

MARNIC PLC
COMPANY NO. 994213

ACCOUNTS FOR THE
YEAR ENDED 31ST DECEMBER 1998

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MARNIC PLC

DIRECTORS REPORT

The directors present their report and the audited accounts for the year ended 31st December 1998.

Directors responsibilities

Company law requires 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, directors are required to select suitable accounting policies and then apply them consistently; make judgements 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 to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Review of the business

The principal activity of the company which has continued throughout the financial year has been that of distributors of industrial tapes and office supplies.

Results and dividends

The results for the year are shown in the attached accounts. The directors do not recommend payment of a final dividend.

Directors

The directors and their interests in the share capital of the company were as follows:

	<u>Shares of £1 each</u>			
	<u>31.12.98</u>		<u>31.12.97</u>	
	<u>Ordinary</u>	<u>Non Voting</u>	<u>Ordinary</u>	<u>Non Voting</u>
R. Ascott Esq.	95	50,000	95	50,000
M. Young Esq.	5	-	5	-
Miss C. Sherrington	-	-	-	-

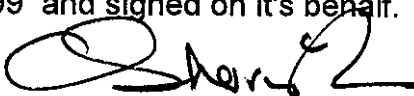
Policy on payment to suppliers

All payments to suppliers are made on the basis of mutually agreed terms and conditions. Trade creditors at the year end represent an average of 42 days of the total amount invoiced by suppliers in the year.

Auditors

The auditors, Cranfields, chartered accountants, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

This report was approved by the Board of Directors on 13th April 1999 and signed on it's behalf.


C. Sherrington
Secretary

AUDITORS' REPORT TO THE SHAREHOLDERS OF
MARNIC PLC.

We have audited the financial statements on pages 3 to 10 which have been prepared on the basis of accounting and under the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

As described on page 1 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.


Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Audit Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material 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 31st December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

CRANFIELDS

**Chartered Accountants
& Registered Auditors**

3 Church Road
Croydon CRO 1SG

13th April 1999

MARNIC PLC

BALANCE SHEET AT 31ST DECEMBER 1998

	<u>Note</u>	<u>1998</u>	<u>1997</u>
		£	£
<u>FIXED ASSETS</u>			
Tangible assets	3	168,709	110,643
<u>CURRENT ASSETS</u>			
Stocks		290,630	275,747
Investments	4	12,400	12,400
Debtors	5	761,213	690,726
Cash at bank and in hand		<u>426,368</u>	<u>418,745</u>
		1,490,611	1,397,618
<u>CREDITORS</u>			
Amounts falling due within one year	6	<u>519,584</u>	<u>600,939</u>
<u>Net current assets</u>		<u>971,027</u>	<u>796,679</u>
<u>Total assets less current liabilities</u>		<u>1,139,736</u> =====	<u>907,322</u> =====
<u>CAPITAL AND RESERVES</u>			
Called up share capital	7	50,100	50,100
Profit and loss account		<u>1,089,636</u>	<u>857,222</u>
		<u>1,139,736</u> =====	<u>907,322</u> =====

The accounts were approved by the Board of Directors on 13th April 1999 and signed on it's behalf by:


R. Ascott


C. Sherrington
Directors

The notes on pages 6 to 10 form part of these accounts

MARNIC PLC

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 1998

	<u>Note</u>	<u>1998</u> £	<u>1997</u> £
Turnover		3,410,927	3,323,938
Cost of sales		<u>2,216,377</u>	<u>2,179,927</u>
<u>Gross profit</u>		1,194,550	1,144,011
Administrative expenses		<u>925,687</u>	<u>724,727</u>
<u>Operating profit</u>	8	268,863	419,284
Investment income	9	17	13
Net interest	10	<u>24,422</u>	<u>9,301</u>
<u>Profit on ordinary activities before taxation</u>		293,302	428,598
<u>Taxation</u>	13	<u>60,888</u>	<u>110,527</u>
<u>Profit on ordinary activities after taxation</u>		232,414	318,071
Balance brought forward		<u>857,222</u>	<u>539,151</u>
<u>Balance carried forward</u>		1,089,636	857,222
		=====	=====

There were no recognised gains and losses for 1998 or 1997 other than those included in the profit and loss account.

The notes on pages 6 to 10 form part of these accounts

MARNIC PLC.

CASH FLOW STATEMENT FOR THE YEAR
ENDED 31ST DECEMBER 1998

	<u>Note</u>	<u>1998</u> £	<u>1997</u> £
Net cash inflow from operating activities	14	<u>184,721</u>	<u>537,276</u>
<u>Returns on investments and servicing of finance</u>			
Dividends received		17	13
Interest received		24,654	9,340
Interest paid		(232)	(39)
		<u>24,439</u>	<u>9,314</u>
<u>Taxation</u>		<u>(110,746)</u>	<u>(138,288)</u>
<u>Capital expenditure</u>			
Cost of fixed assets		(134,641)	(43,481)
Sale of fixed assets		<u>43,850</u>	<u>24,381</u>
		<u>(90,791)</u>	<u>(19,100)</u>
<u>Increase in cash</u>	15	<u>7,623</u> =====	<u>389,202</u> =====

The notes on pages 6 to 10 form part of these accounts.

NOTES TO THE ACCOUNTS FOR THE
YEAR ENDED 31ST DECEMBER 1998

1. ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently by the company in the preparation of its accounts.

a) Basis of accounting

Accounts are prepared on the historical cost basis of accounting to 31st December in each year.

b) Tangible fixed assets

Tangible fixed assets are stated at cost less a charge for depreciation which is calculated to write off their cost over their estimated useful lives. The annual rates used for the purpose which are calculated on the reducing balance basis, are:

Motor vehicles - 25%

Plant and equipment - 15%

c) Stocks

Goods for resale are stated at the lower of cost and net realisable value.

d) Deferred taxation

Provision is made for deferred taxation except in respect of any tax reduction which can reasonably be expected to continue for the future.

e) Pension scheme

The company operates a defined pension contribution scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension charge represents contributions payable by the company to the scheme.

2. RELATED PARTIES

Throughout the year the company was under the control of R. Ascott Esq., a major shareholder and a director of the company. R. Ascott Esq., owns the freehold office premises occupied by the company. The rent paid was £15,000 which is not considered to be a market rent.

MARNIC PLC

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 1998

3. <u>TANGIBLE FIXED ASSETS</u>	<u>Plant and equipment</u>	<u>Motor vehicles</u>	<u>Total</u>
<u>Cost</u>	£	£	£
At 1st January 1998	138,670	100,615	239,285
Additions	13,387	121,254	134,641
Disposals	(2,067)	(63,740)	(65,807)
At 31st December 1998	<u>149,990</u>	<u>158,129</u>	<u>308,119</u>
 <u>Depreciation</u>			
At 1st January 1998	91,832	36,810	128,642
Charge for the year	8,972	18,227	27,199
Disposals	(1,691)	(14,740)	(16,431)
At 31st December 1998	<u>99,113</u>	<u>40,297</u>	<u>139,410</u>
 <u>Book value</u>			
At 31st December 1998	50,877	117,832	168,709
	=====	=====	=====
At 31st December 1997	46,838	63,805	110,643
	=====	=====	=====

4. <u>INVESTMENTS</u>	<u>1998</u>	<u>1997</u>
<u>At cost</u>	£	£
Listed	148	148
Unlisted	<u>12,252</u>	<u>12,252</u>
	12,400	12,400
	=====	=====

The market value of listed investments, all of which are traded on recognised stock exchanges, was £624 (1997- £574). The directors estimate the value of unlisted investments to be not less than the cost.

5. <u>DEBTORS</u>		
Trade debtors	738,097	637,707
Other debtors	10,661	41,173
Prepayments and accrued income	<u>12,455</u>	<u>11,846</u>
	761,213	690,726
	=====	=====

6. <u>CREDITORS</u>		
Amounts falling due within one year:		
Trade creditors	297,890	236,887
Taxation and social security	176,661	193,373
Directors loan account	36,690	140,915
Accruals and deferred income	<u>8,343</u>	<u>29,764</u>
	519,584	600,939
	=====	=====

MARNIC PLC

**NOTES TO THE ACCOUNTS FOR THE
YEAR ENDED 31ST DECEMBER 1998**

	<u>1998</u>	<u>1997</u>
	£	£
7. <u>SHARE CAPITAL</u>		
<u>Authorised</u>		
50,000 shares of £1 each	50,000	50,000
50,000 non-voting shares of £1 each	<u>50,000</u>	<u>50,000</u>
	100,000	100,000
	=====	=====
<u>Issued and fully paid</u>		
100 shares of £1 each	100	100
50,000 non-voting shares of £1 each	<u>50,000</u>	<u>50,000</u>
	50,100	50,100
	=====	=====
8. <u>OPERATING PROFIT</u>		
Is stated after charging:		
Depreciation	27,199	24,232
Auditors remuneration	5,500	5,000
	=====	=====
9. <u>INVESTMENT INCOME</u>		
Dividends received	17	13
	=====	=====
10. <u>NET INTEREST</u>		
Bank deposit interest received	24,654	9,340
Interest paid on short term bank borrowings	<u>232</u>	<u>39</u>
	24,422	9,301
	=====	=====
11. <u>DIRECTORS EMOLUMENTS</u>		
The remuneration of the directors was:		
Salaries	238,900	137,235
Pension scheme contributions	10,440	10,040
Benefits	<u>18,937</u>	<u>19,815</u>
	268,277	167,090
	=====	=====

During the year retirement benefits were accruing to 2 directors (1997 - 2) in respect of money purchase schemes.

MARNIC PLC.

NOTES TO THE ACCOUNTS FOR THE
YEAR ENDED 31ST DECEMBER 1998

12.	<u>STAFF NUMBERS AND COST</u>	<u>1998</u>	<u>1997</u>
	The average monthly number of persons employed by the company (including directors) during the year was -		
	Management, administration and sales	17	15
		=====	=====
	The aggregate payroll costs were -	£	£
	Wages and salaries	503,912	350,088
	Social security costs	53,940	35,969
	Pension scheme contributions	10,440	10,040
		568,292	396,097
		=====	=====
13.	<u>TAXATION</u>		
	United Kingdom corporation tax at 21% (1997 - 33%/31% less marginal relief)	60,885	110,743
	Overprovision in prior years	-	(218)
	Tax on franked investment income	3	2
		60,888	110,527
		=====	=====
14.	<u>CASH FLOW FROM OPERATING ACTIVITIES</u>		
	Operating profit is reconciled to net cash flow from operating activities as follows:		
	Operating profit	268,863	419,284
	Non cash items -		
	Depreciation	27,199	24,232
	Loss on sale of fixed assets	5,526	6,126
	Changes in working capital -		
	Stocks	(14,883)	(60,664)
	Debtors	(70,487)	48,173
	Creditors	(31,497)	100,125
	<u>Net cash inflow from operating activities</u>	<u>184,721</u>	<u>537,276</u>
		=====	=====

MARNIC PLC.

NOTES TO THE ACCOUNTS FOR THE
YEAR ENDED 31ST DECEMBER 1998

15.	<u>RECONCILIATION OF NET CASH FLOW</u>	<u>1998</u>	<u>1997</u>
		£	£
	At 1st January 1998		
	Cash at bank and in hand	418,745	29,543
	Cash flow	<u>7,623</u>	<u>389,202</u>
	At 31st December 1998	426,368	418,745
		=====	=====