

Company Number: 2133023

ZEH GRAPHIC SYSTEMS LIMITED
ANNUAL REPORT
YEAR ENDED 28 FEBRUARY 1999

PANNELL KERR FORSTER
Chartered Accountants



ZEH GRAPHIC SYSTEMS LIMITED

COMPANY INFORMATION

Directors	D B Zeh R G Martin A Dodd
Company Number	2133023
Auditors	Pannell Kerr Forster Chartered Accountants 78 Hatton Garden London EC1N 8JA

ZEH GRAPHIC SYSTEMS LIMITED

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ZEH GRAPHIC SYSTEMS LIMITED
DIRECTORS' REPORT
YEAR ENDED 28 FEBRUARY 1999

The directors submit their report and the financial statements for the year ended 28 February 1999.

Results and dividends

The loss for the year, after taxation, amounted to £453,033 (1998 - £109,709 profit).

The directors do not recommend the payment of a dividend and recommend that the loss be transferred to retained reserves.

Principal activity and review of business

The principal activity of the company is the supply of computer software and associated plotter and processing equipment.

The company decreased its level of activity during the year, due to the decrease in trade of the Mapping Bureau. The company hopes to improve on this level of activity in the future.

Directors

The directors who served during the year were:

D B Zeh
R G Martin
A Dodd

The directors had no interests in shares which are required to be recorded in the register maintained by the company under Section 325 of the Companies Act 1985.

Year 2000

The year 2000 issues, which relate to computer systems storing two digits for the year of a transaction rather than all four digits, could result in processing faults at the change of the century, potentially producing a wide range of consequences. The company is conducting a review of its computer systems (and computer-controlled processes) to identify those which could be affected and a plan will be put in place to correct faults. The directors, however, do not anticipate the cost of these plans to be significant.

Auditors

The auditors, Pannell Kerr Forster, will be proposed for reappointment in accordance with section 385 of the Companies Act 1985.

By order of the board



A DODD
Director

17 August 1999

ZEH GRAPHIC SYSTEMS LIMITED
STATEMENT OF 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 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.

**AUDITORS' REPORT TO THE SHAREHOLDERS OF
ZEH GRAPHIC SYSTEMS LIMITED**

We have audited the financial statements on pages 4 to 12 which have been prepared under the accounting policies set out on page 7.

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. 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 affairs of the company as at 28 February 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Pannell Kerr Forster

PANNELL KERR FORSTER
Chartered Accountants
Registered Auditors

London

18 August 1999

ZEH GRAPHIC SYSTEMS LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 28 FEBRUARY 1999

	Notes	1999 £	1998 £
TURNOVER	2	2,489,470	3,704,432
Cost of sales		(782,550)	(1,247,264)
GROSS PROFIT		1,706,920	2,457,168
Administrative expenses		(2,194,263)	(2,321,226)
OPERATING (LOSS)/PROFIT	3	(487,343)	135,942
Interest receivable and similar items		12,297	9,462
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		(475,046)	145,404
TAXATION	6	22,013	(35,695)
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		(453,033)	109,709

All amounts relate to continuing operations.

There were no recognised gains or losses for the year other than those included in the profit and loss account.

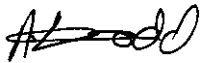
ZEH GRAPHIC SYSTEMS LIMITED

BALANCE SHEET 28 FEBRUARY 1999

	Notes	1999 £	1998 £
FIXED ASSETS			
Tangible	7	181,835	247,522
CURRENT ASSETS			
Stocks	8	11,045	65,451
Debtors	9	1,098,025	1,398,340
Cash at bank and in hand		132,713	232,745
		<u>1,241,783</u>	<u>1,696,536</u>
CREDITORS: amounts falling due within one year	10	<u>(1,372,717)</u>	<u>(1,440,124)</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(130,934)</u>	<u>256,412</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u><u>50,901</u></u>	<u><u>503,934</u></u>
CAPITAL AND RESERVES			
Called up share capital	11	100,000	100,000
Profit and loss account	12	(49,099)	403,934
SHAREHOLDERS' FUNDS	13	<u><u>50,901</u></u>	<u><u>503,934</u></u>

The financial statements were approved by the board on 17 August 1999

Signed on behalf of the board of directors



A DODD Director

ZEH GRAPHIC SYSTEMS LIMITED
CASH FLOW STATEMENT
YEAR ENDED 28 FEBRUARY 1999

	1999 £	1998 £
Reconciliation of operating profit to net cash (outflow)/inflow from operating activities		
Operating profit	(487,343)	135,942
Depreciation of tangible fixed assets	84,691	88,611
Profit on sale of fixed assets	(7,875)	(1,623)
Decrease/(increase) in debtors	366,066	(302,266)
Decrease/(increase) in stocks	54,406	(33,166)
(Decrease)/increase in creditors	(140,582)	173,577
Increase in group indebtedness	55,649	89,698
Net cash (outflow)/inflow from operating activities	<u>(74,988)</u>	<u>150,773</u>
 CASH FLOW STATEMENT (note 14)		
Net cash (outflow)/inflow from operating activities	(74,988)	150,773
Returns on investments and servicing of finance	12,297	10,797
Taxation	(26,212)	(10,045)
Capital expenditure	(11,129)	(134,177)
(Decrease)/increase in cash	<u>(100,032)</u>	<u>17,348</u>
 Reconciliation of net cash flow to movement in net debt (note 15)		
(Decrease)/increase in cash in the period	(100,032)	17,348
Net debt at 1 March 1998	232,745	215,397
Net debt at 28 February 1999	<u>132,713</u>	<u>232,745</u>

ZEH GRAPHIC SYSTEMS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 28 FEBRUARY 1999

1 ACCOUNTING POLICIES

(a) Basis of preparation of financial statements

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

(b) Turnover

Turnover comprises the invoiced value of goods and services supplied by the company, net of value added tax.

(c) Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Computer and display equipment	25 %
Fixtures and Fittings	12.5 %

(d) Operating leases

Rentals payable under operating leases are charged to the profit and loss account as incurred.

(e) Stocks and work in progress

Stocks are valued at the lower of cost and net realisable value.

(f) Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

(g) Deferred taxation

Provision is made for deferred tax using the liability method to the extent that it is probable that a liability will crystallise.

(h) Pensions

The company does not administer its own pension scheme. However, the company pays pension contributions on behalf of certain employees into the pension schemes of those employees. These costs are charged to the profit and loss account in the period in which they are payable.

2 TURNOVER

Turnover is attributable to one class of business.

Turnover is analysed by geographical market as follows:

	1999 £	1998 £
United Kingdom and Europe	1,385,038	2,403,944
Rest of the World	1,104,432	1,300,488
Total	<u>2,489,470</u>	<u>3,704,432</u>

ZEH GRAPHIC SYSTEMS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 28 FEBRUARY 1999

3 OPERATING PROFIT

The operating profit is stated after charging:

	1999	1998
	£	£
Depreciation of tangible fixed assets:		
- owned by the company	84,691	88,611
Audit fees	7,500	7,350
Operating lease rentals:		
- plant & machinery	65,126	64,700
- other	154,066	187,371
Exchange losses	8,036	19,406
Directors' remuneration	99,935	99,430
	<u> </u>	<u> </u>

4 DIRECTORS' EMOLUMENTS AND BENEFITS

	1999	1998
	£	£
Directors' emoluments	104,736	104,259
Contributions to money purchase pension schemes	6,935	6,630
	<u> </u>	<u> </u>

The numbers of directors who were members of company pension schemes were:

	No.	No.
Money purchase schemes	1	1
	<u> </u>	<u> </u>

The number of directors who exercised share options during the year was NIL (1998 - 2).

5 STAFF COSTS

Staff costs, including directors' emoluments, were as follows:

	1999	1998
	£	£
Wages and salaries	1,029,268	1,115,824
Social security costs	94,207	93,425
Other pension costs	62,759	52,004
	<u> </u>	<u> </u>
	1,186,234	1,261,253
	<u> </u>	<u> </u>

The average monthly number of employees, including executive directors, during the year was:

	No.	No.
Administration and sales	31	32
	<u> </u>	<u> </u>

ZEH GRAPHIC SYSTEMS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 28 FEBRUARY 1999

6 TAXATION

	1999 £	1998 £
Current year taxation		
UK corporation tax at 21% (1998 - 26%)	(22,575)	35,500
Overseas tax	4,972	-
	<u>(17,603)</u>	<u>35,500</u>
Adjustments in respect of prior periods		
Corporation tax	(4,410)	195
	<u>(22,013)</u>	<u>35,695</u>

The company has approximately £260,000 of tax losses available to carry forward against future trading profits.

7 TANGIBLE FIXED ASSETS

	Computer & Display equipment £	Fixtures & fittings £	Total £
Cost			
At 1 March 1998	492,359	206,525	698,884
Additions	24,393	520	24,913
Disposals	(13,190)	-	(13,190)
	<u>503,562</u>	<u>207,045</u>	<u>710,607</u>
Depreciation			
At 1 March 1998	343,718	107,644	451,362
Charge for year	61,528	23,163	84,691
On disposals	(7,281)	-	(7,281)
	<u>397,965</u>	<u>130,807</u>	<u>528,772</u>
Net book amount			
At 28 February 1999	<u>105,597</u>	<u>76,238</u>	<u>181,835</u>
At 28 February 1998	<u>148,641</u>	<u>98,881</u>	<u>247,522</u>

8 STOCKS

	1999 £	1998 £
Finished goods	<u>11,045</u>	<u>65,451</u>

ZEH GRAPHIC SYSTEMS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 28 FEBRUARY 1999

9 DEBTORS

	1999 £	1998 £
Due within one year		
Trade debtors	906,481	1,259,387
Amounts due from group undertakings	120,607	77,431
Other debtors	2,722	2,722
Prepayments and accrued income	45,640	58,800
Corporation tax recoverable	22,575	-
	<u>1,098,025</u>	<u>1,398,340</u>

10 CREDITORS:

Amounts falling due within one year

	1999 £	1998 £
Trade creditors	47,998	72,496
Amounts owed to group undertakings	720,193	621,368
Corporation tax	-	25,650
Other tax and social security	69,534	115,883
Accruals and deferred income	534,992	604,727
	<u>1,372,717</u>	<u>1,440,124</u>

11 SHARE CAPITAL

	Authorised £	Allotted, called up and fully paid No.	£
At 1 March 1998 and 28 February 1999			
Ordinary shares of £1 each	1,000,000	100,000	100,000
	<u>1,000,000</u>	<u>100,000</u>	<u>100,000</u>

12 RESERVES

Profit and loss account	£
At 1 March 1998	403,934
Loss for the year	(453,033)
At 28 February 1999	<u>(49,099)</u>

ZEH GRAPHIC SYSTEMS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 28 FEBRUARY 1999

13 SHAREHOLDERS' FUNDS

	1999 £	1998 £
Shareholders' funds at 1 March 1998	503,934	394,225
(Loss)/profit for the year	(453,033)	109,709
Shareholders' funds at 28 February 1999	<u>50,901</u>	<u>503,934</u>

14 GROSS CASH FLOWS

	1999 £	1998 £
Returns on investments and servicing of finance		
Interest received	12,297	10,797
	<u>12,297</u>	<u>10,797</u>
Taxation		
Corporation tax paid	(21,240)	(1,515)
Withholding tax paid	(4,972)	(8,530)
	<u>(26,212)</u>	<u>(10,045)</u>
Capital expenditure		
Payments to acquire tangible fixed assets	(24,913)	(141,575)
Receipts from sales of tangible fixed assets	13,784	7,398
	<u>(11,129)</u>	<u>(134,177)</u>

15 ANALYSIS OF CHANGES IN NET DEBT

	At 1 April 1998 £	Cash flows £	Other changes £	At 31 March 1999 £
Cash at bank and in hand	232,745	(100,032)	-	132,713
Total	<u>232,745</u>	<u>(100,032)</u>	<u>-</u>	<u>132,713</u>

16 OTHER COMMITMENTS

At 28 February 1999 the company had annual commitments under operating leases as follows:

	Land and buildings 1999 £	1998 £	Other 1999 £	1998 £
Expiry date:				
Within 1 year	6,699	28,100	3,685	12,442
Between 1 and 5 years	-	20,772	45,784	28,074
In more than 5 years	130,000	130,000	-	-
	<u>136,699</u>	<u>178,872</u>	<u>49,469</u>	<u>40,516</u>

ZEH GRAPHIC SYSTEMS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 28 FEBRUARY 1999

17 TRANSACTIONS WITH RELATED PARTIES

The directors have taken advantage of the exemption available to wholly owned subsidiaries from the requirement to disclose transactions with members of the same group.

18 ULTIMATE PARENT UNDERTAKINGS AND CONTROLLING PARTIES

The company is controlled by Zeh Graphic Systems Inc, incorporated in the USA. In the opinion of the directors this is the company's ultimate parent company and the parent undertaking of the largest and smallest group for which consolidated accounts are prepared.

Zeh Graphic Systems Inc is ultimately controlled by Mr D B Zeh.