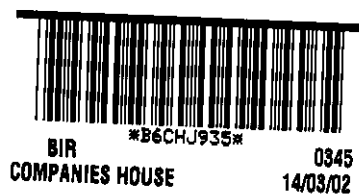


ARC SCREEN PRINT LIMITED

ANNUAL REPORT

YEAR ENDED 31 AUGUST 2001

PKF



ARC SCREEN PRINT LIMITED

COMPANY INFORMATION

Directors	R P Millar J W Liggins A B Williams MBA MA M J Bennett BCom ACA
Secretary	M J Bennett BCom ACA
Company Number	2627528
Registered Office	Clarkes Lane Willenhall West Midlands WV13 1JW
Auditors	PKF New Guild House 45 Great Charles Street Queensway Birmingham B3 2LX
Bankers	HSBC Bank Plc Willenhall West Midlands WV13 2AF

ARC SCREEN PRINT LIMITED

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ARC SCREEN PRINT LIMITED
DIRECTORS' REPORT
YEAR ENDED 31 AUGUST 2001

The directors submit their report and the financial statements for the year ended 31 August 2001.

Principal activity

The principal activity of the company during the year was that of screen printers.

The directors believe the company has made satisfactory progress over the year and is positioned to achieve long term growth, whilst maintaining a high level of customer and product service. The company will continue to invest in the training and recruitment of quality people and technological advancements.

Directors

The directors who served during the year and their interests in the company's issued share capital at the balance sheet date and at the start of the year were:

	Ordinary £1 shares	
	2001	2000
A R Chidgey (resigned 1 February 2002)	-	-
R P Millar	-	-
J W Liggins	-	-
A B Williams	-	-
M J Bennett	-	-

J W Liggins, A B Williams and M J Bennett are also directors of the ultimate parent undertaking, Clarity Group Limited, and their interests in the share capital of that company are reflected in its financial statements.

Auditors

The auditors, PKF, will be proposed for reappointment in accordance with section 385 of the Companies Act 1985.

Basis of preparation

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

On behalf of the board


J W Liggins
Director

ARC SCREEN PRINT 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 of the profit or loss of the company for that period. In preparing those financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- 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 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.

The directors are responsible for ensuring that the directors' report is prepared in accordance with company law in the United Kingdom.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF ARC SCREEN PRINT LIMITED

We have audited the financial statements of ARC Screen Print Limited for the year ended 31 August 2001 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 judgments 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 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 the company's affairs as at 31 August 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PKF

Birmingham, UK
25 February 2002

PKF
Registered Auditors

ARC SCREEN PRINT LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 AUGUST 2001

	Notes	2001 £	2000 £
TURNOVER	2	1,025,829	1,222,052
Cost of sales		(588,577)	(650,889)
GROSS PROFIT		437,252	571,163
Distribution costs		(98,086)	(117,479)
Administrative expenses		(297,301)	(364,941)
OPERATING PROFIT	3	41,865	88,743
Interest payable and similar items	5	(6,317)	(13,784)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		35,548	74,959
TAXATION	6	(23,565)	(805)
PROFIT FOR THE FINANCIAL YEAR		11,983	74,154
DIVIDENDS		-	(50,000)
		11,983	24,154

ARC SCREEN PRINT LIMITED

BALANCE SHEET

31 AUGUST 2001

	Notes	2001 £	2000 £
FIXED ASSETS			
Tangible	7	319,264	361,758
CURRENT ASSETS			
Stocks		10,968	13,777
Debtors	8	148,570	298,341
Cash at bank and in hand		21,311	2,486
		<u>180,849</u>	<u>314,604</u>
CREDITORS: amounts falling due within one year	9	<u>(205,305)</u>	<u>(369,702)</u>
NET CURRENT LIABILITIES		<u>(24,456)</u>	<u>(55,098)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>294,808</u>	<u>306,660</u>
CREDITORS: amounts falling due after more than one year	10	(28,613)	(50,448)
PROVISIONS FOR LIABILITIES AND CHARGES	11	<u>(34,750)</u>	<u>(36,750)</u>
NET ASSETS		<u><u>231,445</u></u>	<u><u>219,462</u></u>
CAPITAL AND RESERVES			
Called up share capital	12	2	2
Profit and loss account	13	<u>231,443</u>	<u>219,460</u>
		<u><u>231,445</u></u>	<u><u>219,462</u></u>

The financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

The financial statements were approved by the board on 25 February 2002

Signed on behalf of the board of directors

A B Williams Director

A. B. Williams

M J Bennett Director

M J Bennett

ARC SCREEN PRINT LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 AUGUST 2001

1 ACCOUNTING POLICIES

(a) Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective March 2000).

(b) Turnover

Turnover comprises the invoiced value of goods and services supplied by the company, net of value added tax and trade discounts.

(c) Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Plant & machinery	10 % reducing balance
Fixtures, fittings & office equipment	15 % reducing balance
Computer equipment	20 % straight line
Motor vehicles	25 % reducing balance

(d) Finance and operating leases

Assets acquired under finance leases or hire purchase are treated as tangible fixed assets and depreciation is provided accordingly. The present 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 in proportion to the capital balance outstanding.

Operating lease rentals are charged in the profit and loss account on a straight line basis over the lease term.

(e) Stocks and work in progress

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost is determined on a first in first out basis, and includes all direct costs incurred and attributable production overheads. Net realisable value is based on estimated selling price allowing for all further costs of completion and disposal.

(f) Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

(g) Deferred taxation

Provision is made for deferred tax using the liability method to the extent that it is probable that a liability will crystallise.

ARC SCREEN PRINT LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 AUGUST 2001

(h) Pensions

The company operates a defined contribution pension scheme and the pension charge in the profit and loss account represents the amounts payable by the company to the fund in respect of the year.

2 TURNOVER

2% of turnover (2000 - NIL%) is attributable to geographical markets outside the United Kingdom.

3 OPERATING PROFIT

The operating profit is stated after charging:

	2001	2000
	£	£
Depreciation of tangible fixed assets:		
- owned by the company	23,556	22,363
- held under finance lease or hire purchase contracts	21,359	27,116
Audit fees	2,000	2,000
Pension cost	3,094	4,126
	<u> </u>	<u> </u>

4 DIRECTORS' EMOLUMENTS AND BENEFITS

	2001	2000
	£	£
Aggregate of directors' emoluments and other benefits as defined in paragraph 1 of Schedule 6 to the Companies Act 1985	100,642	74,509
	<u> </u>	<u> </u>

The numbers of directors accruing benefits under pension schemes were:

	No	No
Money purchase schemes	2	2
	<u> </u>	<u> </u>

5 INTEREST PAYABLE AND SIMILAR ITEMS

Interest payable relates to bank loans and assets on hire purchase. No interest has been paid to another group company.

ARC SCREEN PRINT LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 AUGUST 2001

6 TAXATION

	2001 £	2000 £
Current year taxation		
UK corporation tax at 22.83% (2000 - 20%)	9,000	14,305
Transfer from deferred taxation	(2,000)	(13,500)
	<u>7,000</u>	<u>805</u>
Total UK taxation		
Adjustments in respect of prior periods		
Corporation tax	16,565	-
	<u>23,565</u>	<u>805</u>

7 TANGIBLE FIXED ASSETS

	Motor vehicles, plant & machinery £	Fixtures, fittings & equipment £	Total £
Cost			
At 1 September 2000	555,598	53,224	608,822
Intercompany transfers	15,878	-	15,878
	<u>571,476</u>	<u>53,224</u>	<u>624,700</u>
At 31 August 2001			
Depreciation			
At 1 September 2000	223,413	23,651	247,064
Charge for year	39,929	4,986	44,915
Intercompany transfers	13,457	-	13,457
	<u>276,799</u>	<u>28,637</u>	<u>305,436</u>
At 31 August 2001			
Net book amount			
At 31 August 2001	294,677	24,587	319,264
	<u>332,185</u>	<u>29,573</u>	<u>361,758</u>
At 31 August 2000			

The net book amounts of assets held under finance lease or hire purchase contracts included above were:

	2001 £	2000 £
Plant & machinery	140,439	175,000
Motor vehicles	17,263	23,018
	<u>157,702</u>	<u>198,018</u>

ARC SCREEN PRINT LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 AUGUST 2001

8 DEBTORS

	2001 £	2000 £
Trade debtors	137,407	210,637
Amounts due from group undertakings	-	73,752
Other debtors	11,163	13,952
	<u>148,570</u>	<u>298,341</u>

Other debtors includes an amount of £4,250 (2000 - £4,250) relating to a loan made to A R Chidgey, a director of the company. The maximum balance outstanding on the loan during the year was £4,250.

9 CREDITORS:

Amounts falling due within one year

	2001 £	2000 £
Bank loans and overdrafts	-	21,480
Trade creditors	67,447	67,039
Amounts owed to group undertakings	38,000	176,770
Corporation tax	25,565	-
Other tax and social security	28,617	27,442
Net obligations under finance lease and hire purchase contracts	27,540	56,438
Other creditors	18,136	20,533
	<u>205,305</u>	<u>369,702</u>

Bank loans and overdrafts are secured by a fixed and floating charge of the assets of the company.

Finance lease and hire purchase creditors are secured on the assets concerned.

10 CREDITORS:

Amounts falling due after more than one year

	2001 £	2000 £
Net obligations under finance lease and hire purchase contracts	28,613	50,448

Finance lease and hire purchase creditors are secured on the assets concerned.

ARC SCREEN PRINT LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 AUGUST 2001

11 PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred Taxation £
At 1 September 2000	36,750
Credited to profit and loss	(2,000)
At 31 August 2001	<u>34,750</u>

Deferred tax is analysed as follows:

	Provided	
	2001	2000
	£	£
Capital allowances	36,750	36,750
Other timing differences	(2,000)	-
	<u>34,750</u>	<u>36,750</u>

12 SHARE CAPITAL

	Authorised	Allotted, called up and fully paid	
	£	No.	£
At 1 September 2000 and 31 August 2001			
Ordinary shares of £1 each	1,000	2	2

13 RESERVES

	£
Profit and loss account	
At 1 September 2000	219,460
Profit for the year	11,983
At 31 August 2001	<u>231,443</u>

14 OTHER COMMITMENTS

At 31 August 2001 the company had annual commitments under operating leases as follows:

	2001	2000
	£	£
Expiry date:		
Between 1 and 5 years	-	31,404

ARC SCREEN PRINT LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 AUGUST 2001

15 CONTINGENT LIABILITIES

The company has entered into a multi-party cross guarantee with other members of the group in respect of bank overdrafts and loan facilities. At 31 August 2001 this contingent liability amounted to £NIL (2000 - £NIL).

16 TRANSACTIONS WITH RELATED PARTIES

The company has had no transactions with related parties other than with other members of the group and the holding company. Consolidated financial statements are prepared by the holding company and therefore there are no disclosures required under FRS8 in these financial statements.

17 PENSION COSTS

The company operates a defined contribution pension scheme, the assets of which are held separately from those of the company in an independently administered fund.

18 PARENT UNDERTAKINGS AND CONTROLLING PARTIES

The company is a wholly owned subsidiary of Clarity Group Limited.

The parent undertaking of the largest and smallest groups for which consolidated accounts are prepared is Clarity Group Limited. Consolidated accounts are available from Companies House, Cardiff, CF4 3UZ.

In the opinion of the directors this is the company's ultimate parent company.

Clarity Group Limited is ultimately controlled by J W Liggins.