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Company Registration No. 979521 (England and Wales)

KEENE REPRO LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 1998



KEENE REPRO LIMITED

COMPANY INFORMATION

Directors	F.E. Keene R.E. Towers S.P. Hutchings K. Harratt J.P. Keene A.M. Ashton A.J. Gladden R. King
Secretary	F.E. Keene
Company number	979521
Registered office	33/41 Dallington Street London EC1V OBB
Auditors	Morley & Scott Lynton House 7-12 Tavistock Square London WC1H 9LT
Business address	33/41 Dallington Street London EC1V OBB
Bankers	Lloyds Bank Plc Thavies Inn House 6 Holborn Circus London EC1N 2HP

KEENE REPRO LIMITED

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KEENE REPRO LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 1998

The directors present their report and financial statements for the year ended 30 June 1998.

Principal activities and review of the business

The principal activities of the company are those of pre-press, typesetting, artwork and film make-up.

The progress of the company during the year accorded with expectations and the position at the year end is regarded as satisfactory. No significant changes in the future development of the company are proposed, nor has there occured since the end of the year any event of such significance that reference should be made to it in this report.

Year 2000 compliance

The directors have assessed the impact of the Year 2000 on the company's activities and have developed prioritised action plans designed to address the key risks to the company's business. The plans include a requirement for the testing of systems which could have a significant impact on the company's business if they were to fail. Formal communication has been initiated with significant suppliers / customers whose related Year 2000 failures could impact the company's business.

The directors believe that the company will complete its programme of action in advance of critical dates, although it is not possible to guarantee that no Year 2000 problems will remain due to the complexity of the problem.

The cost of Year 2000 modifications to computer systems during the year was £20,000. The remaining modification costs to complete the project are estimated to be £40,000. These represent replacement computer software costs and external consultants fees.

Results and dividends

The results for the year are set out on page 4.

The directors do not recommend payment of a dividend.

Directors

The following directors have held office since 1 July 1997:

F.E. Keene	
R.E. Towers	
S.P. Hutchings	
D.R. Williams	(Resigned 20 August 1998)
K. Harratt	
J.P. Keene	(Appointed 1 July 1998)
A.M. Ashton	(Appointed 1 July 1998)
A.J. Gladden	(Appointed 1 July 1998)
R. King	(Appointed 1 July 1998)

KEENE REPRO LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 1998

Directors' interests

The directors' beneficial interests in the shares of the company were as stated below:

	Ordinary shares of £1 each	
	30 June 1998	**1 July 1997**
F.E. Keene	1,600	1,600
R.E. Towers	-	-
S.P. Hutchings	-	-
D.R. Williams	-	-
K. Harratt	20	20

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Morley & Scott be reappointed as auditors of the company will be put to the Annual General Meeting.

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 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.

By order of the board

F.E. Keene
Chairman
11 January 1999

KEENE REPRO LIMITED

AUDITORS' REPORT
TO THE SHAREHOLDERS OF KEENE REPRO LIMITED

We have audited the financial statements on pages 4 to 16 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 2 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 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 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 30 June 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Morley & Scott

Morley & Scott

Chartered Accountants

Registered Auditor

13 January 1999

KEENE REPRO LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 1998

	Notes	1998 £	1997 £
Turnover		5,471,564	4,838,401
Cost of sales		(3,168,619)	(3,113,795)
Gross profit		2,302,945	1,724,606
Distribution costs		(388,092)	(321,991)
Administrative expenses		(1,598,102)	(1,212,388)
Other operating income		-	124,405
Operating profit	2	316,751	314,632
Investment income	3	-	211,388
Other interest receivable and similar income	3	1,907	-
Interest payable and similar charges	5	(11,659)	(27,881)
Profit on ordinary activities before taxation		306,999	498,139
Tax on profit on ordinary activities	6	(148,422)	(188,108)
Profit on ordinary activities after taxation	15	158,577	310,031

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

KEENE REPRO LIMITED

BALANCE SHEET
AS AT 30 JUNE 1998

	Notes	1998 £	1998 £	1997 £	1997 £
Fixed assets					
Tangible assets	**7**		851,096		1,056,594
Investments	**8**		11,000		11,000
			862,096		1,067,594
Current assets					
Stocks	**9**	62,229		68,101	
Debtors	**10**	1,570,032		1,450,257	
Cash at bank and in hand		210,516		1,107	
		1,842,777		1,519,465	
Creditors: amounts falling due within one year	**11**	(1,152,387)		(1,125,928)	
Net current assets			690,390		393,537
Total assets less current liabilities			1,552,486		1,461,131
Creditors: amounts falling due after more than one year	**12**		-		(67,222)
			1,552,486		1,393,909
Capital and reserves					
Called up share capital	**14**		2,000		2,000
Profit and loss account	**15**		1,550,486		1,391,909
Shareholders' funds - equity interests	**16**		1,552,486		1,393,909

The financial statements were approved by the Board on 11 January 1999

F.E. Keene
Director

KEENE REPRO LIMITED

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 1998

		1998 £		1997 £
Net cash inflow from operating activities		902,864		729,261
Returns on investments and servicing of finance				
Interest received	1,907		-	
Interest paid	(457)		(2,443)	
Interest element of finance lease rentals	(11,202)		(25,438)	
Net cash outflow for returns on investments and servicing of finance		(9,752)		(27,881)
Taxation		(189,244)		(162,229)
Capital expenditure and financial investment				
Payments to acquire tangible assets	(346,610)		(257,956)	
Receipts from sales of tangible assets	6,988		37,001	
Net cash outflow for capital expenditure		(339,622)		(220,955)
Net cash inflow before management of liquid resources and financing		364,246		318,196
Financing				
Capital element of finance lease contracts	(102,542)		(247,629)	
Net cash outflow from financing		(102,542)		(247,629)
Increase in cash in the year		261,704		70,567

KEENE REPRO LIMITED

NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 1998

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

	1998	1997
	£	£
Operating profit	316,751	314,632
Depreciation of tangible assets	555,330	635,054
Profit on disposal of tangible assets	(4,663)	(18,428)
Decrease in stocks	5,872	544
(Increase)/decrease in debtors	(119,775)	383,726
Increase/(decrease) in creditors within one year	149,349	(586,267)
Net cash inflow from operating activities	902,864	729,261

2 Analysis of net funds/(debt)

	1 July 1997	Cash flow	30 June 1998
	£	£	£
Net cash:			
Cash at bank and in hand	1,107	209,409	210,516
Bank overdrafts	(52,295)	52,295	-
	(51,188)	261,704	210,516
Debt:			
Finance leases	(169,764)	102,542	(67,222)
Net (debt)/funds	(220,952)	364,246	143,294

3 Reconciliation of net cash flow to movement in net funds/(debt)

	1998	1997
	£	£
Increase in cash in the year	261,704	70,567
Cash outflow from decrease in debt and lease financing	102,542	247,629
Movement in net funds/(debt) in the year	364,246	318,196
Opening net debt	(220,952)	(539,148)
Closing net funds/(debt)	143,294	(220,952)

KEENE REPRO LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1998

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1 Accounting policies

1.1 Accounting convention
The financial statements are prepared under the historical cost convention.

1.2 Compliance with accounting standards
The accounts have been prepared in accordance with applicable accounting standards.

1.3 Turnover
Turnover represents amounts receivable for goods and services net of VAT and trade discounts.

1.4 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 less estimated residual value of each asset over its expected useful life, as follows:

Land and buildings Leasehold (Short)	Straight line over the length of the lease
Plant and machinery	20% Straight line
Fixtures, fittings & computers	20% to 25% Straight line
Motor vehicles	25% Straight line

1.5 Leasing
Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

1.6 Investments
Fixed asset investments are stated at cost less provision for diminution in value.

1.7 Stock
Stock is valued at the lower of cost and net realisable value.

1.8 Pensions
The pension costs charged in the financial statements represent the contributions payable by the company during the year in accordance with SSAP 24.

1.9 Deferred taxation
Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

1.10 Group accounts
The financial statements present information about the company as an individual undertaking and not about its group. The company and its subsidiary undertakings comprise a medium-sized group. The company has therefore taken advantage of the exemptions provided by section 248 of the Companies Act 1985 not to prepare group accounts.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1998

2 Operating profit

	1998	1997
	£	£
Operating profit is stated after charging:		
Depreciation of tangible assets	555,330	635,054
Auditors' remuneration	14,000	14,000
and after crediting:		
Exceptional Item	-	(122,805)

The exceptional item is in respect of compensation received from a legal claim.

3 Income from investments

	1998	1997
	£	£
Income from subsidiary undertakings	-	219,573
Less: Distribution of pre-acquisition profits	-	(8,185)
	-	211,388

4 Other Interest Receivable & Similar Income

	1998	1997
	£	£
Bank Interest	1,907	-

5 Interest payable

	1998	1997
	£	£
On bank loans and overdrafts	457	2,443
Lease finance charges	11,202	25,438
	11,659	27,881

6 Taxation

	1998	1997
	£	£
U.K. current year taxation		
U.K. corporation tax at 31% (1997- 33%)	150,768	189,495
Prior years		
U.K. Corporation tax	(2,346)	(1,387)
	148,422	188,108

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1998

7 Tangible fixed assets

	Land and buildings Leasehold (Short)	Plant and machinery	Fixtures, fittings & computers	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 July 1997	205,209	3,694,215	370,051	421,325	4,690,800
Additions	4,937	255,469	55,969	35,782	352,157
Disposals	-	(73,747)	-	(32,043)	(105,790)
At 30 June 1998	210,146	3,875,937	426,020	425,064	4,937,167
Depreciation					
At 1 July 1997	122,391	2,939,980	297,180	274,655	3,634,206
On disposals	-	(73,747)	-	(29,718)	(103,465)
Charge for the year	24,339	395,615	49,694	85,682	555,330
At 30 June 1998	146,730	3,261,848	346,874	330,619	4,086,071
Net book value					
At 30 June 1998	63,416	614,089	79,146	94,445	851,096
At 30 June 1997	82,818	754,235	72,871	146,670	1,056,594

Included above are assets held under finance leases or hire purchase contracts as follows:

	Plant and machinery
	£
Net book values	
At 30 June 1998	107,400
At 30 June 1997	231,100
Depreciation charge for the year	
30 June 1998	53,700
30 June 1997	88,700

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1998

8 Fixed asset investments

	Shares in subsidiary undertakings £
Cost	
At 1 July 1997 & at 30 June 1998	11,000

In the opinion of the directors, the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet.

Holdings of more than 20%
The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Shares held Class	%
Subsidiary undertakings			
Keene Graphics Limited	England and Wales	Ordinary	100
Divideoffice Services Limited	England and Wales	Ordinary	100

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

	Capital and reserves	Profit for the year
Keene Graphics Limited	11,000	-
Divideoffice Services Limited	(3,497)	-

9 Stocks

	1998 £	1997 £
Raw Materials	62,229	68,101

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1998

10 Debtors

	1998 £	1997 £
Trade debtors	1,438,075	1,344,010
Amounts owed by group undertakings	10,885	13,797
Other debtors	34,379	25,409
Prepayments and accrued income	86,693	67,041
	1,570,032	1,450,257

11 Creditors: amounts falling due within one year

	1998 £	1997 £
Bank overdrafts	-	52,295
Net obligations under finance lease and hire purchase contracts	67,222	102,542
Trade creditors	251,403	176,969
Amounts owed to group undertakings	6,363	6,363
Corporation tax	148,673	189,495
Other taxes and social security costs	230,663	220,871
Directors' current accounts	65,387	130,859
Other creditors	2,476	10,385
Accruals and deferred income	380,200	236,149
	1,152,387	1,125,928

The bank overdraft is secured on a fixed and floating charge over the company's assets.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1998

12 Creditors: amounts falling due after more than one year

	1998 £	1997 £
Net obligations under finance leases and hire purchase agreements	-	67,222
Net obligations under finance leases and hire purchase contracts		
Repayable within one year	75,722	118,377
Repayable between one and five years	-	77,222
	75,722	195,599
Finance charges and interest allocated to future accounting periods	(8,500)	(25,835)
	67,222	169,764
Included in liabilities falling due within one year	(67,222)	(102,542)
	-	67,222

13 Pension costs

The company operates a defined contribution pension scheme. The assets of the scheme are held seperately from those of the company in an independently administered fund. The pension cost charge represents contributions payable to the fund and amounted to £148,428 (1997 : £162,912).

14 Share capital

	1998 £	1997 £
Authorised		
2,000 Ordinary shares of £1 each	2,000	2,000
Allotted, called up and fully paid		
2,000 Ordinary shares of £1 each	2,000	2,000

15 Statement of movements on profit and loss account

	Profit and loss account £
Balance at 1 July 1997	1,391,909
Retained profit for the year	158,577
Balance at 30 June 1998	1,550,486

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 1998

16 Reconciliation of movements in shareholders' funds

	1998	1997
	£	£
Profit for the financial year	158,577	310,031
Opening shareholders' funds	1,393,909	1,083,878
Closing shareholders' funds	1,552,486	1,393,909

17 Financial commitments

At 30 June 1998 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings	
	1998	1997
	£	£
Expiry date:		
Within one year	-	8,400
Between two and five years	122,100	126,592
	122,100	134,992

18 Directors' emoluments

	1998	1997
	£	£
Emoluments for qualifying services	347,565	304,712
Company pension contributions to money purchase schemes	10,000	10,620
	357,565	315,332

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 1 (1997-1)

Emoluments disclosed above include the following amounts paid to the highest paid director:

Emoluments for qualifying services	113,766	113,741

19 Transactions with directors

The following director had an interest free loan during the year. The movement on this loan is as follows:

	Amount outstanding 1998 £	1997 £	Maximum in year £
D. Williams	2,501	2,501	2,501

20 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

	1998 Number	1997 Number
Directors	5	6
Administration	14	11
Production	59	59
	78	76

Employment costs

	£	£
Wages and salaries	2,296,531	2,053,972
Social security costs	226,698	207,213
Other pension costs	158,428	173,532
	2,681,657	2,434,717

21 Control

The ultimate controlling party is F.E. Keene, a director, the majority shareholder in the company.

22 Related party transactions

The amount owed to Keene Graphics Limited (a subsidiary company) at 30 June 1998 was £6,363 (1997:£6,363).

The amount owed by Divideoffice Services Limited (a subsidiary company) at 30 June 1998 was £10,885 (1997:£13,797).