

Company Registration No. 2499521 (England and Wales)

DIVA EUROPE LIMITED
DIRECTOR'S REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2001



DIVA EUROPE LIMITED

COMPANY INFORMATION

Director	J E Selby
Secretary	ASB Law
Company number	2499521
Registered office	2 Felbridge Centre East Grinstead West Sussex RH19 1XP
Auditors	Hakim Fry 69-71 East Street Epsom Surrey KT17 1BP
Solicitors	ASB Law 8 Ifield Road Crawley West Sussex RH11 7YY

DIVA EUROPE LIMITED

CONTENTS

	Page
Director's report	1 - 2
Independent auditors' report	3
Profit and loss account	4
Balance sheet	5
Cash flow statement	6
Notes to the cash flow statement	7
Notes to the financial statements	8 - 14

DIVA EUROPE LIMITED

DIRECTOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2001

The director presents his report and financial statements for the year ended 31 December 2001.

Principal activities and review of the business

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. On 30 November 2001 the company acquired the whole of the issued share capital of Craftec Paper Limited, a company whose principal activity is that of paper converters.

The net loss after providing for taxation amounted to £181,794.

Results and dividends

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

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

Future developments

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

Directors

The following directors have held office since 1 January 2001:

J E Selby

R C I Ghest

(Appointed 15 November 2001 and resigned 31 May 2002)

Directors' interests

The following directors held office throughout the year and his beneficial interest in the company at the balance sheet date and the beginning of the year was as follows:

Ordinary shares of £ 1 each		
	31 December 2001	1 January 2001
J E Selby	29,643	29,643
R C I Ghest	-	-

Non voting ordinary shares of £ 1 each		
	31 December 2001	1 January 2001
J E Selby	2,500	2,500
R C I Ghest	-	-

Redeemable preference shares of £ 1 each		
	31 December 2001	1 January 2001
J E Selby	-	-
R C I Ghest	-	-

Auditors

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

DIVA EUROPE LIMITED

DIRECTOR'S REPORT (CONTINUED) **FOR THE YEAR ENDED 31 DECEMBER 2001**

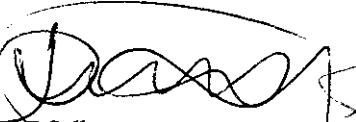
Director's responsibilities

Company law requires the director 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 director is 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 director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable him to ensure that the financial statements comply with the Companies Act 1985. He is 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.

On behalf of the board



J E Selby

Director

31 October 2002

DIVA EUROPE LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF DIVA EUROPE LIMITED

We have audited the financial statements of Diva Europe Limited on pages 4 to 14 for the year ended 31 December 2001. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

Respective responsibilities of the director and auditors

As described in the statement of director's responsibilities on page 2 the company's director is responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the director's report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding director's remuneration and transactions with the company is not disclosed.

We read the director's report and consider the implications for our report if we become aware of any apparent misstatements within it.

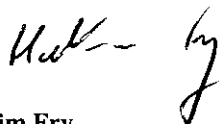
Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 director 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 31 December 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Hakim Fry

31 October 2002

Chartered Accountants
Registered Auditor

69-71 East Street
Epsom
Surrey
KT17 1BP

DIVA EUROPE LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2001

	Notes	2001 £	2000 £
Turnover	2	-	110,000
Administrative expenses		(181,553)	(267,043)
Operating loss	3	(181,553)	(157,043)
Investment income	4	-	195,000
Other interest receivable and similar income		-	51
Interest payable and similar charges	5	(241)	(37,716)
(Loss)/profit on ordinary activities before taxation		(181,794)	292
Tax on (loss)/profit on ordinary activities	6	-	-
(Loss)/profit on ordinary activities after taxation	13	(181,794)	292

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

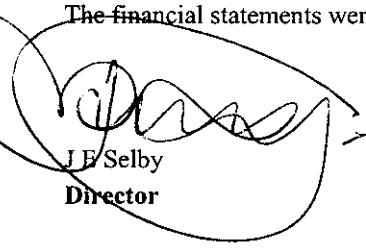
There are no recognised gains and losses other than those passing through the profit and loss account.

DIVA EUROPE LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2001

	Notes	2001 £	2000 £
Fixed assets			
Investments	7	1,974,877	1,398,139
Current assets			
Debtors	8	132,597	37,431
Cash at bank and in hand		2,716	181
		<u>135,313</u>	<u>37,612</u>
Creditors: amounts falling due within one year	9	<u>(1,743,321)</u>	<u>(1,130,221)</u>
Net current liabilities		<u>(1,608,008)</u>	<u>(1,092,609)</u>
Total assets less current liabilities		<u>366,869</u>	<u>305,530</u>
Creditors: amounts falling due after more than one year	10	<u>(528,153)</u>	<u>(285,020)</u>
		<u>(161,284)</u>	<u>20,510</u>
Capital and reserves			
Called up share capital	12	42,858	42,858
Share premium account	13	3,000	3,000
Other reserves	13	9,642	9,642
Profit and loss account	13	<u>(216,784)</u>	<u>(34,990)</u>
Shareholders' funds - equity interests	14	<u>(161,284)</u>	<u>20,510</u>

The financial statements were approved by the Board on 31 October 2002


J F Selby
Director

DIVA EUROPE LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2001

	2001		2000	
	£	£	£	£
Net cash inflow/(outflow) from operating activities		341,694		(199,413)
Returns on investments and servicing of finance				
Interest received	-		51	
Interest paid	(241)		(37,716)	
Dividends received	-		195,000	
Net cash (outflow)/inflow for returns on investments and servicing of finance		(241)		157,335
Taxation		-		1,307
Acquisitions and disposals				
Purchase of subsidiary undertakings (net of cash acquired)	(576,738)		-	
Net cash outflow for acquisitions and disposals		(576,738)		-
Net cash outflow before management of liquid resources and financing		(235,285)		(40,771)
Financing				
Other new long term loans	393,133		55,000	
Repayment of other long term loans	(150,000)		-	
Net cash inflow from financing		243,133		55,000
Increase in cash in the year		7,848		14,229

DIVA EUROPE LIMITED

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2001

1	Reconciliation of operating loss to net cash inflow/(outflow) from operating activities	2001	2000
		£	£
	Operating loss	(181,553)	(157,043)
	Increase in debtors	(95,166)	(3,959)
	Increase/(decrease) in creditors within one year	618,413	(38,411)
	Net cash inflow/(outflow) from operating activities	341,694	(199,413)
2	Analysis of net debt	1 January 2001	Cash flow Other non-cash changes 31 December 2001
		£	£
	Net cash:		
	Cash at bank and in hand	181	2,535
	Bank overdrafts	(5,313)	5,313
		(5,132)	7,848
	Debt:		
	Debts falling due after one year	(285,020)	(243,133)
	Net debt	(290,152)	(235,285)
3	Reconciliation of net cash flow to movement in net debt	2001	2000
		£	£
	Increase in cash in the year	7,848	14,229
	Cash inflow from increase in debt	(243,133)	(55,000)
	Movement in net debt in the year	(235,285)	(40,771)
	Opening net debt	(290,152)	(249,381)
	Closing net debt	(525,437)	(290,152)

DIVA EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2001

1 Accounting policies

1.1 Accounting convention

The financial statements have been prepared under the historical cost convention. 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. These financial statements therefore reflect the results of the company only.

The financial statements have been prepared on a going concern basis on the footing that the company will continue to receive financial support from its director and subsidiary undertakings.

1.2 Turnover

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

1.3 Investments

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

1.4 Pensions

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.

1.5 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 director, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

2 Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

3 Operating loss

	2001	2000
	£	£
Operating loss is stated after charging:		
Auditors' remuneration	2,750	1,000

4 Investment income

	2001	2000
	£	£
Income from shares in group undertakings	-	195,000

DIVA EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2001

5	Interest payable	2001	2000
		£	£
	On bank loans and overdrafts	241	109
	On loans repayable after 5 years	-	36,778
	On overdue tax	-	829
		<u>241</u>	<u>37,716</u>
		<u><u>241</u></u>	<u><u>37,716</u></u>
6	Taxation		
	Current tax charge	<u>-</u>	<u>-</u>
		<u><u>-</u></u>	<u><u>-</u></u>
	Factors affecting the tax charge for the year		
	(Loss)/profit on ordinary activities before taxation	<u>(181,794)</u>	<u>292</u>
		<u><u>(181,794)</u></u>	<u><u>292</u></u>
	(Loss)/profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 20.00% (2000 : 20.00%)	<u>(36,359)</u>	<u>58</u>
		<u><u>(36,359)</u></u>	<u><u>58</u></u>
	Effects of:		
	Non deductible expenses	3,865	156
	Group income	-	(39,000)
	Group relief surrender	6,338	-
	Tax losses unrelieved	26,156	38,786
		<u>36,359</u>	<u>(58)</u>
		<u><u>36,359</u></u>	<u><u>(58)</u></u>
	Current tax charge	<u>-</u>	<u>-</u>
		<u><u>-</u></u>	<u><u>-</u></u>

The company has estimated losses of £ 324,700 (2000 : £ 193,930) available for carry forward against future trading profits.

DIVA EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2001

7 Fixed asset investments

	Shares in group undertakings £	Loans to group undertakings £	Total £
Cost			
At 1 January 2001	1,344,413	53,726	1,398,139
Additions	576,738	-	576,738
At 31 December 2001	1,921,151	53,726	1,974,877

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	Class	Shares held %
Subsidiary undertakings			
Aries Paper Limited	England and Wales	Ord shares of £1	100
Aries Paper Limited		Pref shares of £1	100
Europlot Limited	England and Wales	Ord shares of £1	100
Graphic Resources (UK) Limited	England and Wales	Ord shares of £1	100
Papergraphics Limited	England and Wales	Ord shares of £1	100
Papergraphics Svenska AB	Sweden	Ord shares of SEK 10	100
Craftec Paper Limited	England and Wales	Ord shares of £1	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
Aries Paper Limited	111,168	-
Aries Paper Limited	-	-
Europlot Limited	3	-
Graphic Resources (UK) Limited	-	-
Papergraphics Limited	1,166,282	11,525
Papergraphics Svenska AB	(220,837)	-
Craftec Paper Limited	148,663	(207,094)

DIVA EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2001

8	Debtors	2001 £	2000 £
	Amounts owed by subsidiary undertakings	98,648	639
	Corporation tax	32,833	32,833
	Other debtors	1,116	3,959
		<u>132,597</u>	<u>37,431</u>
9	Creditors: amounts falling due within one year	2001 £	2000 £
	Bank loans and overdrafts (secured)	-	5,313
	Amounts owed to subsidiary undertakings	1,096,164	977,448
	Taxes and social security costs	12,068	14,776
	Director's current accounts	-	31,613
	Other creditors	513,440	14,871
	Accruals and deferred income	121,649	86,200
		<u>1,743,321</u>	<u>1,130,221</u>
10	Creditors: amounts falling due after more than one year	2001 £	2000 £
	Director's loans	<u>528,153</u>	<u>285,020</u>
	Analysis of loans		
	Wholly repayable within five years	<u>528,153</u>	<u>285,020</u>
		<u>528,153</u>	<u>285,020</u>
	Loan maturity analysis		
	In more than one year but not more than two years	-	156,867
	In more than two years but not more than five years	<u>528,153</u>	<u>128,153</u>

DIVA EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2001

11 Pension costs

Defined contribution

	2001 £	2000 £
Contributions payable by the company for the year	16,000	24,000

12 Share capital

Authorised

	2001 £	2000 £
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

40,358 Ordinary shares of £ 1 each	40,358	40,358
2,500 Non voting ordinary shares of £ 1 each	2,500	2,500
	<u>42,858</u>	<u>42,858</u>

13 Statement of movements on reserves

	Share premium account £	Other reserves (see below) £	Profit and loss account £
Balance at 1 January 2001	3,000	9,642	(34,990)
Retained loss for the year	-	-	(181,794)
Balance at 31 December 2001	<u>3,000</u>	<u>9,642</u>	<u>(216,784)</u>

Other reserves

Capital redemption reserve

Balance at 1 January 2001 & at 31 December 2001	<u>9,642</u>
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DIVA EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2001

14 Reconciliation of movements in shareholders' funds	2001 £	2000 £
(Loss)/Profit for the financial year	(181,794)	292
Opening shareholders' funds	20,510	20,218
Closing shareholders' funds	(161,284)	20,510

15 Contingent liabilities

The company has given guarantees in respect of finance facilities extended to a subsidiary company, Papergraphics Limited. The commitment in connection with these facilities comprises guarantees in respect of borrowings as at 31 December 2001 totalling £931,789 (2000-£1,244,909). A primary charge exists in Papergraphics Limited in respect of these borrowings.

16 Directors' emoluments	2001 £	2000 £
Emoluments for qualifying services	6,280	33,985
Company pension contributions to money purchase schemes	-	6,000
	6,280	39,985

17 Employees

Number of employees

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

	2001 Number	2000 Number
Administration (including executive director)	3	4

Employment costs

	£	£
Wages and salaries	119,963	214,195
Social security costs	12,508	22,830
Other pension costs	16,000	24,000
	148,471	261,025

18 Control

The ultimate controlling party during the year was J E Selby.

DIVA EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) ***FOR THE YEAR ENDED 31 DECEMBER 2001***

19 Related party transactions

The company provided services to Papergraphics Limited, subsidiary undertaking, amounting to £nil (2000-£110,000). The balance due to Papergraphics Limited at 31 December 2001 was £1,096,164 (2000-£977,448) and the balance due from Craftec Paper Limited at 31 December 2001 was £96,406 (2000-£nil). During the year a business in which one of the directors, Mr R C I Ghest, is a partner, provided services to the company to the value of £45,184(2000-£nil).