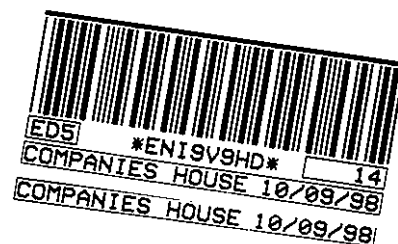




Milford-Astor Limited
and subsidiary undertakings

Accounts 31 December 1997
together with directors' and auditors' reports

Registered number: 2624592



Directors' report

For the year ended 31 December 1997

The directors present their annual report on the affairs of the group, together with the accounts and auditors' report, for the year ended 31 December 1997.

Directors' responsibilities

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 group and of the profit or loss of the group 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, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts 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 company and group and to 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 group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activity and business review

The principal activity of the group continues to be the manufacture and marketing of a range of hot stamping foils.

During the year turnover was £22,013,076 and profit for the financial year was £1,148,688. The directors expect the general level of activity to continue in the ensuing year.

Results and dividends

The directors have paid a dividend of £1,250,000 and as a result a loss of £101,312 has been deducted from reserves.

Charitable and political contributions

The group contributed £1,624 (1996 - £1,335) to charities. No political contributions were made.

Directors' report (continued)

Directors and their interests

The directors who served during the year were as follows:

B.J. Bradbury (Managing Director)

J.J. Lomax

T.P. Putnam (USA)

J.A. Putnam (USA)

The directors do not have any interests required to be disclosed under Schedule 7 of the Companies Act 1985.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the group continues and that appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

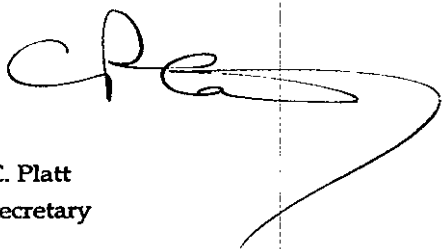
Employee consultation

The group has a policy and practice of informing and consulting its employees through a system of regular joint meetings. These meetings are held by members of the divisional management team and the appropriate trade union representatives and they are an important aspect of the group's personnel and industrial relations policy.

Auditors

The directors will place a resolution before the annual general meeting to reappoint Arthur Andersen as auditors for the ensuing year.

By order of the Board,



C. Platt
Secretary

Astor Road
Eccles New Road
Salford
M5 2DA

12 February 1998

ARTHUR ANDERSEN

Auditors' report

Manchester

To the Shareholders of Milford-Astor Limited:

We have audited the accounts on pages 4 to 20 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 to 10.

Respective responsibilities of directors and auditors

As described on page 1 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 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 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 circumstances of the company and the group, 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 and of the group at 31 December 1997 and of the group's profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen
Chartered Accountants and Registered Auditors

Bank House
9 Charlotte Street
Manchester
M1 4EU

12 February 1998

Consolidated profit and loss account

For the year ended 31 December 1997

	Notes	1997 £	1996 £
Turnover		22,013,076	21,104,021
Cost of sales		(15,820,436)	(16,316,112)
Gross profit		6,192,640	4,787,909
Other operating expenses (net)	3	(4,615,507)	(4,657,608)
Operating profit		1,577,133	130,301
Interest receivable		110,736	9,699
Interest payable	4	(469)	(43,474)
Profit on ordinary activities before taxation	5	1,687,400	96,526
Tax on profit on ordinary activities	8	(538,712)	(39,656)
Profit for the financial year		1,148,688	56,870
Dividends paid on equity shares	9	(1,250,000)	-
(Loss) profit for the year (deducted from) transferred to reserves	17	(101,312)	56,870

All activity has arisen from continuing operations. The group has no recognised gains or losses other than the profit for the financial year.

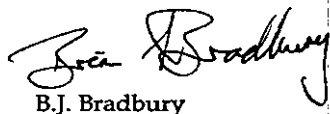
The accompanying notes are an integral part of this consolidated profit and loss account.

Consolidated balance sheet

31 December 1997

	Notes	1997 £	1996 £
Fixed assets			
Tangible assets	10	3,410,896	3,802,176
Current assets			
Freehold property held for re-sale		70,750	-
Stocks	12	2,692,345	3,432,341
Debtors	13	6,718,038	5,304,073
Cash at bank and in hand		954,147	749,095
		10,435,280	9,485,509
Creditors: Amounts falling due within one year	14	(2,413,115)	(1,707,512)
Net current assets		8,022,165	7,777,997
Total assets less current liabilities		11,433,061	11,580,173
Provisions for liabilities and charges	15	-	(45,800)
Net assets		11,433,061	11,534,373
Capital and reserves			
Called-up share capital	16	60,002	60,002
Share premium account	17	9,678,176	9,678,176
Profit and loss account	17	1,694,883	1,796,195
Equity shareholders' funds		11,433,061	11,534,373

Signed on behalf of the Board


B.J. Bradbury

Managing Director

12 February 1998


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

Balance sheet

31 December 1997

	Notes	1997 £	1996 £
Fixed assets			
Investment	11	<u>11,433,059</u>	<u>11,534,371</u>
Current assets			
Debtors	13	<u>2</u>	<u>2</u>
Net assets		<u>11,433,061</u>	<u>11,534,373</u>
Capital and reserves			
Called-up share capital	16	60,002	60,002
Share premium account	17	9,678,176	9,678,176
Other reserve	17	<u>1,694,883</u>	<u>1,796,195</u>
Equity shareholders' funds		<u>11,433,061</u>	<u>11,534,373</u>

Signed on behalf of the Board



B.J. Bradbury

Managing Director

12 February 1998

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

Consolidated cash flow statement

For the year ended 31 December 1997

	Notes	1997 £	1996 £
Net cash inflow from operating activities	19	1,847,664	1,194,477
Returns on investments and servicing of finance	20	110,267	(33,775)
Taxation	20	(356,837)	(97,976)
Capital expenditure and financial investment	20	(146,042)	(311,951)
Equity dividends paid		(1,250,000)	-
Increase in cash in the year	22	<u>205,052</u>	<u>750,775</u>

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

Notes to accounts

31 December 1997

1 Accounting policies

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

a) *Basis of accounting*

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

b) *Basis of consolidation*

The group accounts consolidate the accounts of Milford-Astor Limited and all its subsidiary undertakings made up to 31 December 1997. The acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired in the year are included in the consolidated profit and loss account from the date of acquisition. Goodwill arising on consolidation is written off against reserves on acquisition.

In the company's accounts, investments in subsidiary undertakings are stated on the equity basis, whereby cost is adjusted to reflect the group's interest in post-acquisition profits and reserves of the subsidiary companies less dividends received. The adjustment to cost is reflected through the other 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.

The profit for the financial year dealt with in the accounts of Milford-Astor Limited was £1,250,000 (1996 - £ Nil). No profit and loss account is presented for Milford-Astor Limited as permitted by section 230 of the Companies Act 1985.

c) *Research and development*

Research and development expenditure is written off in the year of expenditure.

d) *Tangible fixed assets*

Fixed assets are shown at cost less depreciation and provision for permanent diminution in value.

Depreciation is provided at rates calculated to write off the cost of each asset over its expected useful life as follows:

Buildings	4% per annum straight-line
Machinery and equipment	15% per annum reducing balance
Motor vehicles	25% per annum straight-line
Computer equipment	25% per annum reducing balance

Profit or losses on the disposal of fixed assets are included in the calculation of operating profit.

e) *Current asset investments*

Current asset investments are shown at the lower of cost and net realisable value.

Notes to accounts (continued)

1 Accounting policies (continued)

f) 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
Work-in-progress and finished goods	-	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 disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

g) Taxation

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

Advance corporation tax payable on dividends paid or provided for in the year is written off, except when recoverability against corporation tax payable is considered to be reasonably assured. Credit is taken for advance corporation tax written off in previous years when it is recovered against corporation tax liabilities.

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

h) Pension costs

The group maintains a pension scheme covering substantially all its employees providing defined benefits relating to final salary. The assets of the scheme are held outside the group by an independent trust.

The amount charged to the profit and loss account is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The regular cost is calculated so that it represents a substantially level percentage of current and future pensionable payroll. Variations from regular cost are charged or credited to the profit and loss account over the estimated average remaining working life of scheme members.

Notes to accounts (continued)

1 Accounting policies (continued)

i) Foreign currency

In the accounts of individual undertakings, transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates as of the date of the transaction (or, where appropriate, at the rate of exchange in a related forward exchange contract). Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end (or, where appropriate, at the rate of exchange in a related forward exchange contract). Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

j) Turnover

Group turnover represents amounts receivable for goods and services provided in the normal course of business net of trade discounts, VAT and other sales related taxes.

2 Segment information

The analysis of turnover and profit on ordinary activities before taxation has been omitted.

3 Other operating expenses (net)

	1997 £	1996 £
Selling and distribution costs	1,753,896	1,733,799
Administrative expenses	2,861,611	2,923,809
	<u>4,615,507</u>	<u>4,657,608</u>

4 Interest payable

	1997 £	1996 £
Bank loans and overdrafts		
- within 5 years not by instalments	<u>469</u>	<u>43,474</u>

5 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	1997 £	1996 £
Depreciation	466,783	510,319
Auditors' remuneration		
- audit	14,000	13,375
- non-audit	12,220	10,750
Research and development	682,761	636,164
Staff costs	<u>7,667,747</u>	<u>7,597,118</u>

Notes to accounts (continued)

6 Staff costs

The average monthly number of employees was as follows:

	1997 Number employed	1996 Number employed
Production	232	247
Sales	23	24
Administration	30	36
	<u>285</u>	<u>307</u>

Their aggregate remuneration comprised:

	1997 £	1996 £
Wages and salaries	6,643,495	6,557,209
Social security costs	503,412	523,669
Other pension costs	520,840	516,240
	<u>7,667,747</u>	<u>7,597,118</u>

7 Directors' remuneration

	1997 £	1996 £
Aggregate emoluments	<u>88,036</u>	<u>94,153</u>

The number of directors who were members of a pension scheme were as follows:

	1997 Number	1996 Number
Defined benefit scheme	<u>1</u>	<u>1</u>

Notes to accounts (continued)

8 Tax on profit on ordinary activities

The tax charge is based on the profit for the year and comprises:

	1997 £	1996 £
Corporation tax	588,512	45,619
Deferred taxation	(45,800)	33,800
Adjustments in respect of prior years		
- current taxation	(4,000)	(51,763)
- deferred taxation	-	12,000
	<u>538,712</u>	<u>39,656</u>

If provision were to be made for the full amount of potential deferred taxation the charge for the year would have decreased by:

	1997 £	1996 £
Capital allowances	57,906	40,000
Other timing differences	(1,520)	(19,000)
	<u>56,386</u>	<u>21,000</u>

9 Dividends paid on equity shares

	1997 £	1996 £
Interim paid of £20.83 (1996 - £Nil) per ordinary share	<u>1,250,000</u>	<u>-</u>

Notes to accounts (continued)

10 Tangible fixed assets

Group	Land and buildings £	Machinery and equipment £	Motor vehicles £	Total £
Cost				
At 31 December 1996	2,575,942	8,165,041	14,625	10,755,608
Additions	11,132	127,580	-	138,712
Disposals	-	(463,723)	(14,625)	(478,348)
At 31 December 1997	<u>2,587,074</u>	<u>7,828,899</u>	<u>-</u>	<u>10,415,972</u>
Depreciation				
At 31 December 1996	1,082,823	5,855,984	14,625	6,953,432
Charge	97,482	369,301	-	466,783
Disposals	-	(400,514)	(14,625)	(415,139)
At 31 December 1997	<u>1,180,305</u>	<u>5,824,771</u>	<u>-</u>	<u>7,005,076</u>
Net book value				
At 31 December 1996	<u>1,493,119</u>	<u>2,309,057</u>	<u>-</u>	<u>3,802,176</u>
At 31 December 1997	<u>1,406,769</u>	<u>2,004,127</u>	<u>-</u>	<u>3,410,896</u>

Freehold land amounting to £146,050 (1996 - £146,050) has not been depreciated.

Notes to accounts (continued)

11 Fixed asset investment

Company	Subsidiary undertaking £
At 31 December 1996	11,534,371
Decrease in the value of the underlying net assets of subsidiary undertaking	(101,312)
At 31 December 1997	<u>11,433,059</u>

The company's subsidiary undertaking is Astor Universal Limited which is registered in England and Wales and is wholly owned. Its principal activity is the manufacture and marketing of a range of hot stamping foils and related supplies, predominantly for the UK, USA and European markets.

Astor Universal Limited owns the whole of the issued share capital of the following companies, all of which are registered in England and Wales, and do not trade:

Stamping Foils Limited
Stamping Foils (Manufacturing) Limited
Advanced Holographics Limited

12 Stocks

Group	1997 £	1996 £
Raw materials	537,251	686,866
Work-in-progress	269,519	349,562
Finished goods	1,885,575	2,395,913
	<u>2,692,345</u>	<u>3,432,341</u>

13 Debtors

	Group		Company	
	1997 £	1996 £	1997 £	1996 £
Amounts falling due within one year:				
Trade debtors	4,675,684	3,897,809	-	-
Amounts owed by immediate parent company	1,259,374	1,063,135	-	-
Amounts owed by fellow subsidiary undertakings	613,006	193,276	-	-
VAT	66,663	-	-	-
Other debtors and prepayments	103,311	149,853	2	2
	<u>6,718,038</u>	<u>5,304,073</u>	<u>2</u>	<u>2</u>

14 MILFORD-ASTOR LIMITED

Notes to accounts (continued)

14 Creditors: Amounts falling due within one year

	1997 £	1996 £
Group		
Trade creditors	1,432,762	1,173,490
Amounts owed to immediate parent company	180,518	24,975
Amounts owed to fellow subsidiary undertakings	70,970	45,975
VAT	-	74,852
Other creditors		
- UK corporation tax payable	268,127	40,452
- social security and PAYE	196,429	142,532
Accruals and deferred income	264,309	205,236
	<u>2,413,115</u>	<u>1,707,512</u>

15 Provisions for liabilities and charges

	Deferred taxation £
Group	
At 31 December 1996	45,800
Credited to profit and loss account	(45,800)
At 31 December 1997	<u>-</u>

Deferred taxation provided and not provided are as follows:

	Provided		Not provided	
	1997 £	1996 £	1997 £	1996 £
Accelerated capital allowances	-	45,800	564,094	622,000
Other timing differences	-	-	(480)	(2,000)
	<u>-</u>	<u>45,800</u>	<u>563,614</u>	<u>620,000</u>

Notes to accounts (continued)

16 Called-up share capital

	1997 £	1996 £
<i>Authorised</i>		
64,000 ordinary shares of £1 each	64,000	64,000
<i>Allotted, called-up and fully paid</i>		
60,000 ordinary shares of £1 each	60,000	60,000
<i>Allotted and called-up</i>		
2 ordinary shares of £1 each	2	2
	<u>60,002</u>	<u>60,002</u>

17 Reserves

Group	Share premium account £	Profit and loss account £	Other reserve £	Total £
At 31 December 1996	9,678,176	1,796,195	-	11,474,371
Loss for the year	-	(101,312)	-	(101,312)
At 31 December 1997	<u>9,678,176</u>	<u>1,694,883</u>	<u>-</u>	<u>11,373,059</u>
<i>Company</i>				
At 31 December 1996	9,678,176	-	1,796,195	11,474,371
Decrease in value of the underlying net assets of subsidiary undertaking	-	-	(101,312)	(101,312)
At 31 December 1997	<u>9,678,176</u>	<u>-</u>	<u>1,694,883</u>	<u>11,373,059</u>

The share premium account and the other reserve are non-distributable.

18 Reconciliation of movements in group shareholders' funds

	1997 £	1996 £
Profit for the financial year	1,148,688	56,870
Dividends paid on equity shares	(1,250,000)	-
Net (reduction in) addition to shareholders' funds	(101,312)	56,870
Opening shareholders' funds	<u>11,534,373</u>	<u>11,477,503</u>
Closing shareholders' funds	<u>11,433,061</u>	<u>11,534,373</u>

Notes to accounts (continued)

19 Reconciliation of operating profit to net cash inflow from operating activities

	1997 £	1996 £
Operating profit	1,577,133	130,301
Depreciation charges	466,783	510,319
Profit on sale of tangible fixed assets	(211)	(4,409)
Decrease in stocks	739,996	814,336
(Increase) decrease in debtors	(1,413,965)	1,503,634
Increase (decrease) in creditors	477,928	(1,759,704)
Net cash inflow from operating activities	1,847,664	1,194,477

20 Analysis of cash flows

	1997 £	1996 £
<i>Returns on investments and servicing of finance</i>		
Interest received	110,736	9,699
Interest paid	(469)	(43,474)
Net cash inflow (outflow)	110,267	(33,775)
<i>Taxation</i>		
UK corporation tax recovered	-	601
UK corporation tax paid	(356,837)	(98,577)
Net cash outflow	(356,837)	(97,976)
<i>Capital expenditure and financial investment</i>		
Purchase of tangible fixed assets	(138,712)	(330,873)
Sale of tangible fixed assets	63,420	18,922
Purchase of current asset investments	(70,750)	-
Net cash outflow	(146,042)	(311,951)

Notes to accounts (continued)

21 Analysis and reconciliation of net funds

	1996 £	Cashflow £	1997 £
Cash at bank and in hand	<u>749,095</u>	<u>205,052</u>	<u>954,147</u>
		1997 £	1996 £
Increase in cash in the year		205,052	750,775
Net funds (debt) at 1 January		<u>749,095</u>	<u>(1,680)</u>
Net funds at 31 December		<u>954,147</u>	<u>749,095</u>

22 Guarantees and other financial commitments

a) Capital commitments

At the end of the year group capital commitments were:

	1997 £	1996 £
Contracted for but not provided for	<u>134,500</u>	<u>1,295</u>

b) Lease commitments

The minimum annual rentals under non-cancellable operating leases in the group are as follows:

	1997 £	1996 £
Operating lease which expire:		
- within one year	6,001	14,049
- between two and five years	<u>52,074</u>	<u>37,476</u>
	<u>58,075</u>	<u>51,525</u>

Notes to accounts (continued)

22 Guarantees and other financial commitments (continued)

c) VAT

The company and the group are registered for VAT purposes in a group of related undertakings which share a common registration number. As a result, the company and the group have jointly guaranteed the VAT liability of the VAT group, and failure by other members of the VAT group would give rise to additional liabilities for the company and the group. The directors are of the opinion that no liability is likely to arise from the failure of those companies.

d) Forward exchange contracts

At 31 December 1997 the group had contracted to sell foreign currency amounting to £726,676 (1996 - £183,007) and had contracted to buy foreign currency amounting to £212,154 (1996 - £Nil). The group also has an agreement to sell/buy foreign currency to/from a fellow subsidiary undertaking (see note 24).

23 Pension arrangements

The group pension cost for the year was £520,840 (1996 - £516,240).

The group participates in a combined defined benefit pension scheme with Markem Systems Limited, a fellow subsidiary undertaking.

The pension cost is assessed in accordance with the advice of a professionally qualified actuary. The latest actuarial valuation was as at 1 January 1996 and used the projected unit method. The main actuarial assumptions were that salaries would increase by 7% p.a., pensions in payment by 3% p.a. and that investment returns would be 9% p.a.

At the date of the latest actuarial valuation, the market value of the assets of the combined scheme was £6,922,000 and the actuarial value of the assets was sufficient to cover 88.3% of the benefits that had accrued to members after allowing for expected future increases in earnings. Contributions will be increased in accordance with the actuary's recommendations to eliminate the deficit.

Notes to accounts (continued)

24 Related party transactions

The group has an agreement with Markem Systems Limited, a fellow subsidiary undertaking, under which the two entities buy and sell foreign currency from each other at its historic exchange rate. At 31 December 1997 the group had agreed to sell US \$900,000 (1996 - US \$ 280,000) to Markem Systems Limited under this agreement. The directors do not consider that the group will incur any net loss as a result of this commitment.

Other related party transactions are as follows:

	1997 £	1996 £
Sales to group undertakings	6,355,000	6,348,000
Purchases from group undertakings	(1,112,000)	(797,000)
Management charges to group undertakings	551,000	844,198
Management charges from group undertakings	(401,648)	(371,407)
Other net charges (from) to group undertakings	<u>(690,000)</u>	<u>120,000</u>

25 Ultimate parent company and ultimate controlling party

The company's ultimate parent company, and ultimate controlling party, is Markem Corporation, incorporated in the State of New Hampshire, USA whose principal place of business is 150 Congress Street, Keene, New Hampshire 03431, USA.

The company's immediate parent company is Astor Universal Corporation, incorporated in the State of New Hampshire, USA.

The largest and smallest group in which the results of Milford Astor Limited are consolidated is that headed by the ultimate parent company.