

DIVA EUROPE LIMITED

**ABBREVIATED
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED
31 DECEMBER 1998**

REGISTERED NUMBER: 2499521



DIVA EUROPE LIMITED

**ABBREVIATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1998**

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DIVA EUROPE LIMITED

**COMPANY INFORMATION
AT 31 DECEMBER 1998**

DIRECTORS

J E Selby
M T Lloyd

SECRETARY

Burstows, Solicitors

REGISTERED OFFICE

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

BUSINESS ADDRESS

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 1998.

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 loss after providing for taxation amounted to £134,964.

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 1998 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 operations have not been adversely 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	
		1998	1997
J E Selby	Ordinary shares of £1 each	25,000	25,000
M T Lloyd	Ordinary shares of £1 each	25,000	25,000

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.

DIVA EUROPE LIMITED

DIRECTORS' REPORT

YEAR 2000 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 companies are concerned, the directors have initiated measures to mitigate any potential problems and intend to keep the position under constant review.

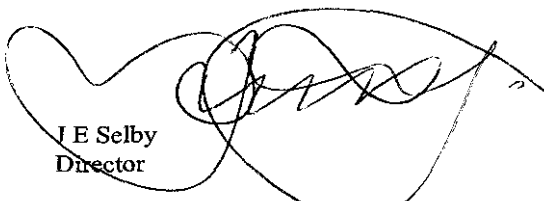
CLOSE COMPANY

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: 27th October 1999

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 1998.

RESPECTIVE RESPONSIBILITIES OF THE DIRECTORS AND AUDITORS

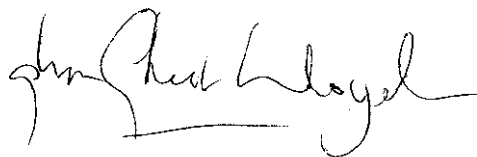
The directors are responsible for preparing the abbreviated accounts in accordance with section 246A of the Companies Act 1985. It is our responsibility to form an independent opinion as to the company's entitlement to deliver abbreviated accounts prepared in accordance with section 246A(3) of the Companies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

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 section 246 A(3) of the Companies Act 1985 and the abbreviated accounts on pages 5 to 15 have been properly prepared in accordance with that provision.



**glm Ghest Lloyd
Chartered Accountants
and Registered Auditors**

**103/105 Brighton Road
Coulsdon
Surrey CR5 2NG**

Date: 27th October 1999

DIVA EUROPE LIMITED**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1998**

	Notes	1998 £	1997 £
GROSS PROFIT		15,000	410,000
Administrative expenses		135,938	204,138
OPERATING (LOSS) / PROFIT	2	(120,938)	205,862
Investment income and interest receivable	3	278	2
Interest payable and similar charges	4	(49,211)	(51,299)
(LOSS) / PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(169,871)	154,565
Tax on (loss) / profit on ordinary activities	6	34,907	(33,014)
(LOSS) / PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		(134,964)	121,551

Continuing operations

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

Total recognised gains and losses

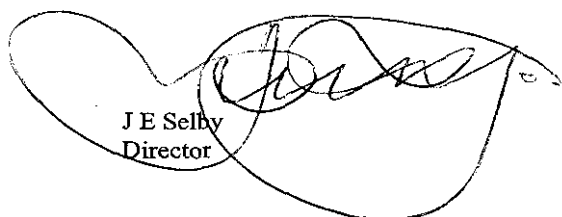
The company has no recognised gains or losses other than the profit for the above two financial years.

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

DIVA EUROPE LIMITED**ABBREVIATED BALANCE SHEET
AT 31 DECEMBER 1998**

	Notes	£	£	£	£
FIXED ASSETS					
Investments	7		1,398,139		1,336,739
CURRENT ASSETS					
Debtors	8	779		55,040	
Cash at bank and in hand		178		175	
		957		55,215	
CREDITORS: amounts falling due within one year	9	(936,600)		(437,005)	
NET CURRENT LIABILITIES			(935,643)		(381,790)
TOTAL ASSETS LESS CURRENT LIABILITIES			462,496		954,949
CREDITORS: amounts falling due after more than one year	10		(259,768)		(617,257)
NET ASSETS			202,728		337,692
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		147,228		282,192
TOTAL SHAREHOLDERS' FUNDS	15		202,728		337,692

Approved by the board of directors on 27th October 1999 and signed on its behalf by:



J E Selby
Director

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

DIVA EUROPE LIMITED**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 1998**

	Notes	1998 £	1997 £
Net cash inflow from operating activities	2	435,542	3,382
Returns on investments and servicing of finance	16	(48,933)	(51,297)
Taxation	16	-	(24,247)
Capital expenditure	16	(53,726)	-
Acquisitions and disposals	16	(7,675)	7,500
Cash inflow / (outflow) before use of liquid resources and financing		325,208	(64,662)
Financing	16	(357,489)	90,163
(DECREASE) / INCREASE IN CASH IN THE YEAR		(32,281)	25,501

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

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(DECREASE) / INCREASE IN CASH IN THE YEAR	(32,281)	25,501
Cash (outflow) / inflow from movement in debt and lease financing	357,489	(90,163)
Change in net debt resulting from cash flows	325,208	(64,662)
Movement in debt in the year	325,208	(64,662)
Net debt at 1 January 1998	(627,469)	(562,807)
Net debt at 31 December 1998	(302,261)	(627,469)

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 1998

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 (LOSS) / PROFIT

Operating (loss) / profit	1998	1997
	£	£
After charging:		
Auditors' remuneration	2,000	885
 Reconciliation of operating loss to net cash inflow from operating activities		
	1998	1997
	£	£
Operating (loss) / profit	(120,937)	205,861
Loss on disposal of fixed assets	-	3,098
Decrease / (increase) in debtors	54,401	(49,602)
Increase / (decrease) in creditors	502,078	(155,975)
Net cash inflow from operating activities	435,542	3,382

DIVA EUROPE LIMITED**NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1998****3. INVESTMENT INCOME AND INTEREST RECEIVABLE**

	1998 £	1997 £
Interest received and receivable		
Bank interest	3	2
Other interest	275	-
	<u>278</u>	<u>2</u>

4. INTEREST PAYABLE AND SIMILAR CHARGES

	1998 £	1997 £
On bank loans and overdrafts	15	1,441
On other loans repayable in full within five years	49,196	49,616
Other interest	-	242
	<u>49,211</u>	<u>51,299</u>

5. INFORMATION ON DIRECTORS AND EMPLOYEES

	1998 £	1997 £
Staff costs		
Wages and salaries	96,000	88,000
Social security costs	9,600	7,640
Other pension costs	24,000	24,000
	<u>129,600</u>	<u>119,640</u>

	1998 No.	1997 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 1998****5. INFORMATION ON DIRECTORS AND EMPLOYEES - (continued)**

	1998	1997
	£	£
Directors' emoluments		
Emoluments	97,150	89,899
Pension contributions to money purchase (defined contribution) schemes	24,000	24,000
	<u>121,150</u>	<u>113,899</u>

6. TAX ON LOSS ON ORDINARY ACTIVITIES

	1998	1997
	£	£
The taxation credit comprises:		
UK Corporation tax at an effective rate of 0% (1997 - 25%)	-	35,000
Adjustment in respect of prior years	(34,907)	(1,986)
	<u>(34,907)</u>	<u>33,014</u>

7. INVESTMENTS

Cost or valuation:	Beginning of year	Additions	End of year
	£	£	£
Loans to group undertakings	1,000,058	53,726	1,053,784
Other investments	336,680	7,675	344,355
Book value	<u>1,336,738</u>	<u>61,401</u>	<u>1,398,139</u>

Other investments other than loans

Shares in related undertakings:

Cost or valuation:	Beginning of year	Additions	End of year
	£	£	£
Shares in group undertakings	336,680	7,675	344,355
Net book value	<u>336,680</u>	<u>7,675</u>	<u>344,355</u>

DIVA EUROPE LIMITED**NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1998****7. INVESTMENTS - (continued)**

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	421,918	114,241
Papergraphics Svenska AB	(59,939)	(67,471)
	<u>585,951</u>	<u>46,770</u>

The company had the following interests in subsidiary undertakings at 31st December 1998:

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%
Papergraphics Svenska AB	Ordinary shares of SEK10 each	100%

Papergraphics Svenska AB is registered in Sweden, the other subsidiary undertakings are registered in England and Wales.

8. DEBTORS

	1998	1997
	£	£
Trade debtors	-	47,000
Amounts owed by group undertakings	639	-
Other debtors	140	8,040
	<u>779</u>	<u>55,040</u>

DIVA EUROPE LIMITED**NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1998****9. CREDITORS: amounts falling due within one year**

	1998	1997
	£	£
Bank loans and overdrafts	42,671	10,387
Other creditors	84,856	84,215
Amounts owed to other group undertakings	552,662	301,009
Corporation tax	-	34,767
Other taxes and social security costs	26,355	1,901
Directors' loans	225,636	-
Accruals and deferred income	4,420	4,726
	<u>936,600</u>	<u>437,005</u>

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

	1998	1997
	£	£
Directors' and other loans	<u>259,768</u>	<u>617,257</u>

11. BORROWINGS

	1998	1997
	£	£
The company's borrowings are repayable as follows		
Up to one year and on demand	42,671	10,387
Between one and two years	259,768	617,257
	<u>302,439</u>	<u>627,644</u>
Wholly repayable within five years	<u>302,439</u>	<u>627,644</u>
Included in current liabilities	<u>42,671</u>	<u>10,387</u>

DIVA EUROPE LIMITED**NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1998****12. SHARE CAPITAL**

	1998 £	1997 £
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

	1998 £	1997 £
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>

14. PROFIT AND LOSS ACCOUNT

	1998 £	1997 £
Retained profit as at 1 January 1998	282,192	160,641
(Loss) / profit for the year	(134,964)	121,551
Retained profit as at 31 December 1998	<u>147,228</u>	<u>282,192</u>

DIVA EUROPE LIMITED**NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1998****15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	1998 £	1997 £
(Loss) / profit for the year	(134,964)	121,551
Opening shareholders' funds	337,692	216,141
Closing shareholders' funds	<u>202,728</u>	<u>337,692</u>
Represented by:-		
Equity interests	<u>202,728</u>	<u>337,692</u>

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

	1998 £	1997 £
Returns on investments and servicing of finance		
Interest received	278	2
Interest paid	(49,211)	(51,299)
Net cash outflow from returns on investments and servicing of finance	<u>(48,933)</u>	<u>(51,297)</u>
Taxation		
Corporation tax paid	-	(24,247)
Net cash outflow from taxation	<u>-</u>	<u>(24,247)</u>
Capital expenditure		
Loans made (other than cash equivalents)	(53,726)	-
Net cash outflow from capital expenditure	<u>(53,726)</u>	<u>-</u>
Acquisitions and disposals		
Purchase of subsidiary undertakings	(7,675)	-
Receipts from sale of subsidiary undertakings	-	7,500
Net cash (outflow) / inflow from acquisitions and disposals	<u>(7,675)</u>	<u>7,500</u>
Financing		
New long-term loans	-	90,163
Repayments of long term loans	(357,489)	-
Net cash (outflow) / inflow from financing	<u>(357,489)</u>	<u>90,163</u>

DIVA EUROPE LIMITED**NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1998**

17. ANALYSIS OF CHANGES IN NET DEBT

	1997	Cash flow	1998
	£	£	£
Cash at bank and in hand	175	3	178
Bank overdraft	(10,387)	(32,284)	(42,671)
(Decrease)/Increase in cash in the year		(32,281)	
Debt due after one year	(617,257)	357,489	(259,768)
	<u>(627,469)</u>	<u>325,208</u>	<u>(302,261)</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 £408,398 (1997 - £577,409).

19. RELATED PARTY DISCLOSURES

During the year the company supplied services to Papergraphics Limited, a subsidiary undertaking, to a value of £15,000 (1997 - £410,000).