REGISTRAR

C.E. KING LIMITED

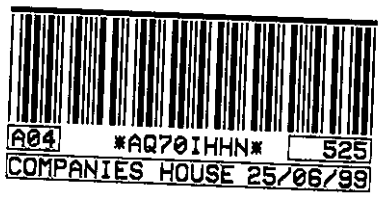
(JOINT ADMINISTRATORS APPOINTED 22 MARCH 1999)

Company No. 392295

ACCOUNTS

for the year ended

31 MARCH 1998



DEREK WEBSTER & CO.

136 BAKER STREET,

LONDON. W1M 2DU

C.E. KING LIMITED

REPORT OF THE DIRECTORS

The directors present their annual report and the audited statements of the company for the year ended 31 March 1998.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW :

The principal activities of the company, which have remained unchanged throughout the year, comprised the manufacture and sale of packaging machinery.

The company's profit and loss account is shown on page 4 and the balance sheet on page 5. By reason of poor trading results since the balance sheet date, with adverse effects on the company's solvency, joint administrators were appointed on 22 March 1999. The company continues to trade under the administrators' direction.

The company has not yet made a full assessment of the risks and uncertainties associated with the year 2000 problem.

DIRECTORS :

The directors who served the company during the year are shown below, together with their beneficial and family interests in the ordinary share capital of the company at the commencement and close of the financial year :

	Ordinary Shares of £1 each	
	31.03.98	*31.03.97*
C.J. Marks (appointed 21.1.98)	-	-
P. Naylor	-	-
M. Wakefield	-	-
J.W. Cowlishaw (resigned 1.8.97)	-	-
P.A. King	46,962	46,962
C.M. King	46,962	46,962
A.F. Hatt	-	-
A.W. Mackie	-	-

FIXED ASSETS :

Movements in tangible assets are shown in Note 8.

After the year-end the company disposed of its freehold factory in Staines for the sum of £1,675,000. The net profit arising from the sale will be included in the results of the year ended 31 March 1999.

RESEARCH AND DEVELOPMENT :

The company continued to design and develop its own products.

REPORT OF THE DIRECTORS

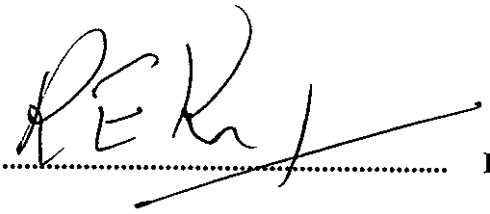
DIRECTORS' RESPONSIBILITIES :

Company law requires the directors to prepare accounts for each financial period 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 accounts, the directors are required to :

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- follow applicable accounting standards, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts 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 accounts 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.

Approved by the board of directors on 21 June 1999
and signed on their behalf by :



..... **R.E. KING (Director)**

AUDITORS' REPORT TO THE SHAREHOLDERS OF

C.E. KING LIMITED

We have audited the accounts on pages 4 to 17 which have been prepared under the historical cost convention and the accounting policies set out on pages 7 and 8.

Respective Responsibilities of Directors and Auditors :

As described on page 2, the company's directors are responsible for the preparation of 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 company's circumstances, consistently applied and adequately disclosed.

We planned 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.

On 22 March 1999 Joint Administrators were appointed and the company's product range is being reduced. The company's closing stock and work in progress at 31 March 1998 may have included amounts relating to the discontinued products, which may thus be obsolete and valueless. In consequence we were unable to carry out audit procedures necessary to obtain adequate evidence as to the amount of obsolete stock that may have existed at 31 March 1998 and consequently no provision has been made in this respect. Any adjustment to stock and work in progress would affect the loss for the year ended 31 March 1998.

On 4 March 1999 the company was advised that there may be a shortfall in the minimum funding requirement of the company's defined benefits' pension scheme of around £800,000 to £900,000 as at 1 January 1999 (see note 4(b) and note 20 to the accounts). Provision of such an amount would increase the company's liabilities; but the position has not yet been clarified. No satisfactory audit procedures were available to us to enable this potential liability to be verified.

In forming our view we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion : disclaimer on view given by financial statements :

Because of the possible effect of the limitation in evidence available to us, we are unable to form an opinion as to whether the financial statements give a true and fair view of the state of affairs of the company as at 31 March 1998 and of its loss for the year then ended. In all other respects, it is our opinion that the financial statements have been properly prepared in accordance with the Companies Act 1985.

In respect alone of the limitation on our work relating to stock and work in progress and quantification of any provision to rectify a shortfall in the defined benefits' pension scheme assets, we have not obtained all the information and explanations that we considered necessary for the purpose of our audit.

DEREK WEBSTER & CO.
Chartered Accountants
& Registered Auditors,
136 Baker Street,
London. W1M 2DU

Date : 22 June 1999

C.E. KING LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 MARCH 1998

	Note	*Year ended* 31.03.98		*Year ended* 31.03.97	
		£	£	£	£
TURNOVER	3(b)		12,620,730		10,220,378
Change in stocks of finished goods and work-in-progress		345,492		(1,258,019)	
Other operating income		(19,941)		(27,645)	
Raw materials & consumables		5,979,190		5,455,323	
Other external charges		1,018,190		965,780	
Staff costs	4(a)	3,709,979		3,193,833	
Depreciation		173,750		200,244	
Other operating charges		1,754,809		1,341,313	
			12,961,469		9,870,829
OPERATING (LOSS)/PROFIT			(340,739)		349,549
Interest payable	5(a)		(46,159)		(72,704)
Interest receivable	5(b)		963		-
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3(c)		(385,935)		276,845
Taxation on ordinary activities	7		83,310		(102,286)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			(302,625)		174,559
Dividends	16		(25,000)		(100,000)
Transfer to Debenture Redemption Reserve	17		-		(13,500)
RETAINED (LOSS)/PROFIT FOR THE PERIOD	17		(327,625)		61,059

CONTINUING OPERATIONS :

None of the company's activities were acquired or discontinued during the above two financial periods.

TOTAL RECOGNISED GAINS AND LOSSES :

The company had no recognised gains or losses other than the profit or loss for the above two financial periods.

The notes on pages 7 to 17 form part of these accounts.

C.E. KING LIMITED

BALANCE SHEET AS AT 31 MARCH 1998

	Note	*31.03.98*		*31.03.97*	
		£	£	£	£
FIXED ASSETS :					
Tangible assets	8	557,822		638,440	
Investment	2	100		100	
			557,922		638,540
CURRENT ASSETS :					
Stocks	9	2,035,388		1,846,729	
Debtors	10	2,552,920		3,209,577	
Cash in hand		2,200		2,200	
		4,590,508		5,058,506	
PREPAYMENTS AND ACCRUED INCOME	11	75,477		97,564	
CREDITORS :					
Amounts falling due within one year	12	(3,085,662)		(3,237,688)	
NET CURRENT ASSETS			1,580,323		1,918,382
TOTAL ASSETS LESS CURRENT LIABILITIES			2,138,245		2,556,922
CREDITORS :					
Amounts falling due after more than one year	13		(22,799)		(61,678)
PROVISION FOR LIABILITIES AND CHARGES	14		(243,476)		(295,649)
			1,871,970		2,199,595
CAPITAL AND RESERVES :					
Called-up share capital	15		301,000		301,000
Debenture redemption reserve	17		383,000		383,000
Profit & Loss Account	17		1,187,970		1,515,595
SHAREHOLDERS' FUNDS	26		1,871,970		2,199,595

Approved by the Board of Directors on 21 June 1999
and signed on their behalf by :

R E King

..... **R.E. KING (Director)**

The notes on pages 7 to 17 form part of these accounts.

C.E. KING LIMITED

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 1998

	Notes	Year ended 31.03.98		Year ended 31.03.97	
		£	£	£	£
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	22		(87,460)		710,614
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE :					
Interest received		963		-	
Interest paid		(38,424)		(61,607)	
Interest element of finance lease and hire purchase contracts		(8,429)		(13,922)	
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			(45,890)		(75,529)
TAXATION :					
Corporation tax repaid/(paid)			318,188		(225)
INVESTING ACTIVITIES :					
Payments to acquire tangible fixed assets		(113,581)		(120,539)	
Receipts from sales of tangible fixed assets		27,210		61,749	
NET CASH OUTFLOW FROM INVESTING ACTIVITIES			(86,371)		(58,790)
EQUITY DIVIDENDS PAID			(75,000)		(50,000)
NET CASH INFLOW BEFORE FINANCING			23,467		526,070
FINANCING :					
Repayment of bank loans		(14,131)		(13,416)	
Repayment of debenture loan		-		(13,500)	
Capital element of finance lease and hire purchase contracts		(81,756)		(79,521)	
NET CASH OUTFLOW FROM FINANCING	25		(95,887)		(106,437)
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	23/24		(72,420)		419,633

1. ACCOUNTING POLICIES :

a) Basis of Accounting :

These accounts are prepared under the historical cost convention and comply with applicable UK accounting standards.

b) Depreciation :

Tangible fixed assets, with the exception of freehold land, are depreciated over their estimated useful lives at the following rates applied to original purchase price :

Freehold buildings	- over a period of 50 years
Plant and machinery	- at 25% of written down value
Motor vehicles	- at 33 1/3% & 25% of written down value
Furniture, fixtures & fittings	- at 25% of written down value
Assets held under finance leases	- over the period of the lease

c) Stocks and Work in Progress :

Raw materials are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items. Work in progress, manufactured parts and finished goods are valued at standard cost which comprises direct materials, direct labour and an appropriate proportion of production overheads, based on a normal level of production.

d) Research and Development :

All revenue expenditure on research and development is written off against profits when incurred.

e) Foreign Exchange :

Transactions denominated in foreign currencies are translated into sterling and recorded at the rate of exchange ruling at the date of the transaction. Assets and liabilities denominated in foreign currency are translated into sterling at the exchange rate ruling at the Balance Sheet date.

f) Warranties for Products :

Provision is made for the estimated liability on all products still under warranty, including claims already received.

ACCOUNTING POLICIES (continued) :

g) **Deferred Taxation Allowance :**

The full provision basis, as described in SSAP 24, has been adopted in accounting for deferred tax on pensions.

h) **Leases :**

Assets held under finance leases are capitalised at amounts approximating to the present value of the minimum lease payments payable over the term of the lease.

2. CONSOLIDATED ACCOUNTS AND SUBSIDIARY :

The wholly owned subsidiary company, R.E. King Limited, has not traded during the period and therefore Consolidated Accounts have not been prepared.

3. TURNOVER AND PROFIT BEFORE TAXATION :

a) Turnover is represented by amounts invoiced by the company excluding Value Added Tax in respect of goods and services provided during the period.

b) Turnover has not been analysed either by activity or by geographical markets and profit before taxation has not been analysed by activity as it is the opinion of the directors that disclosure would be seriously prejudicial to the interests of the company.

c) Profit before taxation is stated after charging and crediting the following :

	31.03.98 £	*31.03.97* £
Auditors' remuneration- audit work	15,000	15,000
Depreciation of assets held under finance leases	62,115	68,351
Rent receivable	(16,508)	(25,996)
Management charges	(3,433)	(750)
Royalties (gross) received	-	(899)

4. a) STAFF NUMBER AND COSTS :

The average number of persons employed by the company (including directors) during the year was as follows :

	31.03.98	*31.03.97*
Sales, service and distribution	18	18
Production	108	112
Administration	15	15
	141	145
Total number of persons employed by the company at the year end	141	145
	£	£
Wages, salaries & social security costs	3,510,483	3,011,930
Redundancy payments	92,925	39,400
Other pension costs	124,196	142,503
	3,727,604	3,193,833

b) PENSIONS :

The company now contributes to individual personal pension plans. These contributions are charged to the profit and loss as and when they are incurred and the charge for the year was £124,196 (1997 £142,503). Such charge has been reduced by £52,173 (1997 : £52,173) in respect of the release of the previous surplus that was being credited over 11 years.

The company's voluntary contributory pension scheme was frozen with effect from 1 April 1997. There is a contingent liability on the company to contribute any potential deficits that may arise. In this respect the company was advised by its pension advisors that on 1 April 1997 the funding level provided by the scheme's investments was 107% of the minimum funding requirement ("MFR"). However recent advice from the pension advisors is that the MFR funding level as at 1 January 1999 has reduced to approximately 90%, corresponding to a shortfall of around £800,000 to £900,000 in the fund.

5. INTEREST :	*31.03.98* £	*31.03.97* £
a) Interest Payable :		
Finance leases and hire purchases	9,099	14,584
Bank overdraft	33,413	52,955
Debentures	-	1,518
Bank loan repayable within five years	3,647	3,647
	46,159	72,704
b) Interest Receivable :		
Bank interest	963	146

6. DIRECTORS' EMOLUMENTS	*31.03.98* £	*31.03.97* £
Total :		
Emoluments	236,604	224,216
Contributions under money purchase schemes	10,694	-
Redundancy payments	60,000	-
	307,298	224,216
Highest Paid Director :		
Emoluments	50,535	59,888
Contributions under money purchase schemes	2,702	-
	53,237	59,888

7. TAX ON PROFIT ON ORDINARY ACTIVITIES :	*31.03.98* £	*31.03.97* £
U.K. Corporation Tax :		
(Credit)/charge for taxation based on profit for the period at 33% less available marginal relief	(90,000)	85,000
Overprovision in previous years	(15,397)	-
Deferred tax	22,087	17,286
	(83,310)	102,286

8. TANGIBLE FIXED ASSETS :

	Freehold Land and Buildings	*Plant and Machinery*	*Motor Vehicles*	*Furniture, Fixtures & Fittings*	*Total*
	£	£	£	£	£
Cost :					
31.03.97	301,248	1,076,519	206,193	614,488	2,198,448
Disposals during the year	-	(40,000)	(72,321)	(2,075)	(114,396)
Additions during the year	-	31,532	73,943	8,106	113,581
31.03.98	301,248	1,068,051	207,815	620,519	2,197,633
Depreciation :					
31.03.97	63,890	850,171	113,961	531,986	1,560,008
Disposals during the year	-	(39,162)	(53,710)	(1,075)	(93,947)
Charge for the year	4,175	105,217	41,956	22,402	173,750
31.03.98	68,065	916,226	102,207	553,313	1,639,811
Net book value at :					
31.03.98	233,183	151,825	105,608	67,206	557,822
31.03.97	237,358	226,348	92,232	82,502	638,440

The net book value of freehold land and buildings of £233,183 includes land at a cost of £92,473.

Included in the total net book value of tangible fixed assets is £40,567 in respect of assets held under finance leases.

9. STOCKS :	*31.03.98* £	*31.03.97* £
Part stocks, raw materials and consumables	1,216,224	1,586,907
Work-in-progress	2,933,196	3,061,270
Long term work-in-progress	214,227	55,063
Finished goods	80,808	72,707
	4,444,455	4,775,947
Payments on account	2,409,067	2,929,218
	2,035,388	1,846,729

10. DEBTORS :	*31.03.98* £	*31.03.97* £
Trade debtors	2,383,383	2,617,895
Other debtors	65,542	158,022
Corporation tax	69,924	367,716
Prepayments and accrued income	34,071	65,944
	2,552,920	3,209,577

Debtors include £Nil which is recoverable after more than one year.

11. PREPAYMENTS AND ACCRUED INCOME :	*31.03.98* £	*31.03.97* £
Deferred taxation allowance on pension provisions (Note 1g) :		
Balance at 1 April 1997	97,564	114,850
Transfer from current taxation	(22,087)	(17,286)
Balance at 31 March 1998	75,477	97,564

12. CREDITORS :	*31.03.98* £	*31.03.97* £
Amounts falling due within one year :		
Bank loans and overdraft (see Note 13)	694,829	622,410
Amount owed to group company	100	100
Trade creditors	2,021,977	1,602,462
Net obligations under finance leases and hire purchase	23,108	79,446
Other creditors	249,212	734,814
Corporation Tax	-	85,000
Taxation and social security	96,436	113,456
	3,085,662	3,237,688

The bank overdraft is secured by way of a floating charge on the assets of the company and by mortgages on the company's premises.

13. CREDITORS :	*31.03.98* £	*31.03.97* £
Amounts falling due after more than one year :		
Bank loan	7,422	21,552
Net obligations under finance leases and hire purchase	15,377	40,126
	22,799	61,678

The bank loans are repayable by quarterly instalments of £4,059 at a fixed rate of interest of 4.85%. The loans were used to fund the purchase of computer software.

14. PROVISION FOR LIABILITIES & CHARGES :

	31.03.98 £	*31.03.97* £
Pension costs (see Note 4(b)	243,476	295,649

	Pension Costs £
Balance as at 01.04.97	295,649
Release of provision for the year	(52,173)
Balance as at 31.03.98	243,476

15. CALLED UP SHARE CAPITAL :

	31.03.98 £	*31.03.97* £
Authorised - ordinary shares of £1 each	500,000	500,000
Issued and fully paid	301,000	301,000

Trustee Shareholding :

A partner of the company's auditors is a co-trustee of five trusts which combined own 77.97% of the company's issued share capital.

16. DIVIDENDS :

	31.03.98 £	*31.03.97* £
First interim paid - 8.31p per ordinary share (1997 : 16.61p)	25,000	50,000
Second interim payable - Nil per ordinary share (1997 : 16.61p)	-	50,000
	25,000	100,000

17. STATEMENT OF RESERVES :

	Debenture Redemption Reserve 1998 £	*Profit and Loss Account 1998* £
Balance brought forward at 01.04.97	383,000	1,515,595
Transferred from profit and loss account	-	-
Loss for the year	-	(327,625)
Balance carried forward at 31.03.98	383,000	1,187,970

18. GUARANTEES :

At 31 March 1998 performance guarantees and advance payment guarantees had been issued in respect of the company in the sum of £177,220 (1997 - £140,483).

19. NET OBLIGATIONS UNDER FINANCE LEASES AND HIRE PURCHASE :

	31.03.98 £	*31.03.97* £
Are repayable as follows :		
Due within one year	23,108	79,446
Between one and two years	15,377	24,723
Between two and five years	-	15,403
	38,485	119,572

20. CONTINGENT LIABILITIES :

Recent advice from the company's pension advisors indicates that there is a probable shortfall of around £800,000 to £900,000 in the defined benefits pension scheme, arising from an estimated calculation of the minimum funding requirement as at 1 January 1999. No provision for this amount has been included in the accounts and in any event such provision would be reducible by the existing provision of £243,476 under Note 14. (See also Note 4(b)).

There is a possibility that the company may be included in a legal action in the USA in respect of personal injury to an operator of machinery manufactured by the company. The matter is being dealt with by the company's insurance company and the directors believe that any successful claim will not result in any loss to the company.

21. DIRECTORS INTERESTS IN MATERIAL TRANSACTIONS :

The company conducted normal trading transactions with companies in which Mr. R.E.S. King had a material shareholding interest. As these transactions have been undertaken on an arm's length basis it is the directors' opinion that no further disclosure is required.

22. RECONCILIATION OF OPERATING PROFIT TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES :

	31.03.98 £	*31.03.97* £
Operating (loss)/profit	(392,912)	349,549
Pension provision reversed	-	(52,173)
Depreciation	173,750	183,442
(Profit) on sale of tangible fixed assets	(6,761)	(22,598)
(Increase)/decrease in stock	(188,659)	412,897
Increase/(decrease) in debtors	358,865	(889,770)
(Decrease)/increase in creditors	(31,743)	729,267
	(87,460)	710,614

23. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE PERIOD :

	31.03.98 £	*31.03.97* £
Balance at 1 April 1997	(606,793)	(1,026,426)
Net cash (outflow)/inflow	(72,420)	419,633
Balance at 31 March 1998	(679,213)	(606,793)

24. ANALYSIS OF THE BALANCES OF CASH & CASH EQUIVALENTS AS SHOWN IN THE BALANCE SHEET :

	31.03.98 £	*31.03.97* £	*Change in year* £	*31.03.97* £	*31.03.96* £	*Change in year* £
Cash at bank and in hand	2,200	2,200	-	2,200	2,200	-
Bank overdraft	(681,413)	(608,993)	(72,420)	(608,993)	(1,028,626)	419,633
	(679,213)	(606,793)	(72,420)	(606,793)	(1,026,426)	419,633

25. ANALYSIS OF CHANGES IN FINANCING DURING THE PERIOD :

	31.03.98		31.03.97	
	Share Capital £	*Loans and Finance Lease Obligations* £	*Share Capital* £	*Loans and Finance Lease Obligations* £
Balance as at 01.04.97	301,000	155,828	301,000	262,265
Cash outflows from financing		(95,887)	-	(106,437)
Balance as at 31.03.98	301,000	59,941	301,000	155,828

26. RECONCILIATION OF MOVEMENTS ON SHAREHOLDERS' FUNDS :

	31.03.98 £	*31.03.97* £
(Loss)/profit for the financial year after taxation	(302,265)	174,559
Dividends	(25,000)	(100,000)
Net (reduction)/addition to shareholders' funds	(327,625)	74,559
Opening shareholders' funds	2,199,595	2,125,036
Closing shareholders' funds	1,871,970	2,199,595

27. FUNDAMENTAL UNCERTAINTY :

Since the year-end date and by reason of poor trading results, the company failed to arrange satisfactory financing facilities. As a result, joint administrators were appointed by the Court on 22 March 1999. The outcome of this appointment is uncertain but the company continues to trade and the directors consider it appropriate to prepare accounts on a going concern basis. However, should the company be unable to continue trading, adjustments would have to be made to reduce the value of assets to their recoverable amount,to provide for any further liabilities which might arise and to reclassify fixed assets and long term liabilities as current assets and liabilities.