Reserve Bank.

NOTES TO THE ACCOUNTS (Continued)

9. TANGIBLE FIXED ASSETS:

The movement in the period was as follows-

	Freehold <u>£'000</u>	Short Lease- hold <u>£'000</u>	Plant & Machinery <u>£'000</u>	Office Equipment Furniture & Fittings <u>£'000</u>	Motor Vehicles <u>£'000</u>	Total <u>£'000</u>
COST OR VALUATION-						
On acquisition of Acco World (UK) Inc.	7800	59	7117	2350	1017	18343
Additions	249	-	119	249	114	731
Disposals	-	-	(150)	(68)	(39)	(257)
Exchange adjustments	(41)	-	(39)	(9)	(16)	(105)
Intra group transfers	-	-	2	-	-	2
	-----	-----	-----	-----	-----	-----
	8008	59	7049	2522	1076	18714
	=====	=====	=====	=====	=====	=====
DEPRECIATION-						
On acquisition of Acco World (UK) Inc.	224	25	4152	1062	366	5829
Charge for the period	51	1	158	140	66	416
Disposals	-	-	(128)	(55)	(25)	(208)
Exchange adjustments	(2)	-	(20)	(4)	(8)	(34)
Intra-group transfers	(15)	-	17	-	-	2
	-----	-----	-----	-----	-----	-----
	258	26	4179	1143	399	6005
	=====	=====	=====	=====	=====	=====
NET BOOK VALUE						
31 December 1987	7750	33	2870	1379	677	12709
	=====	=====	=====	=====	=====	=====

10. STOCKS:

The following are included in the net book value of stocks-

	<u>£'000</u>
Raw materials and consumables	1,788
Work-in-progress	2,050
Finished goods and goods for resale	5,909

	9,747
	=====

NOTES TO THE ACCOUNTS (Continued)

11. DEBTORS:

The following are included in the net book value of debtors-

	<u>Group</u>
	<u>£'000</u>
Amounts falling due within one year-	
Trade debtors	12,746
Amount owed by group companies	364
Other debtors	210
Prepayments and accrued income	431

	13,751
	=====

12. CREDITORS- AMOUNTS FALLING DUE WITHIN ONE YEAR:

The following amounts are included in creditors falling due within one year-

	<u>Group</u>	<u>Company</u>
	<u>£'000</u>	<u>£'000</u>
Bank loans and overdrafts	105	-
Trade creditors	4,901	-
UK corporation tax payable	2,314	-
Overseas taxation	270	-
VAT	579	-
Social security and PAYE	361	-
Accruals and deferred income	2,970	171
Due to fellow subsidiaries	3,750	682
Net obligations under finances leases	29	-
	-----	-----
	15,279	853
	=====	=====

13. CREDITORS- AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR:

The following amounts are included in creditors falling due after more than year-

	<u>Group</u>	<u>Company</u>
	<u>£'000</u>	<u>£'000</u>
Obligations under finance leases	58	-
Bank loans	18,000	16,000
Other creditors	299	-
	-----	-----
	18,357	16,000
	=====	=====

NOTES TO THE ACCOUNTS (Continued)

14. PROVISIONS FOR LIABILITIES AND CHARGES:

Provisions for liabilities and charges comprise:

	<u>£'000</u>
Deferred taxation	97
Provision for reorganisation	1,438

	1,535
	=====

a. Deferred taxation:

Deferred taxation has been provided to the extent that the directors have concluded, on the basis of reasonable assumptions and the intentions of management, that it is probable that part of the liability will crystallise.

The amount of deferred taxation provided is as follows:

	<u>£'000</u>
Excess of tax allowances over book depreciation of fixed assets	617
Other timing differences	
- provision for reorganisation costs	(520)

	97
	=====

The movement on deferred taxation comprises:

	<u>£'000</u>
New subsidiaries	94
Charged (credited) to profit and loss, in respect of:	
- capital allowances	5
- provision for reorganisation costs	
- other timing differences	(2)

	97
	=====

The amounts of unprovided deferred taxation are as follows:

	<u>£'000</u>
Excess of tax allowances over book depreciation of fixed assets	301
	=====

NOTES TO THE ACCOUNTS (Continued)

15. SHARE CAPITAL:

Authorised, allotted, called-up and fully paid £100
=====

The whole of the authorised share capital of the company was issued on 21 August 1987. The company has taken benefit of S.132 of the Companies Act 1985 and recorded no share premium on the issue of its shares.

16. RESERVES:

Of the total reserves shown in the balance sheet, the following amounts are regarded as distributable or otherwise-

	On acquisition of Acco World (UK) Inc.	Movement in period	As at 31.12.87
<u>Group</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Foreign currency translation	-	(99)	(99)
Other reserve	1,206	-	1,206
Profit and loss account	-	1,632	1,632
	<u>1,206</u>	<u>1,553</u>	<u>2,739</u>
	=====	=====	=====
<u>Company</u>			
Other Reserve	10,044	-	10,044
Profit & Loss Account	-	(574)	(574)
	<u>10,044</u>	<u>(574)</u>	<u>9,470</u>
	=====	=====	=====

Other reserves arose on the acquisition of Acco World Inc. and represent the excess of net assets over the consideration given. The revaluation reserve in the company represents the revaluation of the company's investment in the Acco World Group on acquisition.

17. GUARANTEES AND OTHER FINANCIAL COMMITMENTS:

a) Capital commitments

At the end of the year, capital commitments of the group were-

	<u>£'000</u>
Contracted for	372
Authorised but not contracted for	16

	388
	=====

NOTES TO THE ACCOUNTS (Continued)

17. GUARANTEES AND OTHER FINANCIAL COMMITMENTS: (Continued)

b) Pension costs

Retirement benefits to employees of the group are funded by contributions from group companies and employees. Payments are made either to a trust (the Twinlock Pension Scheme) which is financially separate from the group companies, or to insurance companies, in accordance with actuarial advice.

An actuarial valuation of the Twinlock Pension Scheme was carried out by The Wyatt Company (UK) Limited as at 5 April 1986. The valuation revealed that the assets of the Twinlock Pension Scheme then held were sufficient to cover the benefits accrued (based on pensionable service and rates of earnings at that date) if the Scheme had been discontinued at 5 April 1986. The current rates of contribution to the Scheme are in accordance with the recommendations made by the actuary.

c) Lease commitments

Obligations under finance leases are as follows-

	<u>£'000</u>
Gross obligations due	
- within 1 year	39
- within 2-5 years	67

	106
Less finance charges allocated to future period	
	(19)

	87
	=====

The minimum annual rentals under operating leases are as follows-

	<u>Group</u>	
	<u>Land & Buildings</u>	<u>Other</u>
	<u>£'000</u>	<u>£'000</u>
Operating leases which expire		
- within 1 year	13	62
- within 2-5 years	40	154
- after 5 years	440	13
	-----	-----
	493	229
	=====	=====

NOTES TO THE ACCOUNTS (Continued)

17. GUARANTEES AND OTHER FINANCIAL COMMITMENTS: (Continued)

d) Guarantees

The company has entered into a revolving credit agreement in connection with the acquisition of Twinlock PLC. Under the agreement the bank is providing a revolving credit facility of £16,000,000 which matures on 15 May 1991.

18. ULTIMATE HOLDING COMPANY:

The ultimate holding company is American Brands Inc., incorporated in the State of Connecticut, USA.