

Company Registration No. 2672991 (England and Wales)

ELECTRONICS FOR IMAGING (EUROPE) LIMITED
DIRECTORS' REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 1998



ELECTRONICS FOR IMAGING (EUROPE) LIMITED

COMPANY INFORMATION

Directors

E Arazi
D Avida
R Colla

Secretary

R Colla

Company number

2672991

Registered office

Stonebridge House, Padbury Oaks, Old Bath Road
Longford
Middlesex
UB7 0EW

Auditors

Durrants
24 Wellington Business Park
Dukes Ride
Crowthorne
Berkshire
RG45 6LS

ELECTRONICS FOR IMAGING (EUROPE) LIMITED

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ELECTRONICS FOR IMAGING (EUROPE) LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 1998

The directors present their report and financial statements for the year ended 31 December 1998.

Principal activities and review of the business

The principal activity of the company continued to be to provide technical and marketing support for Electronics for Imaging Limited Inc. in the colour connectivity market.

The results for the year and the financial position at the year end were considered satisfactory by the directors who expect continued growth in the foreseeable future.

Results and dividends

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

Year 2000

The directors have identified the key risks to the business and have developed a plan to minimise their impact. They have considered not only their own systems but also those of their major suppliers and customers. Although no organisation can guarantee that no year 2000 problems will arise, they believe that, having identified and removed the major risks to the business in accordance with the plan they have developed, it will be possible to quickly resolve any such problems as may arise without significant additional costs.

Directors

The following directors have held office since 1 January 1998:

E Arazi

D Avida

R Colla

C Boshuizen

(Resigned 30 November 1998)

Directors' interests

The directors' beneficial interests in the shares of the company were as stated below:

	Ordinary shares of £ 1 each	
	31 December 1998	1 January 1998
E Arazi	-	-
D Avida	-	-
R Colla	-	-

During the year ended 31st December 1998 R Colla was granted options to purchase 3,500 shares in the ultimate holding company, Electronics for Imaging Inc. ; no options were exercised during the year. Information regarding share options granted to the other directors can be obtained from the financial statements of Electronics for Imaging Inc. , which are published in the United States of America. Copies can be obtained from the company at the address shown in note 16 to the accounts.

Auditors

The company has by elective resolution dispensed with the obligation to appoint auditors annually in accordance with section 386(1) of the Companies Act 1985. Therefore, the auditors, Durrants, will be deemed to be reappointed for each succeeding financial year.

ELECTRONICS FOR IMAGING (EUROPE) LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 1998

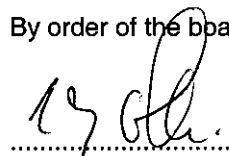
Directors' responsibilities

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 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.

By order of the board



.....

..... 27th Sep. 99

ELECTRONICS FOR IMAGING (EUROPE) LIMITED

AUDITORS' REPORT

TO THE SHAREHOLDERS OF ELECTRONICS FOR IMAGING (EUROPE) LIMITED

We have audited the financial statements on pages 4 to 13 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

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 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 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.

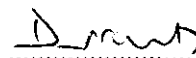
Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Durrants

Chartered Accountants
Registered Auditor

14 October 1999



24 Wellington Business Park
Dukes Ride
Crowthorne
Berkshire
RG45 6LS

ELECTRONICS FOR IMAGING (EUROPE) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1998

	Notes	1998 £	1997 £
Turnover	2	4,365,199	3,252,190
Administrative expenses		(4,071,775)	(3,034,978)
Operating profit	3	293,424	217,212
Other interest receivable and similar income	4	11,922	9,688
Profit on ordinary activities before taxation		305,346	226,900
Tax on profit on ordinary activities	5	(132,436)	(72,036)
Profit on ordinary activities after taxation	11	172,910	154,864

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

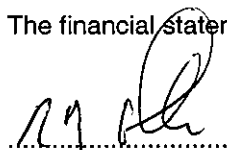
There are no recognised gains and losses other than those passing through the profit and loss account.

ELECTRONICS FOR IMAGING (EUROPE) LIMITED

BALANCE SHEET AS AT 31 DECEMBER 1998

	Notes	1998 £	£	1997 £	£
Fixed assets					
Tangible assets	6		244,731		174,360
Current assets					
Debtors	7	1,490,752		1,253,604	
Cash at bank and in hand		226,243		-	
		<u>1,716,995</u>		<u>1,253,604</u>	
Creditors: amounts falling due within one year	8	<u>(1,250,033)</u>		<u>(889,179)</u>	
Net current assets			<u>466,962</u>		<u>364,425</u>
Total assets less current liabilities			<u><u>711,693</u></u>		<u><u>538,785</u></u>
Capital and reserves					
Called up share capital	10		2		2
Capital contribution	11		50,000		50,000
Profit and loss account	11		661,691		488,783
Shareholders' funds - equity interests	12		<u><u>711,693</u></u>		<u><u>538,785</u></u>

The financial statements were approved by the Board on 27th Sept 99.



R Colla
Director

ELECTRONICS FOR IMAGING (EUROPE) LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 1998

	1998 £	1997 £
Net cash inflow from operating activities	511,137	52,807
Returns on investments and servicing of finance		
Interest received	<u>11,922</u>	<u>9,688</u>
Net cash inflow for returns on investments and servicing of finance	11,922	9,688
Taxation	(71,344)	(82,114)
Capital expenditure		
Payments to acquire tangible assets	(214,828)	(146,696)
Receipts from sales of tangible assets	<u>14,540</u>	<u>2,355</u>
Net cash outflow for capital expenditure	(200,288)	(144,341)
Net cash inflow/(outflow) before management of liquid resources and financing	<u>251,427</u>	<u>(163,960)</u>
Increase/(decrease) in cash in the year	<u><u>251,427</u></u>	<u><u>(163,960)</u></u>

ELECTRONICS FOR IMAGING (EUROPE) LIMITED

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 1998

1	Reconciliation of operating profit to net cash inflow from operating activities	1998	1997
		£	£
	Operating profit	293,424	217,212
	Depreciation of tangible assets	123,923	117,609
	Loss/(profit) on disposal of tangible assets	5,991	(2,355)
	Increase in debtors	(237,148)	(613,839)
	Increase in creditors within one year	324,947	434,180
	Increase/(decrease) in general marketing provision	-	(100,000)
	Net cash inflow from operating activities	511,137	52,807

2	Analysis of net funds/(debt)	1 January 1998	Cash flow	Other non-cash changes	31 December 1998
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	-	226,243		226,243
	Bank overdrafts	(25,185)	25,185		-
		<u>(25,185)</u>	<u>251,428</u>		<u>226,243</u>
	Debt:				
	Net (debt)/funds	<u>(25,185)</u>	<u>251,428</u>	<u>-</u>	<u>226,243</u>

3	Reconciliation of net cash flow to movement in net funds/(debt)	1998	1997
		£	£
	Increase/(decrease) in cash in the year	251,428	(163,963)
	Cash inflow from increase in debt	-	-
	Movement in net funds/(debt) in the year	251,428	(163,963)
	Opening net (debt)/funds	(25,185)	138,778
	Closing net funds/(debt)	226,243	(25,185)

ELECTRONICS FOR IMAGING (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1998

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention.

1.2 Turnover

Turnover represents amounts receivable for goods and services provided entirely within the United States, stated net of VAT.

1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Short Leasehold	over the term of the lease
Demo equipment	over 10 months
Office equipment	over 60 months
Computer equipment	over 36 months

1.4 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.5 Pensions

The pension costs charged in the financial statements represent the contributions payable by the company during the year.

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

1.7 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

2 Turnover

Turnover represents the amount derived from the provision of goods and services which fall within the company's ordinary activities, entirely within the United States, stated net of value added tax.

3 Operating profit

	1998	1997
	£	£
Operating profit is stated after charging:		
Depreciation of tangible assets	123,923	117,609
Operating lease rentals	88,205	80,777
Auditors' remuneration	4,000	3,750
	<u> </u>	<u> </u>

ELECTRONICS FOR IMAGING (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 1998

4	Other interest receivable and similar income	1998 £	1997 £			
	Bank interest	11,922	9,688			
5	Taxation	1998 £	1997 £			
	U.K. current year taxation					
	U.K. corporation tax at 31% (1997 - 31%)	131,544	71,344			
	Prior years					
	U.K. corporation tax	892	692			
		132,436	72,036			
6	Tangible fixed assets					
		Short Leasehold £	Demo equipment £	Office equipment £	Computer equipment £	Total £
	Cost					
	At 1 January 1998	53,652	123,116	155,546	188,386	520,700
	Additions	-	101,821	35,013	77,994	214,828
	Disposals	-	(65,454)	-	(132,644)	(198,098)
	At 31 December 1998	53,652	159,483	190,559	133,736	537,430
	Depreciation					
	At 1 January 1998	17,469	118,458	77,067	133,349	346,343
	On disposals	-	(65,454)	-	(112,113)	(177,567)
	Charge for the year	10,800	32,838	37,597	42,688	123,923
	At 31 December 1998	28,269	85,842	114,664	63,924	292,699
	Net book value					
	At 31 December 1998	25,383	73,641	75,895	69,812	244,731
	At 31 December 1997	36,183	4,659	78,480	55,038	174,360

ELECTRONICS FOR IMAGING (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 1998

7 Debtors	1998	1997
	£	£
Trade debtors	5,530	221,265
Other debtors	1,427,390	911,677
Prepayments and accrued income	57,832	120,662
	<u>1,490,752</u>	<u>1,253,604</u>

Other debtors is made up of amounts due by group undertakings.

8 Creditors: amounts falling due within one year	1998	1997
	£	£
Bank loans and overdrafts	-	25,185
Trade creditors	389,565	87,271
Corporation tax	132,436	71,344
Other taxes and social security costs	38,207	-
Other creditors	254,140	240,805
Accruals and deferred income	435,685	464,574
	<u>1,250,033</u>	<u>889,179</u>

Other creditors is made up of amounts due to group undertakings.

9 Pension costs

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £69,367 (1997 - £51,798). There were no contributions payable to the fund at the year end (1997 - £Nil).

10 Share capital	1998	1997
	£	£
Authorised		
1,000 Ordinary shares of £ 1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid		
2 Ordinary shares of £ 1 each	<u>2</u>	<u>2</u>

ELECTRONICS FOR IMAGING (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 1998

11 Statement of movements on reserves

	Capital contribution £	Profit and loss account £
Balance at 1 January 1998	50,000	488,781
Retained profit for the year	-	172,910
	<u>50,000</u>	<u>661,691</u>
Balance at 31 December 1998	<u>50,000</u>	<u>661,691</u>

The capital contribution is a non-returnable introduction of funds by Electronics for Imaging Inc., the company's ultimate parent company.

12 Reconciliation of movements in shareholders' funds

	1998 £	1997 £
Profit for the financial year	172,910	154,864
Opening shareholders' funds	538,785	383,921
	<u>711,693</u>	<u>538,785</u>
Closing shareholders' funds	<u>711,693</u>	<u>538,785</u>

13 Financial commitments

At 31 December 1998 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	1998 £	1997 £	1998 £	1997 £
Expiry date:				
Within one year	-	-	8,278	3,772
Between two and five years	86,656	86,656	77,169	72,919
	<u>86,656</u>	<u>86,656</u>	<u>85,447</u>	<u>76,691</u>

ELECTRONICS FOR IMAGING (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 1998

14 Directors' emoluments	1998 £	1997 £
Emoluments for qualifying services	144,365	136,973
Company pension contributions to money purchase schemes	9,165	8,527
	<u>153,530</u>	<u>145,500</u>

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 1 (1997 - 1).

15 Employees

Number of employees

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

	1998 Number	1997 Number
Distribution liaison and sales support	12	10
General management	1	1
Administration staff	2	2
Marketing staff	3	2
Technical support	3	4
	<u>21</u>	<u>19</u>

Employment costs

	£	£
Wages and salaries	997,205	963,257
Social security costs	93,846	102,531
Other pension costs	69,368	51,798
	<u>1,160,419</u>	<u>1,117,586</u>

ELECTRONICS FOR IMAGING (EUROPE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) ***FOR THE YEAR ENDED 31 DECEMBER 1998***

16 Control

The ultimate parent company is Electronics for Imaging Inc., a company registered in the United States.

The largest and smallest group in which the results of the company are consolidated is that headed by Electronics for Imaging Inc., the ultimate parent company. The consolidated accounts of this group are available to the public from San Mateo, California, 94403, United States of America.

Under the provisions of Financial Reporting Standard No. 8, the company is not required to disclose details of related party transactions with other group undertakings as it is a wholly owned subsidiary and the consolidated financial statements of the parent company in which the company's results are included are available to the public.