

DIVA EUROPE LIMITED

**ABBREVIATED
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED
31 DECEMBER 1997**

REGISTERED NUMBER: 2499521



DIVA EUROPE LIMITED

**ABBREVIATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1997**

Contents	Pages
Company information	1
Directors' report	2 - 3
Auditors' report	4
Profit and loss account	5
Balance sheet	6
Cash flow statement	7
Notes to the abbreviated financial statements	8 - 15

DIVA EUROPE LIMITED

**COMPANY INFORMATION
AS AT 31 DECEMBER 1997**

DIRECTORS

J E Selby
M T Lloyd

SECRETARY

Burstows, Solicitors

REGISTERED OFFICE

Diva House
2 Felbridge Centre
East Grinstead
West Sussex RH19 1XP

AUDITORS

glm Ghest Lloyd
Chartered Accountants

103-105 Brighton Road
Coulsdon
Surrey CR5 2NG

SOLICITORS

Burstows, Solicitors
8 Ifield Road
Crawley
West Sussex RH11 7YY

DIVA EUROPE LIMITED

DIRECTORS' REPORT

The directors present their annual report with the financial statements of the company for the year ended 31 December 1997.

PRINCIPAL ACTIVITIES

The principal activity of the company in the year under review was the provision of management services. The principal activities of the subsidiary undertakings were the supply of speciality technology papers.

No significant change in the nature of these activities occurred during the year.

REVIEW OF THE BUSINESS

The net profit after providing for taxation amounted to £121,551.

A review of the operations of the company during the financial year and the results of those operations are as follows:

The trading subsidiary company, Papergraphics Limited, returned a pleasing level of profits for the year.

DIVIDENDS

No dividends were paid during the year and no recommendation is made as to dividends.

FUTURE DEVELOPMENTS

The likely developments in the operations of the company and the expected results of these operations in the financial years subsequent to the year ended 31 December 1997 are as follows:

The directors consider the group to be well placed to take advantage of any suitable opportunities which might arise for expansion.

INTRODUCTION OF THE SINGLE EUROPEAN CURRENCY

The company's activities are conducted wholly in UK sterling and are not expected to be affected by the introduction of the Euro currency.

DIRECTORS AND THEIR INTERESTS

The directors in office in the year and their beneficial interests in the company at the balance sheet date and the beginning of the year were as follows:

		Number of Shares	
		1997	1996
J E Selby	Ordinary shares of £1 each	25,000	25,000
M T Lloyd	Ordinary shares of £1 each	25,000	25,000

DIVA EUROPE LIMITED

DIRECTORS' REPORT

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 as at the end of the financial year 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 maintaining 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.

YEAR 2000 SOFTWARE ISSUES

The directors acknowledge their responsibilities to ensure minimal adverse impact upon the company as a result of year 2000.

Neither the company's operations nor its administrative systems are computer dependent. As far as the trading subsidiary, Papergraphics Limited is concerned, the directors have initiated measures to mitigate any potential problems and intend to keep the position under constant review.

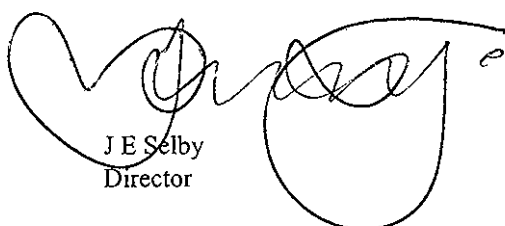
CLOSE COMPANY

The company is a close company, as defined by the Income and Corporation Taxes Act 1988.

AUDITORS

The auditors, glm Ghest Lloyd will be proposed for re-appointment in accordance with section 385 of the Companies Act 1985.

On behalf of the board:



J E Selby
Director

Date: 28th October 1998

DIVA EUROPE LIMITED

**AUDITORS' REPORT TO THE COMPANY
PURSUANT TO SECTION 247B OF THE COMPANIES ACT 1985**

We have examined the abbreviated accounts on pages 5 to 15 together with the full financial statements of the company prepared under section 226 of the Companies Act 1985 for the year ended 31 December 1997.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND AUDITORS

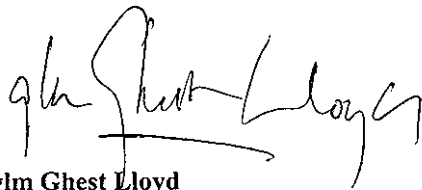
The directors are responsible for preparing the abbreviated accounts in accordance with Schedule 8A to the Companies Act 1985. It is our responsibility to form an independent opinion as to the company's entitlement to deliver abbreviated accounts prepared in accordance with section 246A(3) of the Companies Act 1985 and whether the abbreviated accounts have been properly prepared in accordance with that Schedule.

BASIS OF OPINION

We have carried out the procedures we considered necessary to confirm, by reference to the audited financial statements, that the company is entitled to deliver abbreviated accounts prepared in accordance with section 246 A(3) of the Companies Act 1985 and that the abbreviated accounts have been properly prepared from those financial statements. The scope of our work for the purpose of this report does not include examining or dealing with events after the date of our report on the full financial statements.

OPINION

In our opinion, the company is entitled to deliver abbreviated accounts prepared in accordance with sections 246 A(3) and 249 of the Companies Act 1985 and the abbreviated accounts on pages 5 to 15 have been properly prepared in accordance with Schedule 8A.



**glm Ghest Lloyd
Chartered Accountants**

**Registered Auditors
103-105 Brighton Road
Coulsdon
Surrey CR5 2NG**

Date signed: 28th October 1998

DIVA EUROPE LIMITED**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1997**

	Notes	1997 £	1996 £
GROSS PROFIT		410,000	475,000
Administrative expenses		204,138	285,970
OPERATING PROFIT	2	205,862	189,030
Investment income and interest receivable	3	2	16
Interest payable and similar charges	4	(51,299)	(43,742)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		154,565	145,304
Tax on profit on ordinary activities	6	(33,014)	(22,692)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		121,551	122,612

Continuing operations

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

Total recognised gains and losses

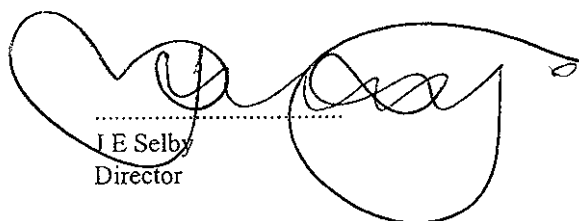
The company has no recognised gains or losses other than the profit for the above two financial years.

DIVA EUROPE LIMITED**ABBREVIATED BALANCE SHEET
AT 31 DECEMBER 1997**

	Notes	£	1997 £	£	1996 £
FIXED ASSETS					
Investments	7		1,336,739		1,347,337
CURRENT ASSETS					
Debtors	8	55,040		5,438	
Cash at bank and in hand		175		100	
		<u>55,215</u>		<u>5,538</u>	
CREDITORS: amounts falling due within one year	9	<u>(437,005)</u>		<u>(609,639)</u>	
NET CURRENT LIABILITIES			<u>(381,790)</u>		<u>(604,101)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			954,949		743,236
CREDITORS: amounts falling due after more than one year	10		<u>(617,257)</u>		<u>(527,095)</u>
NET ASSETS			<u>337,692</u>		<u>216,141</u>
CAPITAL AND RESERVES					
Called up share capital	12		52,500		52,500
Share premium account	13		3,000		3,000
Profit and loss account	14		<u>282,192</u>		<u>160,641</u>
TOTAL SHAREHOLDERS' FUNDS	15		<u>337,692</u>		<u>216,141</u>

In preparing the financial statements, the directors have taken advantage of special exemptions applicable to medium-sized companies on the grounds that the company is entitled to those exemptions.

The financial statements were approved by the board of directors on 28th October 1998 and signed on its behalf by:



J E Selby
Director

DIVA EUROPE LIMITED**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 1997**

	Notes	1997 £	1996 £
Net cash inflow from operating activities	2	3,382	3,587
Returns on investments and servicing of finance	16	(51,297)	(43,726)
Taxation	16	(24,247)	(17,928)
Acquisitions and disposals	16	7,500	(10,599)
Cash outflow before use of liquid resources and financing		(64,662)	(68,666)
Financing	16	90,163	21,579
INCREASE / (DECREASE) IN CASH IN THE YEAR		25,501	(47,087)

**RECONCILIATION OF NET CASH FLOW TO
MOVEMENT IN NET DEBT**

17

INCREASE / (DECREASE) IN CASH IN THE YEAR	25,501	(47,087)
Cash outflow from movement in debt and lease financing	(90,163)	(21,579)
Change in net debt resulting from cash flows	(64,662)	(68,666)
Movement in net debt in the year	(64,662)	(68,666)
Net debt at 1 January 1997	(562,808)	(494,142)
Net debt at 31 December 1997	(627,470)	(562,808)

The notes on pages 8 to 15 form part of these financial statements.

DIVA EUROPE LIMITED

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1997

1. STATEMENT OF ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention.

Consolidation

The company and its subsidiaries comprise a medium sized group and the company has taken advantage of the exemption provided by section 248 of the Companies Act 1985 not to prepare group accounts.

Turnover

Turnover represents the total invoice value, excluding value added tax, of services rendered during the year.

Investments

Investments held as fixed assets are stated at cost less provision for permanent diminution in value.

Pension costs

Discretionary pension contributions to employee personal pension plans are charged to the profit and loss account in the period to which they relate. The company does not operate a pension scheme.

2. OPERATING PROFIT

Operating profit is stated:

	1997	1996
	£	£
After charging:		
Auditors' remuneration	885	800

Reconciliation of operating profit to
net cash inflow from operating activities

	1997	1996
	£	£
Operating profit	205,861	189,030
Loss on disposal of fixed assets	3,098	-
Increase in debtors	(49,602)	(5,438)
Decrease in creditors	(155,975)	(180,005)
Net cash inflow from operating activities	3,382	3,587

DIVA EUROPE LIMITED**NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1997****3. INVESTMENT INCOME AND INTEREST RECEIVABLE**

	1997 £	1996 £
Interest received and receivable		
Bank interest	2	-
Other interest	-	16
	<u>2</u>	<u>16</u>

4. INTEREST PAYABLE AND SIMILAR CHARGES

	1997 £	1996 £
On bank loans and overdrafts	1,441	348
On other loans repayable in full within five years	49,616	43,218
Other interest	242	176
	<u>51,299</u>	<u>43,742</u>

5. INFORMATION ON DIRECTORS AND EMPLOYEES

	1997 £	1996 £
Staff costs		
Wages and salaries	88,000	130,608
Social security costs	7,640	14,747
Other pension costs	24,000	24,000
	<u>119,640</u>	<u>169,355</u>

	1997 No.	1996 No.
The average number of employees during the year was made up as follows:		
Number of employees(including executive directors)	<u>2</u>	<u>2</u>

DIVA EUROPE LIMITED**NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1997****5. INFORMATION ON DIRECTORS AND EMPLOYEES - (continued)**

	1997 £	1996 £
Directors' emoluments		
Emoluments	89,899	132,270
Pension contributions to money purchase (defined contribution) schemes	24,000	24,000
	<u>113,899</u>	<u>156,270</u>

	1997 £	1996 £
Details of highest paid director's emoluments		
Emoluments	<u>74,686</u>	<u>122,690</u>

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1997 £	1996 £
The taxation charge comprises:		
UK Corporation tax at an effective rate of 24.25% (1996 - 25%)	35,000	22,692
Adjustment in respect of prior years	(1,986)	-
	<u>33,014</u>	<u>22,692</u>

7. INVESTMENTS

Cost or valuation:	Beginning of year £	Disposals £	End of year £
Loans to group undertaking	1,000,058	-	1,000,058
Other investments	347,279	(10,598)	336,681
Book value	<u>1,347,337</u>	<u>(10,598)</u>	<u>1,336,739</u>

Other investments other than loans

DIVA EUROPE LIMITED**NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1997****7. INVESTMENTS - (continued)**

Shares in related undertakings:

Cost or valuation:	Beginning of year £	Disposals £	End of year £
Shares in group undertakings	347,279	(10,598)	336,681
Net book value	<u>347,279</u>		<u>336,681</u>

Financial information summary:

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

	Capital and reserves £	Results £
Aries Paper Limited	127,229	-
Europilot Limited	96,743	-
Papergraphics Limited	307,677	56,816
	<u>531,649</u>	<u>56,816</u>

The company had the following interests in subsidiary undertakings at 31st December 1997:

Name	Share type	Proportion
Aries Paper Limited	Ordinary shares of £1 each	100%
	Cumulative redeemable preference shares of £1 each	100%
Europilot Limited	Ordinary shares of £1 each	100%
Graphic Resources (UK) Limited	Ordinary shares of £1 each	100%
Papergraphics Limited	Ordinary shares of £1 each	100%
	Loan notes of £1 each	100%

All of the above subsidiary undertakings were registered in England and Wales.

DIVA EUROPE LIMITED**NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1997****8. DEBTORS**

	1997	1996
	£	£
Trade debtors	47,000	-
Amounts owed by group undertakings	-	5,110
Other debtors	8,040	328
	<u>55,040</u>	<u>5,438</u>

9. CREDITORS: amounts falling due within one year

	1997	1996
	£	£
Bank loans and overdrafts	10,387	35,813
Other creditors	84,215	150,232
Amounts owed to other group undertakings	301,009	363,709
Corporation tax	34,767	26,000
Other taxes and social security costs	1,901	33,885
Accruals and deferred income	4,726	-
	<u>437,005</u>	<u>609,639</u>

10. CREDITORS: amounts falling due after more than one year

	1997	1996
	£	£
Directors' and other loans	<u>617,257</u>	<u>527,095</u>

DIVA EUROPE LIMITED**NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1997****11. BORROWINGS**

	1997 £	1996 £
The company's borrowings are repayable as follows		
Up to one year and on demand	10,387	35,813
Between one and two years	617,257	527,095
	<u>627,644</u>	<u>562,908</u>
Wholly repayable within five years	<u>627,644</u>	<u>562,908</u>
Included in current liabilities	<u>10,387</u>	<u>35,813</u>

12. SHARE CAPITAL

	1997 £	1996 £
Authorised:		
Equity interests:		
995,000 Ordinary shares of £1 each	995,000	995,000
5,000 Non voting ordinary shares of £1 each	5,000	5,000
500,000 Redeemable preference shares of £1 each	500,000	500,000
	<u>1,500,000</u>	<u>1,500,000</u>
Allotted, called up and fully paid:		
Equity interests:		
50,000 Ordinary shares of £1 each	50,000	50,000
2,500 Non voting ordinary shares of £1 each	2,500	2,500
	<u>52,500</u>	<u>52,500</u>

13. SHARE PREMIUM ACCOUNT

	1997 £	1996 £
Equity interests:		
Balance at beginning of year	3,000	3,000
Movements during the year	-	-
Balance at year end	<u>3,000</u>	<u>3,000</u>

DIVA EUROPE LIMITED**NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1997****14. PROFIT AND LOSS ACCOUNT**

	1997 £	1996 £
Retained profit at 1 January 1997	160,641	38,029
Profit for the year	121,551	122,612
Retained profit at 31 December 1997	282,192	160,641

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1997 £	1996 £
Profit for the financial year	121,551	122,612
Opening shareholders' funds	216,141	93,529
Closing shareholders' funds	337,692	216,141
Represented by:-		
Equity interests	337,692	216,141

16. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	1997 £	1996 £
Returns on investments and servicing of finance		
Interest received	2	16
Interest paid	(51,299)	(43,742)
Net cash outflow from returns on investments and servicing of finance	(51,297)	(43,726)
Taxation		
Corporation tax paid	(24,247)	(17,928)
Acquisitions and disposals		
Purchase of subsidiary undertakings	-	10,599
Receipts from sale of subsidiary undertakings	7,500	-
Net cash inflow from acquisitions and disposals	7,500	10,599

DIVA EUROPE LIMITED**NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1997****16. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT - (continued)**

	1997 £	1996 £
Financing		
New long-term loans	90,163	21,579
Net cash inflow from financing	<u>90,163</u>	<u>21,579</u>

17. ANALYSIS OF CHANGES IN NET DEBT

	1996 £	Cash flow £	1997 £
Cash at bank and in hand	100	75	175
Bank overdraft	(35,813)	25,426	(10,387)
		25,501	
Debt due after one year	(527,095)	(90,163)	(617,258)
	<u>(562,808)</u>	<u>(64,662)</u>	<u>(627,470)</u>

18. CONTINGENT LIABILITIES

The Company, in conjunction with a subsidiary undertaking, has given guarantees in respect of finance facilities extended to group undertakings. The commitment in connection with related group undertakings' finance facilities' (security for which has been given by each undertaking in respect of its own borrowings) comprises guarantees in respect of borrowings totalling £577,409 (1996 £913,193)

19. RELATED PARTY DISCLOSURES

During the year the company received services to a value of £75,114 (1996 - £109,085) from Caverna Services Limited a company controlled by M.T. Lloyd, a director and shareholder of Diva Europe Limited and supplied services to Papergraphics Limited, a subsidiary undertaking, to a value of £410,000 (1996 - £475,000).