ARTHUR ANDERSEN

Digital Colour Solutions Limited

Accounts for the year ended 30 March 1997
together with directors' and auditors' reports

Registered number: 2802366

BC-JM550.DOC

Directors' report

For the year ended 30 March 1997

The directors present their annual report on the affairs of the company, together with the accounts and auditors' report, for the year ended 30 March 1997.

Statement of directors responsibilities

Company law requires the directors to prepare accounts 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 accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts 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 accounts 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.

Principal activity and business review

The company's activities previously comprised the provision of four colour reproduction services for the lithographic print industry.

On 31 December 1995 the company ceased trading and the business and assets were transferred to Avon Imaging Limited.

The results for the year ended 30 March 1997 are shown on page 4.

Results and dividends

The directors do not recommend the payment of a dividend and propose that the result for the year be transferred to reserves.

Directors and their interests

The directors who held office during the year were as follows:

S Hodgson

P Symonds

The directors who held office at 30 March 1997 had no interests in the shares of the company or other group undertakings requiring disclosure in accordance with Schedule 7 of the Companies Act 1985.

Asset held for realisation

A property was transferred in from the company's ultimate parent undertaking at cost and sold in July 1996 for £325,685.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of Arthur Andersen as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

Units 10-12
Windmill Farm Business Centre
Bedminster
Bristol

By order of the Board,

J Rowland
Secretary

12 January 1998

ARTHUR ANDERSEN

Auditors' report

Reading

To the Shareholders of Digital Colour Solutions Limited:

We have audited the accounts on pages 4 to 11 which have been prepared under the historical cost convention and the accounting policies set out on pages 6 to 7.

Respective responsibilities of directors and auditors

As described on page 1, the company's directors are responsible for the preparation of the accounts. 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts and of whether the accounting policies are appropriate to the circumstances of the company and of the group, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company at 30 March 1997 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen

Arthur Andersen
Chartered Accountants and Registered Auditors

Abbots House
Abbey Street
Reading
Berkshire
RG1 3BD

12 January 1998

Profit and loss account

For the year ended 30 March 1997

	Note	1997 £	1996 £
Turnover	2	-	621,476
Cost of sales		-	(449,337)
Gross profit		-	172,139
Distribution expenses		-	(22,480)
Administrative expenses		54,308	(352,466)
Operating profit/(loss)		54,308	(202,807)
Interest payable and similar charges	6	-	(8,449)
Loss on disposal of fixed assets	7	(22,850)	(204,653)
Closure costs	7	-	(112,443)
Provision for diminution in value of assets held for realisation	9	-	(340,507)
Profit/(loss) on ordinary activities before taxation	2-4	31,458	(868,859)
Tax on profit/(loss) on ordinary activities	8	-	-
Profit/(loss) on ordinary activities after taxation and retained for the financial year		31,458	(868,859)
Retained deficit brought forward		(1,042,146)	(173,287)
Retained deficit carried forward		(1,010,688)	(1,042,146)

The accompanying notes are an integral part of this profit and loss account.

There were no recognised gains or losses in either year other than those shown above.

All activities were discontinued on 31 December 1995.

Balance sheet

As at 30 March 1997

	Note	1997	1996
		£	£
Current assets			
Assets held for realisation	9	-	325,685
Debtors	10	44,260	290,645
Cash at bank and in hand		-	-
		44,260	616,330
Creditors: Amounts falling due within one year	11	(1,054,848)	(1,658,376)
Net current liabilities being total assets less current liabilities being - net liabilities		(1,010,588)	(1,042,046)
Capital and reserves			
Called-up share capital	12	100	100
Profit and loss account		(1,010,688)	(1,042,146)
Equity shareholders' funds	13	(1,010,588)	(1,042,046)

Signed on behalf of the Board

S Hodgson Director

12 January 1998

The accompanying notes are an integral part of this balance sheet.

Notes to accounts

1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, is set out below.

a) Basis of accounting

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards. They have been prepared on a break up basis because the company has ceased to trade.

At 30 March 1997 the company had net liabilities of £1,010,588 (1996: £1,042,046). The directors are of the opinion that the going concern basis continues to be the appropriate basis for the preparation of the accounts as a fellow group undertaking has confirmed its intention and ability to provide such financial support as may be necessary to enable the company to continue to operate as a going concern and to meet all of its obligations in full for the next twelve months. The company's ultimate parent company has also confirmed that the company will not be required to pay amounts due to other group undertakings unless the company has sufficient funds to pay other creditors in full.

b) Leases

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

c) Pension costs

The company is a member of its immediate parent company's pension scheme which provides benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company, being invested with insurance companies. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company.

d) Cash flow statement

Under the provisions in Financial Reporting Standard 1, the company is exempt from the requirement to disclose a cash flow statement as its ultimate parent, Hurst Publishing Limited, produces accounts which contain a consolidated cash flow.

1 Accounting policies (continued)

e) Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

f) Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services during the year.

g) Related party transactions

Under the provisions of Financial Reporting Standard 8, the company is exempt from the requirement to disclose details of relevant related party transactions, as its ultimate parent company, Hurst Publishing Limited produces consolidated accounts which are publicly available.

2 Turnover

As the company ceased trading in December 1995, there has been no turnover derived from trading activities during the year.

3 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging:

	1997 £	1996 £
Auditors' remuneration - audit	500	1,500
Depreciation and other amounts written off tangible fixed assets:		
- owned	-	46,376
- leased	-	30,480
Hire of plant and machinery - rentals payable under operating leases	-	169

4 Remuneration of directors

The directors received no emoluments from the company during the year (1996: £Nil).

5 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	1997 Number	1996 Number
Production	-	13
Management and administration	3	5
	3	18

The aggregate payroll costs of these persons were as follows:

	1997 £	1996 £
Wages and salaries	-	314,985
Social security costs	-	30,713
Other pension costs (note 15)	-	11,551
	-	357,249

6 Interest payable and similar charges

	1997 £	1996 £
Finance charges payable in respect of finance leases and hire purchase contracts	-	8,449

7 Losses on disposal of the business

These arise from the transfer of the company's business to Avon Imaging Limited. The losses comprise the following:

	1997 £	1996 £
a) Loss on disposal of fixed assets transferred at market value and provision for loss on remaining assets	22,850	204,653
b) Other closure costs	-	112,443

These items have no effect on the tax charge for the year.

Notes to accounts (continued)

8 Taxation

	1997	1996
	£	£
UK corporation tax at 33%	-	-
Deferred taxation	-	-
	-	-

9 Assets held for realisation

Assets held for realisation represent a property previously owned by the company's ultimate parent undertaking. This was transferred at its original cost to the group.

	£
Transfer value	666,192
Provision for diminution in value	(340,507)
Net realisable value at beginning of year	325,685
Disposal proceeds	(325,685)
Profit on disposal	-

The property was sold in July 1996 for £325,685.

10 Debtors

Amounts falling due within one year:

	1997	1996
	£	£
Trade debtors	-	32,285
Amounts owed by other group undertakings	39,260	39,260
Prepayments	5,000	219,100
	44,260	290,645

10 Debtors (continued)

The amounts owed by group undertakings comprise:

Parent and fellow subsidiary undertakings	39,260	39,260

11 Creditors: Amounts falling due within one year

	1997 £	1996 £
Bank loans and overdrafts	1,100	33,371
Trade creditors	-	14,698
Amounts owed to other group undertakings	1,036,198	1,485,597
Other creditors including taxation and social security:		
- Other taxes and social security	-	7,096
- Other creditors	192	192
Accruals and deferred income	17,358	117,422
	1,054,848	1,658,376

12 Called-up share capital

	1997 £	1996 £
Authorised		
Ordinary shares of £1 each	100	100
Allotted, called-up and fully paid		
Ordinary shares of £1 each	100	100

Notes to accounts (continued)

13 Reconciliation of movements in shareholders' funds

	1997	1996
	£	£
Opening equity shareholders' funds	(1,042,046)	(173,187)
Profit/(loss) for the financial year	31,458	(868,859)
Closing equity shareholders' funds	(1,010,588)	(1,042,046)

14 Commitments

(i) There were no capital commitments either contracted or authorised at the end of both financial years.

(ii) Annual commitments under non-cancellable operating leases are nil (1996: £nil).

15 Pension scheme

As explained in the accounting policies set out in note 1, the company was a member of its immediate parent company's (Wiltshire (Bristol) Limited) pension scheme which provided benefits based on final pensionable pay, contributions being charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent review was at 1 May 1995. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions.

It was assumed that investment returns would be 9.0% per annum and that salary increase would average 7.5% per annum.

The most recent actuarial review showed that the market value of the scheme's assets was £1,413,000 and that the actuarial value of those assets represented 102% of the benefits that had accrued to members. No contributions were payable to the fund and included in creditors (1996: £nil).

The pension charge for the year amounted to £nil (1996: 11,551).

16 Immediate and ultimate parent companies

The company's immediate parent company is Wiltshire (Bristol) Limited, a company registered in England and Wales.

The largest and smallest group in which the results of the company are consolidated is headed by its ultimate parent company, Hurst Publishing Limited, which is registered in England and Wales. The consolidated accounts of this company are available to the public and may be obtained from AutoTrader House, Reading, RG6 4UT.

17 Prior year comparatives

Prior year comparative figures were audited by a firm other than Arthur Andersen.