

OMOTRONA

MARKETING

concepta

GROUP plc



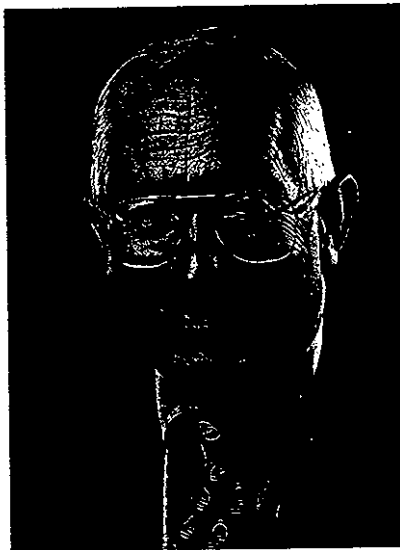
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ANNUAL REPORT & FINANCIAL STATEMENTS

1997

|                                       |    |
|---------------------------------------|----|
| CHAIRMAN'S STATEMENT                  | 2  |
| REVIEW OF OPERATIONS                  | 4  |
| DIRECTORS' REPORT                     | 9  |
| CORPORATE GOVERNANCE                  | 12 |
| REMUNERATION COMMITTEE<br>REPORT      | 13 |
| AUDITOR'S REPORT                      | 15 |
| CONSOLIDATED PROFIT &<br>LOSS ACCOUNT | 16 |
| CONSOLIDATED BALANCE SHEET            | 17 |
| COMPANY BALANCE SHEET                 | 18 |
| CONSOLIDATED CASH FLOW<br>STATEMENT   | 19 |
| NOTES TO THE FINANCIAL<br>STATEMENTS  | 20 |
| NOTICE OF ANNUAL GENERAL<br>MEETING   | 32 |



**BOB MORTON**  
Chairman

## FINANCIAL REVIEW

I am pleased to announce an excellent year's trading with turnover from continuing operations up 17% to £16,819,000 (1996: £14,325,000) and operating profit up 95% to £1,584,000 (1996: £812,000). Profit before taxation has increased by 18% to £1,611,000 (1996: £1,361,000 including exceptional credits of £698,000).

Earnings per share amounted to 0.93p (1996: 1.13p) including exceptional credits following increased tax charge and higher minorities.

Net cash at the year end increased to £1,285,000 (1996: £181,000).

The Directors are unable to recommend the payment of a dividend for the year owing to the deficit on the Company's profit and loss account of £1,325,000 as at 28 February 1997 (1996: £1,567,000). However, the Company has applied to the Court to sanction a reduction in the Company's share premium account, which was granted on 21 May 1997, and the payment of dividends out of future profits may now be resumed.

The most important event since my last statement was the acquisition of Citigate Communications Group on 3 March 1997. Citigate is a leading international communications group focusing on financial advertising, financial and corporate public relations, corporate identity programmes and the design of annual reports and literature and publishing.

Prior to this, on 28 February 1997, we completed the acquisition of the minority interests in Park Avenue Productions plc.

These two initiatives have consequently transformed Incepta Group into a balanced, diversified international communications group with a broad client base and a committed, shareowning staffing structure.

## OPERATIONS REVIEW

Following last year's successful restructuring, the Group enjoyed an excellent trading year.

LGM Marketing Services, sales promotion and direct marketing, exceeded expectations and gained significant new business. Park Avenue, producing presentations and organising product launches and video promotions, enjoyed an exceptional year and also significantly increased its client base. The contract publishing business, Mediamix, had a disappointing year and has now been merged with Citigate Publishing.

## ACQUISITION OF CITIGATE

On 3 March 1997, the recommended offer for the whole of the issued share capital of Citigate Communications Group Limited became unconditional following approval of our shareholders at the Extraordinary General Meeting and the admission of the Incepta shares to the official list of the London Stock Exchange.

The total value of the maximum consideration payable, valued at the placing price of 20 pence per share, is approximately £26,600,000. The initial consideration was satisfied by the issue of 87,999,910 new Ordinary Shares (of which 26,600,000 were placed on behalf of certain Citigate shareholders).

The maximum further consideration of 45,000,090 Ordinary Shares will become payable if the Citigate Communications Group Limited's consolidated profit before taxation for the year ending 30 September 1997 exceeds £3,000,000.

In addition to the shares placed on behalf of certain Citigate shareholders, a further 15,000,000 new Ordinary Shares were placed which raised £3,000,000 for the Company.

The proceeds received by the Company were used to fund the costs associated with the acquisitions and to provide additional working and development capital for the enlarged Group.

## ACQUISITION PROGRAMME

On 28 February 1997 the Company acquired the Ordinary Shares in Park Avenue Productions plc not already owned by the Group.

The initial consideration of £2,500,000 was satisfied by the issue of loan notes. Further consideration of 1,250,000 Ordinary Shares will be payable to each of Mr Nigel Greening and Mr Derrick Tuke-Hastings provided that they remain employees of the enlarged Group until 28 February 1999.

The loan notes carry interest at one quarter per cent above the base rate of National Westminster Bank PLC, payable six monthly in arrears. The loan notes are repayable on six months notice given at any time after 31 August 1997 and no later than 28 February 2002.

Security has been given in respect of the Company's obligations under the loan notes by creating a charge in favour of each vendor over the shares acquired from each vendor.

On 29 May 1997, Citigate agreed to acquire Hunt Thompson, a technology based public relations business for a total consideration of £341,000, satisfied by £201,000 in cash and the balance within 60 days of the completion of the first twelve months of trading subject to the level of fee income achieved. The business will merge with Citigate Technology and will trade under the Citigate Technology name. The acquisition takes Citigate towards its goal of becoming one of the top five UK PR companies in the hi-tech PR sector.

The global aspirations of the design division have been bolstered by the strategic alliance with Bass Yager, an independent US company with offices in Los Angeles and representation in Japan. The new partnership will be called Bass Yager Citigate and an international executive team has been formed to co-ordinate strategy and marketing.

## DIRECTORS AND BOARD CHANGES

On 3 March 1997, following the acquisition of Citigate, Mr Nigel Greening resigned as a Director of the Board and the Board expressed its appreciation to him for his loyalty and contribution to the Group in difficult times during his term as a Director. He retains his role as Chairman of Park Avenue Productions plc.

On the same date, three of the Citigate Directors joined the Board. Mr David Wright was appointed Chief Executive and Mr Kevin Steeds was appointed Group Finance Director and Company Secretary. Mr Charles Good was appointed as a Non-executive Director.

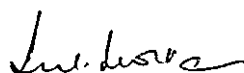
Also on 3 March 1997, Mr Graham Green became Deputy Chief Executive and Mr Martin Lee resigned as Company Secretary.

## CURRENT TRADING AND FUTURE PROSPECTS

The enlarged Group has made a very encouraging start to the year. We are ahead of budgets, winning new business and building on the Group's strong foundations. Incepta is well placed for further organic growth and the board continues to look for acquisition opportunities to develop the Group globally in its key marketplaces.

## STAFF

I express my thanks and appreciation to our Directors and staff for their continuing hard work and loyalty in producing an excellent result for the year and creating a sound platform for future growth. I also take the opportunity of welcoming the Directors and staff of Citigate to the enlarged Group and I wish them every success for the future.



**ALR MORTON**  
Chairman

2 June 1997



**GRAHAM GREEN**  
Deputy Chief Executive

This year has been extremely successful for the Group and the excellent results have endorsed our decision to shift the focus of our activities to "below-the-line" media activities.

LGM Marketing Services had an excellent year and the benefits of the previous year's reconstruction are continuing to materialise.

Existing clients such as Arjo Wiggins Appleton, Anheuser-Busch European Trade and Post Office Counters continued to make a major contribution to this success, but it was also an excellent year for new business gains with Gallaher, Gallaher International, One 2 One, Q8 Petroleum, First National Bank, British Airways and Medihealth.

LGM's reputation continues to grow and independent trade research placed it first for client service and third for creativity amongst its peers, and the marketplace for sales promotion and direct marketing activity continues to be very strong.

Park Avenue was appointed by British Airways on a global basis early in 1996, the first major project being the world launch of their recently announced new corporate identity.

Park Avenue's traditional strength in the automotive field continued and they were responsible for the European launch of the new Primera for Nissan, world-wide exhibition work for Opel, including a revolutionary virtual ride, and the launch of the BMW 5 series in the UK.

On the non-automotive side of the business, Thyssen Telecom continued as a significant client and 1996 saw the launch of "SenseStation", a travelling experience about the world of Wall's ice cream. This experiment in creating exciting sales environments has already caused much comment in this very competitive marketplace.

As mentioned in the Chairman's Statement, at the end of February 1997 Incepta acquired the remaining 40 per cent of Park Avenue Productions plc from the minority shareholders.

Mediamix Communications, the smallest of our operating companies had a difficult year with margins coming under intense pressure. In the circumstances, the Board has taken the decision to merge its activities with those of Citigate Publishing whose operations mirror those of Mediamix.

The most significant recent event was, of course, the acquisition of the Citigate Group which was finalised on 3 March 1997.

Citigate's operations in financial and corporate public relations, financial advertising, design and publishing not only exactly complement our existing operations but also provide us with the critical mass needed to create a strong foundation for future growth in our chosen areas of operation.

Citigate has had an enviable track record since it was founded in 1988 and we are convinced that the combination of the two organisations will create a powerful force in the media sector which will continue to achieve our aim of enhancing ongoing Incepta shareholder value.

Overall, group operating companies, including the recently acquired Citigate operations, have made a good start to the year.

**G J GREEN**  
Deputy Chief Executive

2 June 1997

### 1. Nissan

An industrial robot delivers a lecture on the benefits of Nissan suspension. Such techniques are employed by Park Avenue to create interest in potentially boring technical innovations. First used at the launch of the new Primera, this robot now does regular service in talking to both press and public.

### 2. Q8 Petroleum

Integrated programmes are increasingly on the agenda. In this instance, LGM worked with Q8 to develop an awareness campaign to support the launch of the new range of Q8 lubricants across Europe. The creative concept "performance starts from within" had to work hard across all media including poster sites and a variety of different forecourt and in-store POS requirements.

### 3. One 2 One

LGM began working with One 2 One in November 1996. The brief was to produce a hard hitting promotion which would achieve connection targets whilst building on the overall brand positioning "who would you most like to have a One 2 One with?". The solution, "5 free CDs when you connect to One 2 One", has proved to be a great success.



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#### 4. Barclays Merchant Services

LGM work closely with Barclays Merchant Services in the customer communications arena commissioning and producing a quarterly magazine which goes out to 120,000 independent retailers nationwide. 'Business Contact' contains features and articles of interest to small businesses as well as updates and transaction security advice.

#### 5. Abbey Life

In November 1996, Mediamix launched 'Lifelines' for Abbey Life. This 16 page magazine was sent out to 250,000 policy holders as part of Abbey Life's customer retention strategy and is aimed at promoting loyalty by providing good financial advice through relevant, lifestyle-orientated editorial.

#### 6. Wall's SenseStation

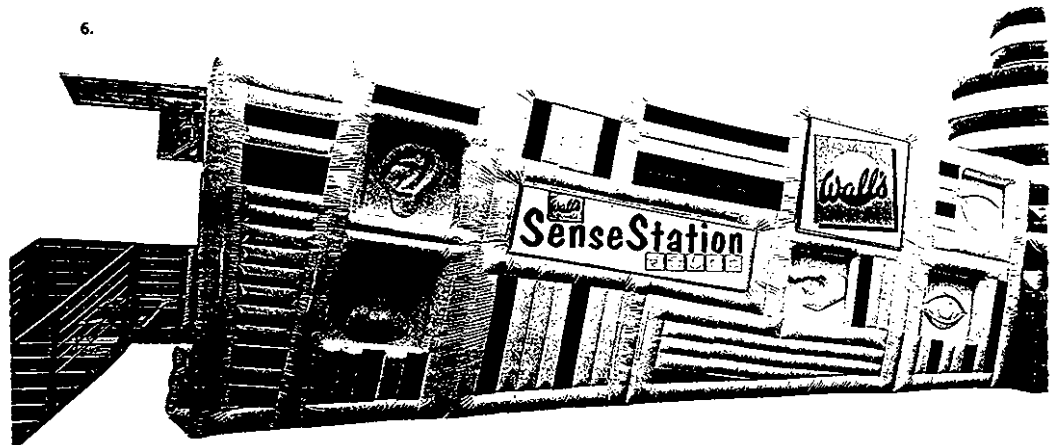
A mobile experience on the wonders of ice cream designed by Park Avenue. Supplying entertainment to children of all ages, this creation is used both to sell ice cream and increase the profile of Wall's at big exhibitions and major public shows around the UK.



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## 7. Business in the Community

'The Bright as a Button Challenge' to re-decorate the Harlesden Day Care Nursery, a local facility for low income families. Park Avenue staff gave up a weekend to transform the nursery into a bright and stimulating environment for kids.

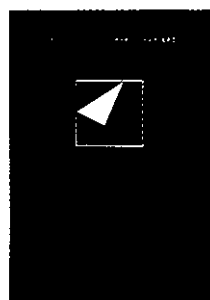
## 8. Arjo Wiggins

LGM work extensively in Europe, often producing material in up to 15 languages.

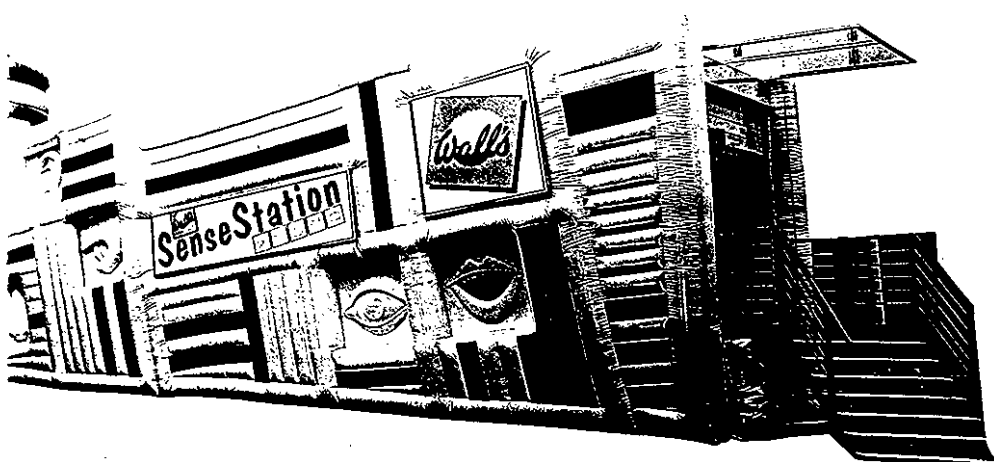
In this case, LGM designed and produced a corporate brochure and sales literature for Arjo Wiggins Thermal Papers Division, an increasingly important sector of the European paper market.



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#### 9. Opel universe@geneva

The first outing for a unique virtual ride through the world of Opel. Incorporating high resolution head up display technology and motion control of each seat, this state of the art experience now tours motor shows around the world, furthering Park Avenue's crusade to bring such events to life.

#### 10. Severn Trent Group

During the year Mediamix continued to develop 'Insight', a quality magazine that promotes the positive side of privatisation: the enormous investment Severn Trent has undertaken, the diversity of its water and waste management business and the innovative techniques pioneered by its subsidiary companies. Insight is sent to large

commercial customers, City analysts, politicians and other policy makers.

#### 11. The Tussauds Group

Each Spring, The Tussauds Group welcome more than 2,000 short term staff to help them run the eight attractions that make up The Tussauds Group. From Chessington World of Adventures

to the London Planetarium, encouraging staff to make sure customers enjoy themselves is all part of the formula, which is where Tussauds Group News comes in. Mediamix writes, designs and produces this publication in April, August and December.

#### 12. Post Office Counters

LGM continues to work with the country's largest retailer - Post Office Counters. The work involves a variety of projects from promoting sales of Lottery Tickets to encouraging Bill Payment to increasing Bureau de Change transactions. In this case LGM developed an incentive scheme to reward staff for selling Bureau de Change.



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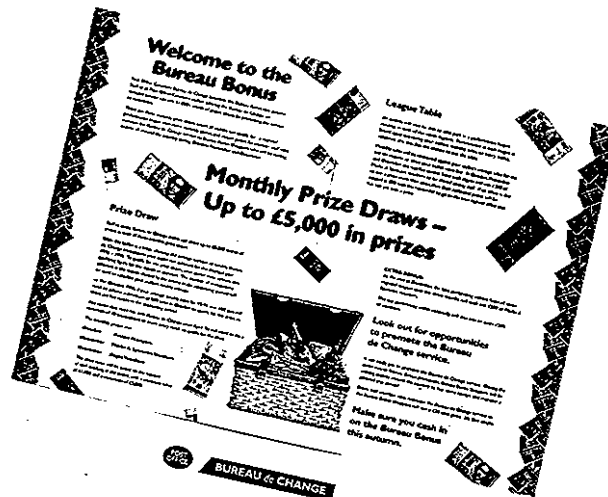


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The Directors present their report and the audited financial statements for the year ended 28 February 1997.

## PRINCIPAL ACTIVITIES

The Group is engaged in business communications. Its principal activities during the year were those of presentation organisation, product launches, film and video production (Park Avenue), sales promotion and direct marketing (LGM) and corporate publishing (Mediamix). On 28 February 1997, the Group acquired the remaining 40 per cent. of the issued share capital of Park Avenue Productions plc from the minority shareholders. The current trading and future prospects of the Group are discussed in the Chairman's Statement and the Review of Operations.

## RESULTS AND DIVIDENDS

The Group made a profit attributable to shareholders for the year of £616,000 (1996 - £752,000). No dividend has been paid during the year or is proposed by the Directors (1996 - nil).

## POST BALANCE SHEET EVENTS

On 3 March 1997 the Group acquired the whole of the issued share capital of Citigate Communications Group Limited. Initial consideration was satisfied by the issue of 87,999,910 new Ordinary Shares of 1 pence each in Incepta Group plc. A maximum of 45,000,090 further shares will be issued as deferred consideration if Citigate Communications Group Limited's consolidated profit before tax for the year ending 30 September 1997 exceeds £3,000,000.

On 3 March 1997, the Company raised £3,000,000 by way of a placing of 15,000,000 new Ordinary Shares of 1 pence in the Company at a price of 20 pence each.

On 29 May 1997, Citigate agreed to acquire Hunt Thompson, a technology based public relations business for a total consideration of £341,000, satisfied by £201,000 in cash and the balance within 60 days of the completion of the first twelve months of trading subject to the level of fee income achieved.

## DIRECTORS AND THEIR INTERESTS

The following served as Directors during the year:

|             |                         |
|-------------|-------------------------|
| ALR Morton  | (Chairman)              |
| NDM Mackay  | (Non-executive)         |
| GJ Green    | (Chief Executive)       |
| ND Greening | (Resigned 3 March 1997) |

ALR Morton and NDM Mackay are Non-executive Directors. ALR Morton, aged 55, is a chartered accountant and Chairman of Silvermines Group PLC, Jordec Group PLC, Spargo Consulting PLC and Deputy Chairman of Bickerton Group PLC.

NDM Mackay, aged 57, has been a Director of Lazard Brothers & Co. Limited since 1979 and is also a Non-executive Director of Lamont Holdings PLC.

GJ Green, aged 49, founded the business of LGM in 1981 prior to which he was a Director of the Purchasepoint Group. He joined the Incepta Board and was appointed Chief Executive on 7 April 1995.

On 3 March 1997, immediately following the acquisition of Citigate Communications Group Limited, DE Wright, KB Steeds and CA Good were appointed as Directors of the Company. DE Wright was appointed as Group Chief Executive and GJ Green became Deputy Chief Executive.

DE Wright, aged 52, was a founder Director and shareholder of Citigate. Prior to this he was Managing Director of Streets Financial Strategy Limited, a financial public relations consultancy. He previously worked for McCann Erickson and spent 18 years with the Financial Times, ultimately as UK Company News Editor.

KB Steeds, aged 38, qualified as a chartered accountant with Arthur Young. In July 1985, he joined Addison Consultancy Group PLC as the financial controller of their public relations, design and advertising businesses. He was also a founder Director and shareholder of Citigate.

CA Good, aged 51, is a Non-executive Director. He is a chartered accountant and is Deputy Chairman of Ely Fund Managers Limited and a Non-executive Director of English Trust Group PLC and Millennium Group PLC. He has been a Non-executive Director of Citigate since 1988.

The interests of the Directors who were in service at the end of the year in the share capital of Incepta Group plc at 28 February 1997 and at 29 February 1996 were as follows:

|             | As at 28 February 1997          | As at 29 February 1996          |
|-------------|---------------------------------|---------------------------------|
|             | Ordinary Shares of 1 pence each | Ordinary Shares of 1 pence each |
| ALR Morton  | 8,500,000                       | 8,500,000                       |
| NDM Mackay  | 381,953                         | 381,953                         |
| GJ Green    | 813,225                         | 613,225                         |
| ND Greening | 1,225,415                       | 1,225,415                       |

The above shareholdings were all beneficially held except for 132,034 Ordinary Shares attributable to NDM Mackay which were non-beneficially held. Details of share options held by Directors are disclosed in the Remuneration Committee Report which follows this report.

None of the Directors has any other interest in the shares of the Company or its subsidiaries, save for ND Greening who until 28 February 1997 held 16 per cent. of the ordinary share capital of Park Avenue Productions plc which was purchased on that date by the Company, as referred to in note 25(i) of the financial statements. There have been no changes in the above Directors' interests in the shares of the Company between 28 February 1997 and 2 June 1997. At 2 June 1997, DE Wright, KB Steeds and CA Good held interests in the Ordinary Shares in the

Company of 5,880,327; 2,110,886 and 2,613,669 respectively.

So far as the Directors are aware, having made due and careful enquiry, no connected person (within the meaning of Section 346 of the Companies Act 1985) of a Director has any interest in shares or warrants of the Company or its subsidiaries which would, if that person were a Director, be required to be notified to the Company.

None of the Directors is interested in any transactions, other than the acquisition of the Park Avenue Productions plc minority interests referred to above, which are or were unusual in their nature or conditions or significant to the business of the Group and which were effected by the Group during the current or immediately preceding financial year or during an earlier financial year and remain in any respect outstanding or unperformed.

#### SUBSTANTIAL SHAREHOLDINGS

As at 30 May 1997, the Directors were aware of the following interests representing 3 per cent. or more of the issued ordinary share capital of the Company and had not been notified, pursuant to the provisions of the Companies Act 1985, of any further such interests:

| Name of shareholder             | Number of Ordinary Shares of 1 pence | Percentage of existing issued ordinary share capital |
|---------------------------------|--------------------------------------|------------------------------------------------------|
| Headway Corporate Resources Inc | 8,677,111                            | 5.1                                                  |
| ALR Morton                      | 8,500,000                            | 5.0                                                  |
| DE Wright                       | 5,880,327                            | 3.5                                                  |

**POLITICAL AND CHARITABLE CONTRIBUTIONS**

The Group made no political or charitable contributions during the year.

**LIABILITY INSURANCE**

During the year the Company maintained liability insurance for its officers.

**POLICY ON PAYMENT TO CREDITORS**

Group companies agree the terms and conditions under which business transactions with their suppliers are conducted. Group companies will comply with these payment terms, provided they are satisfied that the supplier has provided the goods or services in accordance with agreed terms and conditions.

**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 the Group and of the profits 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard

the assets of the Group and to prevent and detect fraud and other irregularities.

**AUDITORS**

KPMG Audit Plc have indicated their willingness to continue in office and a resolution concerning their re-appointment will be proposed at the Annual General Meeting.

By Order of the Board



**K B STEEDS**  
Company Secretary

2 June 1997

The Stock Exchange requires all UK listed companies to report on their compliance with the Code of Best Practice set out in the Report of the Cadbury Committee on the Financial Aspects of Corporate Governance.

In general the Code emphasises the importance of independent monitoring, by Non-executive Directors, of certain aspects of corporate governance. ALR Morton has been Non-executive Chairman of the Company for four years and he was joined on the Board by NDM Mackay in 1994, as a second Non-executive Director. The Code recommends that all listed companies should have at least three Non-executive Directors. CA Good was appointed as a third Non-executive Director on 3 March 1997. Subject to this, the Company has complied with the Code of Best Practice. The Company has an Audit Committee and a Remuneration Committee whose members are able, where appropriate, to secure the assistance of outside professional advice. Each Committee operates within defined terms of reference.

The Audit Committee consists of ALR Morton (Chairman), NDM Mackay and, since his appointment as Non-executive Director on 3 March 1997, CA Good. The external auditor may request a meeting at any time and one of its representatives is present at all meetings. The Committee discusses with the external auditor matters of internal control and audit procedure, as well as reviewing financial statements and compliance with accounting standards. There is provision for the external auditor to discuss any concerns it may have with the Non-executive Directors in the absence of management (including the Company Secretary) if necessary.

The Remuneration Committee consists of ALR Morton (Chairman), NDM Mackay and, since 3 March 1997, CA Good. Its role is to review the remuneration packages and service contracts of the Directors and senior executives. The Committee is also responsible for administering the Company's share option scheme. A report by the Remuneration Committee to shareholders follows this report.

## INTERNAL CONTROL

The Cadbury Code of Best Practice recommends that Directors of listed companies make a statement on internal controls operating within their organisations. The Directors acknowledge that they are

responsible for the system of internal financial control within the Group, although it is recognised that such a system can provide only reasonable and not absolute assurance against mis-statement or loss.

Internal controls are established to provide reasonable assurance of:

- the safeguarding of assets against unauthorised use or disposition;
- the maintenance of proper accounting records and the reliability of financial information used within the business or for publication.

An established internal financial control framework and reporting procedure has been in operation throughout the Group for the whole of the financial year. The Board has reviewed the internal financial control framework for the period from 1 March 1996.

Subsidiary company management are responsible for regularly reviewing the inherent risks within their operations and for incorporating internal controls to cover these risks. Lines of reporting and authority levels exist between the Board and local management. As far as possible, subsidiary company management have autonomy to manage their operations within this internal control framework.

There is a comprehensive financial reporting system for the subsidiary companies which includes:

- detailed annual budgets incorporating capital expenditure and development plans;
- monthly management accounting information with comparisons against budget;
- half-yearly revisions of forecasts for the current year.

All of this information is discussed in detail with the Group Chief Executive and other relevant Board Directors and summarised versions are reviewed by the Board.

## GOING CONCERN

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

On behalf of the Board, the Remuneration Committee is required to report to shareholders on certain aspects of Directors' remuneration.

The Group has complied throughout the accounting period with Section A of the best practice provisions annexed to the listing rules of the London Stock Exchange. In framing its remuneration policy, the Committee has given full consideration to Section B of the best practice provisions annexed to the listing rules.

## DIRECTORS' REMUNERATION POLICY

In general, the Committee will provide packages needed to attract, retain and motivate Directors of the required quality. Comparisons are made against the most comparable listed companies within the marketing communications industry and with the subsidiary companies within the Group. Directors' fees payable to Non-executive Directors are approved by the Board.

The Group expects that Executive Directors will operate under full time service contracts and would not normally accept appointments outside of the Group. It is recognised, however, that provided the time commitment is limited, a non-Group appointment may broaden the management experience of the executives concerned. Any such appointment would require the approval of the Remuneration Committee and it would be expected that any payment for such services would be retained by the executive.

## DIRECTORS' SERVICE CONTRACTS

DE Wright - Group Chief Executive, has a service agreement with the Company terminable by either party giving to the other not less than twelve months written notice to expire on or after 2 March 1999. Under this agreement the Company has agreed to pay DE Wright an annual salary of £133,000. DE Wright participates in the Company's profit related pay scheme and is entitled to a performance related bonus as determined by the Remuneration Committee. The Company makes a pension contribution of £21,000 per annum into his executive pension scheme.

GJ Green - Deputy Chief Executive, has a service agreement with the Company terminable by either party giving to the other not less than twelve months written notice to expire on or after 2 March 1999. Under this agreement the Company has agreed to pay GJ Green an annual salary of £125,000 and a car allowance of £12,000 per annum. GJ Green will be entitled to a bonus of 10 per cent. of salary if Incepta (excluding the Citigate Communications Group Limited acquisition) achieves a profit before tax (after bonus) of £1,600,000 for the year ending 28 February 1998, plus 2 per cent. of salary for every 1 per cent. by which such profit exceeds £1,600,000. The Company makes a contribution of £30,000 per annum to his pension.

KB Steeds - Group Finance Director, has a service agreement with the Company terminable by either party giving to the other not less than twelve months written notice to expire on or after 2 March 1999. Under this agreement the Company has agreed to pay KB Steeds an annual salary of £104,500. KB Steeds participates in the Company's profit related pay scheme and is entitled to a performance related bonus as determined by the Remuneration Committee. The Company makes a pension contribution of £16,500 per annum into his executive pension scheme. In addition, KB Steeds is entitled to a loyalty bonus of £17,500 if he remains with the Company until the date on which the audited financial statements of the Company for the year to 28 February 1998 are approved.

ND Greening - Executive Director, until 3 March 1997, and Chairman of Park Avenue Productions plc, has a service agreement with that Company, terminable by either party giving to the other at least twelve months written notice. Under this service agreement, Park Avenue Productions plc is obliged to pay an annual salary of £103,500.

The Company has agreed to pay ALR Morton, NDM Mackay and CA Good annual fees of £20,000, £15,000 and £15,000 respectively in respect of their services. Each of the Non-executive Directors' has signed a letter of appointment terminable by either party on six months notice to expire at any time.

Details of the remuneration of Directors for the year ending 28 February 1997 are given in note 4 of the financial statements.

approved by the Inland Revenue. The scheme was amended by resolutions of shareholders, passed on 18 October 1990 and 5 July 1993.

price to take account of the February 1993 rights issue. Such adjustments were confirmed by the auditors of the Company to be fair and reasonable.

## SHARE OPTIONS

The Employee Share Option Scheme was approved by the shareholders on 4 November 1988 and was subsequently

In accordance with the rules of the Employee Share Option Scheme, the Directors made adjustments to the number of shares under option and the subscription

The following have options to subscribe for Ordinary Shares of 1 pence each in the capital of the Company issued under the rules of the scheme:

|                                 | As at<br>1 March 1996 | No. of options granted<br>during the year | As at<br>28 February 1997 | Exercise price | Exercisable between   |
|---------------------------------|-----------------------|-------------------------------------------|---------------------------|----------------|-----------------------|
| Directors:                      |                       |                                           |                           |                |                       |
| GJ Green                        | 1,000,000             | -                                         | 1,000,000                 | 8.5p           | 1 December 1998-2005  |
| ND Greening                     | 80,000                | -                                         | 80,000                    | 31.0p          | 1 September 1996-2003 |
| ND Greening                     | 220,000               | -                                         | 220,000                   | 10.5p          | 27 December 1998-2005 |
| Employees:                      |                       |                                           |                           |                |                       |
| Total by                        | 375,000               | -                                         | 375,000                   | 15.67p         | 8 October 1994-2001   |
| exercise price                  | 250,000               | -                                         | 250,000                   | 24.50p         | 5 July 1996-2003      |
|                                 | 160,000               | -                                         | 160,000                   | 31.0p          | 1 September 1996-2003 |
|                                 | 80,000                | -                                         | 80,000                    | 12.5p          | 31 January 1998-2005  |
|                                 | 2,660,000             | -                                         | 2,660,000                 | 10.5p          | 5 January 1999-2006   |
|                                 | -                     | 146,000                                   | 146,000                   | 20.5p          | 18 July 1999-2006     |
| Outstanding at 28 February 1997 |                       |                                           | <u>4,971,000</u>          |                |                       |

No options have been granted since 28 February 1997

The highest and lowest market prices of the shares during the year were 22.5 pence and 13.5 pence respectively. At the year end, the shares were in suspension at a price of 21.5 pence.

## ALR MORTON

Chairman  
Remuneration Committee

2 June 1997

We have audited the financial statements on pages 16 to 31. We have also examined the amounts disclosed relating to emoluments and share option interests of the Directors which form part of the Remuneration Committee Report on pages 13 and 14.

#### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

As described on page 11, 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.

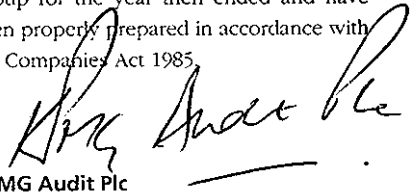
#### **BASIS OF OPINION**

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 Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group'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 and the Group as at 28 February 1997 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
**KPMG Audit Plc**  
 Chartered Accountants  
 Registered Auditor  
 8 Salisbury Square  
 Blackfriars  
 London EC4Y 8BB

2 June 1997

# CONSOLIDATED PROFIT & LOSS ACCOUNT

FOR THE YEAR ENDED 28 FEBRUARY 1997

|                                                                     | Note  | YEAR ENDED<br>28 FEBRUARY 1997 |          | YEAR ENDED<br>29 FEBRUARY 1996 |          |
|---------------------------------------------------------------------|-------|--------------------------------|----------|--------------------------------|----------|
|                                                                     |       | £'000                          | £'000    | £'000                          | £'000    |
| TURNOVER                                                            | 2     |                                |          |                                |          |
| Continuing operations                                               |       | 16,819                         |          | 14,325                         |          |
| Discontinued operations                                             |       | -                              |          | 11,817                         |          |
|                                                                     |       |                                | 16,819   |                                | 26,142   |
| Cost of sales                                                       |       |                                | (10,331) |                                | (17,100) |
| GROSS PROFIT                                                        | 2     |                                |          |                                |          |
| Continuing operations                                               |       | 6,488                          |          | 5,858                          |          |
| Discontinued operations                                             |       | -                              |          | 3,184                          |          |
|                                                                     |       |                                | 6,488    |                                | 9,042    |
| Administrative expenses                                             |       |                                | (4,904)  |                                | (8,230)  |
| OPERATING PROFIT/(LOSS)                                             | 2     |                                |          |                                |          |
| Continuing operations                                               |       | 1,584                          |          | 941                            |          |
| Discontinued operations                                             |       | -                              |          | (129)                          |          |
|                                                                     |       |                                | 1,584    |                                | 812      |
| Accounting surplus arising<br>on closure and disposal of businesses |       |                                | -        |                                | 698      |
| Interest receivable                                                 |       |                                | 79       |                                | 43       |
| Interest payable and similar charges                                | 6     |                                | (52)     |                                | (192)    |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAX                            | 2 & 3 |                                | 1,611    |                                | 1,361    |
| Tax on profit on ordinary activities                                | 7     |                                | (621)    |                                | (355)    |
| PROFIT ON ORDINARY ACTIVITIES AFTER TAX                             |       |                                | 990      |                                | 1,006    |
| Minority interests                                                  | 18    |                                | (374)    |                                | (254)    |
| PROFIT FOR THE FINANCIAL YEAR TRANSFERRED TO RESERVES               |       |                                | 616      |                                | 752      |
| EARNINGS PER SHARE                                                  | 8     |                                | 0.93p    |                                | 1.13p    |
| FULLY DILUTED EARNINGS PER SHARE                                    | 8     |                                | 0.87p    |                                |          |

There are no gains or losses in 1997 or 1996 other than those shown in the profit and loss account.  
There is no difference between the reported profit and the historical cost profit for 1997 and 1996.

# CONSOLIDATED BALANCE SHEET

AT 28 FEBRUARY 1997

|                                                         | Note  | £'000   | 1997<br>£'000 | £'000   | 1996<br>£'000 |
|---------------------------------------------------------|-------|---------|---------------|---------|---------------|
| FIXED ASSETS                                            |       |         |               |         |               |
| Tangible assets                                         | 9     |         | 909           |         | 959           |
| CURRENT ASSETS                                          |       |         |               |         |               |
| Work in progress                                        |       | 196     |               | 288     |               |
| Debtors                                                 | 11    | 3,905   |               | 3,984   |               |
| Cash at bank and in hand                                |       | 1,713   |               | 1,018   |               |
|                                                         |       | 5,814   |               | 5,290   |               |
| CREDITORS: amounts falling due within one year          | 12    | (5,419) |               | (5,739) |               |
| NET CURRENT ASSETS/(LIABILITIES)                        |       |         | 395           |         | (449)         |
| TOTAL ASSETS LESS CURRENT LIABILITIES                   |       |         | 1,304         |         | 510           |
| CREDITORS: amounts falling due after more than one year | 13    |         | (2,500)       |         | -             |
| PROVISION FOR LIABILITIES AND CHARGES                   | 14    |         | (16)          |         | (30)          |
| NET (LIABILITIES)/ASSETS                                |       |         | (1,212)       |         | 480           |
| CAPITAL AND RESERVES                                    |       |         |               |         |               |
| Called up share capital                                 | 15    |         | 663           |         | 663           |
| Share premium account                                   |       |         | 10,217        |         | 10,217        |
| Shares to be issued                                     | 25(i) |         | 500           |         | -             |
| Reserves                                                | 16    |         | (12,592)      |         | (10,742)      |
| EQUITY SHAREHOLDERS' (DEFICIT)/FUNDS                    | 17    |         | (1,212)       |         | 138           |
| Minority interests (equity)                             | 18    |         | -             |         | 342           |
|                                                         |       |         | (1,212)       |         | 480           |

These financial statements were approved by the Board of Directors on 2 June 1997 and were signed on its behalf by:

ALR MORTON  
Chairman

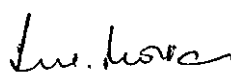
GJ GREEN  
Deputy Chief Executive

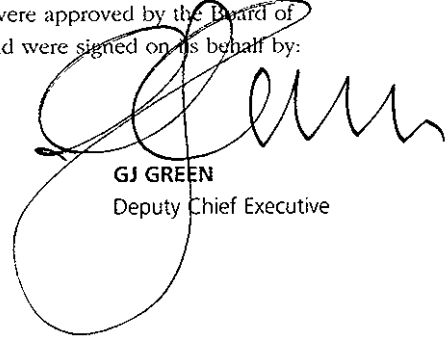
# COMPANY BALANCE SHEET

AT 28 FEBRUARY 1997

|                                                         | Note  | £'000          | 1997<br>£'000  | £'000          | 1996<br>£'000  |
|---------------------------------------------------------|-------|----------------|----------------|----------------|----------------|
| <b>FIXED ASSETS</b>                                     |       |                |                |                |                |
| Investments                                             | 10    |                | 11,190         |                | 8,381          |
| <b>CURRENT ASSETS</b>                                   |       |                |                |                |                |
| Debtors                                                 | 11    | 3,317          |                | 2,776          |                |
| CREDITORS: amounts falling due within one year          | 12    | <u>(1,952)</u> |                | <u>(1,844)</u> |                |
| NET CURRENT ASSETS                                      |       |                | 1,365          |                | 932            |
| CREDITORS: amounts falling due after more than one year | 13    |                | <u>(2,500)</u> |                | <u>-</u>       |
| NET ASSETS                                              |       |                | <u>10,055</u>  |                | <u>9,313</u>   |
| <b>CAPITAL AND RESERVES</b>                             |       |                |                |                |                |
| Called up share capital                                 | 15    |                | 663            |                | 663            |
| Share premium                                           |       |                | 10,217         |                | 10,217         |
| Shares to be issued                                     | 25(i) |                | 500            |                | -              |
| Profit and loss account                                 | 16    |                | <u>(1,325)</u> |                | <u>(1,567)</u> |
| EQUITY SHAREHOLDERS' FUNDS                              | 17    |                | <u>10,055</u>  |                | <u>9,313</u>   |

These financial statements were approved by the Board of Directors on 2 June 1997 and were signed on its behalf by:

  
ALR MORTON  
Chairman

  
GJ GREEN  
Deputy Chief Executive

# CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 28 FEBRUARY 1997

|                                                                                   |        | YEAR ENDED<br>28 FEBRUARY 1997 |       | YEAR ENDED<br>29 FEBRUARY 1996 |         |
|-----------------------------------------------------------------------------------|--------|--------------------------------|-------|--------------------------------|---------|
|                                                                                   | Note   | £'000                          | £'000 | £'000                          | £'000   |
| NET CASH INFLOW FROM OPERATING ACTIVITIES                                         | 22     |                                | 2,170 |                                | 1,107   |
| RETURNS ON INVESTMENTS AND SERVICING OF FINANCE                                   |        |                                |       |                                |         |
| Interest received                                                                 |        | 78                             |       | 43                             |         |
| Interest paid on bank loans, overdrafts and other loans                           |        | (44)                           |       | (175)                          |         |
| Interest element of finance lease rental payments                                 |        | (3)                            |       | (17)                           |         |
| Other interest paid                                                               |        | (8)                            |       | -                              |         |
| Dividends paid to minority shareholders in subsidiaries                           |        | (332)                          |       | (52)                           |         |
| NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE             |        |                                | (309) |                                | (201)   |
| TAX                                                                               |        |                                |       |                                |         |
| UK corporation tax paid                                                           |        |                                | (474) |                                | (195)   |
| INVESTING ACTIVITIES                                                              |        |                                |       |                                |         |
| Purchase of tangible fixed assets                                                 |        | (213)                          |       | (640)                          |         |
| Sale of tangible fixed assets                                                     |        | 63                             |       | 87                             |         |
| Deferred consideration paid                                                       | 25(ii) | (65)                           |       | (1,583)                        |         |
| Acquisition of business                                                           | 25(ii) | (57)                           |       | -                              |         |
| Sale of subsidiary and associated undertakings (net of cash and cash equivalents) |        | -                              |       | 386                            |         |
| NET CASH OUTFLOW FROM INVESTING ACTIVITIES                                        |        |                                | (272) |                                | (1,750) |
| NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING                                        |        |                                | 1,115 |                                | (1,039) |
| FINANCING                                                                         |        |                                |       |                                |         |
| Capital elements of finance lease rental payments                                 | 24     |                                | (11)  |                                | (143)   |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS                              | 23     |                                | 1,104 |                                | (1,182) |

# 1 ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

## (1) Basis of accounting

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

## (2) Basis of consolidation

The Group financial statements consolidate the accounts of Incepta Group plc and all its subsidiary undertakings. These financial statements are made up to 28 February 1997.

Unless otherwise stated, the acquisition method of accounting has been adopted. Under this method, the results of subsidiary and associated undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal. Goodwill arising on consolidation (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) is written off against reserves on acquisition. On the subsequent disposal or termination of a previously acquired business, the profit or loss on disposal or termination is calculated after charging the gross amount of any related goodwill previously taken to reserves.

In the Company's financial statements, investments in subsidiary and associated undertakings are stated at cost less amounts written off. Dividends received and receivable are credited to the Company's profit and loss account to the extent that they represent a realised profit for the Company.

Purchased goodwill, representing the excess of the cost of unincorporated businesses acquired over their attributable fair value at the time of acquisition, is written off directly against reserves in the year of acquisition.

In accordance with Section 230(4) of the Companies Act 1985 Incepta Group plc is exempt from the requirement to present its own profit and loss account. The amount of the profit for the financial year dealt with in the financial statements of Incepta Group plc is disclosed in note 16 to these financial statements.

## (3) Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

|                                            |                  |
|--------------------------------------------|------------------|
| Leasehold improvements                     | - Life of lease  |
| Fixtures, fittings, vehicles and equipment | - 25% per annum. |

## (4) Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

## (5) Leases

When the Group 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 the 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.

## (6) Work in progress

Work in progress is stated at the lower of cost and estimated net realisable value.

## (7) Tax

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

## (8) Turnover

Turnover represents amounts receivable, either for services to customers or for work completed during the year, excluding VAT.

## 2 SEGMENTAL INFORMATION

The tables below set out information for each of the Group's classes of business and geographical segments.

| CLASSES OF BUSINESS                                                    | TURNOVER      |               | PROFIT ON ORDINARY<br>ACTIVITIES<br>BEFORE TAX |              | NET<br>(LIABILITIES)/<br>ASSETS |            |
|------------------------------------------------------------------------|---------------|---------------|------------------------------------------------|--------------|---------------------------------|------------|
|                                                                        | 1997          | 1996          | 1997                                           | 1996         | 1997                            | 1996       |
|                                                                        | £'000         | £'000         | £'000                                          | £'000        | £'000                           | £'000      |
|                                                                        |               |               |                                                |              |                                 |            |
| Presentation organisation, product launches, film and video production | 9,252         | 6,571         | 1,320                                          | 1,004        | 1,406                           | 855        |
| Sales promotion and direct marketing                                   | 6,995         | 7,092         | 459                                            | 348          | 383                             | 392        |
| Corporate publishing                                                   | 572           | 662           | 2                                              | 85           | 20                              | 52         |
| Discontinued activities                                                | -             | 11,817        | -                                              | (129)        | -                               | -          |
| Central costs                                                          | -             | -             | (197)                                          | (496)        | -                               | -          |
| Parent company and non-operational                                     | -             | -             | -                                              | -            | (3,021)                         | (819)      |
|                                                                        | <u>16,819</u> | <u>26,142</u> | <u>1,584</u>                                   | <u>812</u>   | <u>(1,212)</u>                  | <u>480</u> |
| Accounting surplus arising on closure<br>and disposal of businesses    |               |               | -                                              | 698          |                                 |            |
| Net interest receivable/(payable)                                      |               |               | 27                                             | (149)        |                                 |            |
|                                                                        |               |               | <u>1,611</u>                                   | <u>1,361</u> |                                 |            |

### GEOGRAPHICAL SEGMENTS BASED ON DESTINATION OF TURNOVER

|                   | TURNOVER      |               | GROSS PROFIT |              |
|-------------------|---------------|---------------|--------------|--------------|
|                   | 1997          | 1996          | 1997         | 1996         |
|                   | £'000         | £'000         | £'000        | £'000        |
| UK                | 10,497        | 20,336        | 4,308        | 6,647        |
| Other Europe      | 4,876         | 5,742         | 1,692        | 2,351        |
| Rest of the world | 1,446         | 64            | 488          | 44           |
|                   | <u>16,819</u> | <u>26,142</u> | <u>6,488</u> | <u>9,042</u> |

An analysis of results below the gross profit line has not been provided as all overheads are incurred in the UK and cannot be meaningfully allocated by geographical segment. All turnover originated in the UK and all assets and liabilities are based in the UK.

### 3 PROFIT ON ORDINARY ACTIVITIES BEFORE TAX

Profit on ordinary activities before tax is stated after charging/(crediting):

|                                                                  | 1997<br>£'000 | 1996<br>£'000 |
|------------------------------------------------------------------|---------------|---------------|
| Auditor's remuneration:                                          |               |               |
| Audit - Company's auditor                                        | 40            | 50            |
| - other accountancy firms                                        | -             | 22            |
| Other services - Company's auditor                               | 29            | 26            |
| - other accountancy firms                                        | -             | 32            |
| Depreciation and other amounts written off tangible fixed assets | 197           | 333           |
| Operating lease rentals                                          | 365           | 278           |
| Rental income                                                    | (162)         | (41)          |

### 4 DIRECTORS' EMOLUMENTS

|                                         | 1997<br>£'000 | 1996<br>£'000 |
|-----------------------------------------|---------------|---------------|
| Remuneration as executives              | 266           | 213           |
| Remuneration as Non-executive Directors | 25            | 30            |
| Cash value of benefits in kind          | 2             | 11            |
| Pension contributions                   | 55            | 51            |
|                                         | <u>348</u>    | <u>305</u>    |

The individual emoluments of each Director were as follows:

|             | BASIC<br>SALARY/<br>FEES<br>£'000 | PENSION<br>CONTRIBUTIONS<br>£'000 | CASH VALUE<br>OF BENEFITS<br>IN KIND<br>£'000 | TOTAL<br>EMOLUMENTS<br>1997<br>£'000 | 1996<br>£'000 |
|-------------|-----------------------------------|-----------------------------------|-----------------------------------------------|--------------------------------------|---------------|
| ALR Morton  | 15                                | -                                 | -                                             | 15                                   | 15            |
| NDM Mackay  | 10                                | -                                 | -                                             | 10                                   | 15            |
| GJ Green    | 136                               | 42                                | 1                                             | 179                                  | 136           |
| ND Greening | 130                               | 13                                | 1                                             | 144                                  | 82            |
| P Daffern   | -                                 | -                                 | -                                             | -                                    | 36            |
| IMR Perry   | -                                 | -                                 | -                                             | -                                    | 10            |
| CJ Woolams  | -                                 | -                                 | -                                             | -                                    | 11            |
|             | <u>291</u>                        | <u>55</u>                         | <u>2</u>                                      | <u>348</u>                           | <u>305</u>    |

No banding schedule is given as the information in this note extends beyond that required by Schedule 6 of the Companies Act 1985.

Details of Directors' interests in share options of the Company are given in the Remuneration Committee Report which precedes these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

28 FEBRUARY 1997 (CONTINUED)

### 5 STAFF NUMBER AND COSTS

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

|                                                                        | 1997      | 1996       |
|------------------------------------------------------------------------|-----------|------------|
| Presentation organisation, product launches, film and video production | 27        | 31         |
| Sales promotion and direct marketing                                   | 38        | 39         |
| Corporate publishing                                                   | 7         | 6          |
| Discontinued activities                                                | -         | 65         |
| Head office staff                                                      | 1         | 2          |
|                                                                        | <u>73</u> | <u>143</u> |

The aggregate payroll costs of these persons were as follows:

|                       | 1997<br>£'000 | 1996<br>£'000 |
|-----------------------|---------------|---------------|
| Wages and salaries    | 2,699         | 4,041         |
| Social security costs | 273           | 407           |
| Other pension costs   | 142           | 196           |
|                       | <u>3,114</u>  | <u>4,644</u>  |

### 6 INTEREST PAYABLE AND SIMILAR CHARGES

|                                                                                  | 1997<br>£'000 | 1996<br>£'000 |
|----------------------------------------------------------------------------------|---------------|---------------|
| On bank loans, overdrafts and other loans                                        | 41            | 175           |
| Finance charges payable in respect of finance leases and hire purchase contracts | 3             | 17            |
| Other interest payable                                                           | 8             | -             |
|                                                                                  | <u>52</u>     | <u>192</u>    |

### 7 TAX ON PROFIT ON ORDINARY ACTIVITIES

|                                                                                              | 1997<br>£'000 | 1996<br>£'000 |
|----------------------------------------------------------------------------------------------|---------------|---------------|
| UK corporation tax at 33 per cent. payable on the profit for the year on ordinary activities | 597           | 352           |
| Under/(over) provision in respect of prior year                                              | 38            | (7)           |
| Deferred tax                                                                                 | (14)          | 10            |
|                                                                                              | <u>621</u>    | <u>355</u>    |

### 8 EARNINGS PER SHARE

The calculation of earnings per share on the net basis is based on the profit on ordinary activities after tax and minority interests of £616,000 (1996: £752,000) and on 66,318,711 Ordinary Shares (1996: 66,318,348) being the weighted average number of shares in issue during the year.

Fully diluted earnings per share has been calculated based on a revised profit on ordinary activities after tax and minority interests of £632,000 and a weighted average number of shares in issue of 73,010,851. This weighted average number of shares takes into account the exercise of employee share options and warrants where these are expected to dilute earnings. A comparative figure has not been disclosed as it was not materially different from earnings per share on the net basis.

## 9 TANGIBLE FIXED ASSETS

| GROUP                      | FIXTURES,<br>FITTINGS,<br>LEASEHOLD VEHICLES AND<br>IMPROVEMENTS EQUIPMENT |            | TOTAL      |
|----------------------------|----------------------------------------------------------------------------|------------|------------|
|                            | £'000                                                                      | £'000      | £'000      |
| <b>COST</b>                |                                                                            |            |            |
| At 1 March 1996            | 655                                                                        | 773        | 1,428      |
| Additions                  | 39                                                                         | 174        | 213        |
| Disposals                  | -                                                                          | (129)      | (129)      |
| At 28 February 1997        | 694                                                                        | 818        | 1,512      |
| <b>DEPRECIATION</b>        |                                                                            |            |            |
| At 1 March 1996            | 150                                                                        | 319        | 469        |
| Charge for the year        | 49                                                                         | 148        | 197        |
| Disposals                  | -                                                                          | (63)       | (63)       |
| At 28 February 1997        | 199                                                                        | 404        | 603        |
| <b>NET BOOK VALUE</b>      |                                                                            |            |            |
| <b>At 28 February 1997</b> | <b>495</b>                                                                 | <b>414</b> | <b>909</b> |
| At 29 February 1996        | 505                                                                        | 454        | 959        |

The net book value of fixtures, fittings, vehicles and equipment includes £nil (1996: £26,406) in respect of leased assets.

## 10 FIXED ASSET INVESTMENTS

| COMPANY                    | SHARES IN GROUP UNDERTAKINGS |               |
|----------------------------|------------------------------|---------------|
|                            | £'000                        |               |
| <b>COST</b>                |                              |               |
| At 1 March 1996            |                              | 8,464         |
| Additions                  |                              | 5,714         |
| Disposals                  |                              | (2,904)       |
| At 28 February 1997        |                              | 11,274        |
| <b>PROVISIONS</b>          |                              |               |
| At 1 March 1996            |                              | 83            |
| Provision made in the year |                              | 1             |
| At 28 February 1997        |                              | 84            |
| <b>NET BOOK VALUE</b>      |                              |               |
| <b>At 28 February 1997</b> |                              | <b>11,190</b> |
| At 29 February 1996        |                              | 8,381         |

# 10 FIXED ASSET INVESTMENTS (CONTINUED)

## ADDITIONS

Additions to fixed asset investments are made up as follows:

|                                                                                                                      | £'000        |
|----------------------------------------------------------------------------------------------------------------------|--------------|
| Transfer of the Group's existing 60 per cent. interest in Park Avenue Productions plc from a subsidiary undertaking  | 2,699        |
| Acquisition of the remaining 40 per cent. of Park Avenue Productions plc from the minority shareholders (note 25(i)) | 3,015        |
|                                                                                                                      | <u>5,714</u> |

## DISPOSALS

During the year the Company disposed of its investments in Pelham Communications Limited, The Conston Trust plc and Abbott Phelps Tanous Limited to a subsidiary undertaking at their net asset values. The profit of £156,000 arising on these disposals has been eliminated in the consolidated profit and loss account.

The principal subsidiary undertakings of the Company at 28 February 1997 were as follows:

| NAME                                                              | COUNTRY OF<br>INCORPORATION &<br>PRINCIPAL OPERATION | PRINCIPAL<br>ACTIVITY                                                              | PERCENTAGE<br>OF SHARES HELD           |                                        |
|-------------------------------------------------------------------|------------------------------------------------------|------------------------------------------------------------------------------------|----------------------------------------|----------------------------------------|
|                                                                   |                                                      |                                                                                    | GROUP                                  | COMPANY                                |
| Park Avenue Productions plc                                       | England                                              | Presentation<br>organisation,<br>product launches,<br>film and video<br>production | -                                      | Ordinary<br>10 pence<br>Shares<br>100% |
| Mediamix Communications<br>Limited                                | England                                              | Corporate<br>publishing                                                            | -                                      | Ordinary<br>£1 Shares<br>100%          |
| LGM Holdings Limited<br>(formerly WMG Limited)                    | England                                              | Holding company                                                                    | -                                      | Ordinary<br>£1 Shares<br>100%          |
| LGM Marketing Services Limited<br>(formerly LGM Holdings Limited) | England                                              | Sales promotion<br>(formerly holding company)                                      | Ordinary<br>10 pence<br>Shares<br>100% | -                                      |
| Incepta Limited<br>(formerly LGM Marketing Services<br>Limited)   | England                                              | Dormant<br>(formerly sales promotion)                                              | Ordinary<br>£1 Shares<br>100%          | -                                      |

All of the companies have prepared accounts to 28 February 1997 and have been included in the consolidated results.

## 11 DEBTORS

|                                         | GROUP        |              | COMPANY      |              |
|-----------------------------------------|--------------|--------------|--------------|--------------|
|                                         | 1997         | 1996         | 1997         | 1996         |
|                                         | £'000        | £'000        | £'000        | £'000        |
| Amounts falling due within one year:    |              |              |              |              |
| Trade debtors                           | 3,375        | 3,490        | 2            | -            |
| Amounts owed by subsidiary undertakings | -            | -            | 2,913        | 2,444        |
| Corporation tax recoverable             | -            | 83           | 56           | 130          |
| Other debtors                           | 396          | 208          | 342          | 198          |
| Prepayments and accrued income          | 134          | 203          | 4            | 4            |
|                                         | <u>3,905</u> | <u>3,984</u> | <u>3,317</u> | <u>2,776</u> |

## 12 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

|                                                              | GROUP        |              | COMPANY      |              |
|--------------------------------------------------------------|--------------|--------------|--------------|--------------|
|                                                              | 1997         | 1996         | 1997         | 1996         |
|                                                              | £'000        | £'000        | £'000        | £'000        |
| Bank loans and overdrafts (secured)                          | 428          | 837          | 631          | 836          |
| Obligations under finance leases and hire purchase contracts | -            | 11           | -            | -            |
| Trade creditors                                              | 1,150        | 1,914        | 413          | 179          |
| Payments received on account                                 | 1,094        | 398          | -            | -            |
| Amounts owed to subsidiary undertakings                      | -            | -            | 712          | 477          |
| Corporation tax                                              | 514          | 435          | -            | -            |
| Other taxes and social security                              | 274          | 122          | 6            | -            |
| Other creditors                                              | -            | 1            | -            | -            |
| Dividends payable to minority shareholders                   | -            | 332          | -            | -            |
| Accruals and deferred income                                 | 1,959        | 1,689        | 190          | 352          |
|                                                              | <u>5,419</u> | <u>5,739</u> | <u>1,952</u> | <u>1,844</u> |

The bank overdraft at 28 February 1997 is from National Westminster Bank PLC and is secured by a fixed and floating charge over the assets of the Group. Interest is charged at 13/4 per cent. above the National Westminster Bank PLC base rate up to a level of £1,200,000. Above this level, an interest rate of 5 per cent. above the National Westminster Bank PLC base rate would apply.

## 13 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

|                                          | GROUP |       | COMPANY |       |
|------------------------------------------|-------|-------|---------|-------|
|                                          | 1997  | 1996  | 1997    | 1996  |
|                                          | £'000 | £'000 | £'000   | £'000 |
| Loan notes due between one and two years | 2,500 | -     | 2,500   | -     |

The loan notes are repayable on six months notice given at any time after 31 August 1997 and no later than 28 February 2002. Interest is payable six monthly in arrears on 28 February and 31 August each year at 1/4 per cent. above the National Westminster Bank PLC base rate.

As security for the Company's obligations to each of the Park Avenue Productions plc vendors under the loan notes, the Company has created a charge in favour of each vendor over the Park Avenue shares acquired from each vendor (note 25(i)).

# NOTES TO THE FINANCIAL STATEMENTS

28 FEBRUARY 1997 (CONTINUED)

## 14 PROVISION FOR LIABILITIES AND CHARGES

|                                | 1997<br>£'000 | 1996<br>£'000 |
|--------------------------------|---------------|---------------|
| DEFERRED TAX                   |               |               |
| Accelerated capital allowances | 16            | 30            |

## 15 CALLED UP SHARE CAPITAL

|                                                                 | 1997<br>£'000 | 1996<br>£'000 |
|-----------------------------------------------------------------|---------------|---------------|
| AUTHORISED                                                      |               |               |
| Ordinary Shares of 1 pence each 265,000,000 (1996 - 93,000,000) | 2,650         | 930           |
| ALLOTTED, ISSUED AND FULLY PAID                                 |               |               |
| Ordinary Shares of 1 pence each 66,318,948 (1996 - 66,318,348)  | 663           | 663           |

On 23 July 1996, 600 Ordinary Shares of 1 pence each were allotted pursuant to the exercise of warrants at a price of 19.7 pence per share.

On 27 February 1997 the authorised share capital of the Company was increased from £930,000 to £2,650,000 by the creation of 172,000,000 additional Ordinary Shares of 1 pence each in the Company.

On 3 March 1997, 87,999,910 new Ordinary Shares of 1 pence each were allotted and issued at 20 pence as initial consideration for the acquisition of the whole of the issued share capital of Citigate Communications Group Limited. A maximum of 45,000,090 further shares may be issued as deferred consideration for the acquisition (note 21).

On 3 March 1997, 15,000,000 new Ordinary Shares of 1 pence each were issued by way of a placing at 20 pence raising £3,000,000 for the Company.

## WARRANTS

There were in issue at 28 February 1997 1,721,140 warrants (1996: 1,721,740), each of which gives the right to subscribe for 1 Ordinary Share of 1 pence at 30 June (or, if later, 30 days after the despatch of the annual accounts) in any of the years 1992 to 2000 inclusive. There has been no change to the number of warrants in issue since the year end. The current exercise price is 19.7 pence per share.

## OPTIONS

As at 2 June 1997, the Company had granted options to employees, including Directors, under the Employee Share Option Scheme over a total of 4,971,000 (30 May 1996: 4,825,000) Ordinary Shares of 1 pence, exercisable at prices of between 8.5 pence and 31.0 pence per share, at various dates up to 18 July 2006. Details are shown in the Remuneration Committee Report which precedes these financial statements.

## 16 RESERVES

| GROUP                                                                                             | MERGER<br>RESERVE<br>£'000 | OTHER<br>RESERVE<br>£'000 | GOODWILL<br>RESERVE<br>£'000 | PROFIT & LOSS<br>ACCOUNT<br>£'000 | TOTAL<br>£'000 |
|---------------------------------------------------------------------------------------------------|----------------------------|---------------------------|------------------------------|-----------------------------------|----------------|
| At 1 March 1996                                                                                   | 16                         | 60                        | (9,376)                      | (1,442)                           | (10,742)       |
| Retained profit for the year                                                                      | -                          | -                         | -                            | 616                               | 616            |
| Transfers between reserves                                                                        | (16)                       | (60)                      | -                            | 76                                | -              |
| Goodwill arising on acquisition of minority interests in Park Avenue Productions plc (note 25(i)) | -                          | -                         | (2,299)                      | -                                 | (2,299)        |
| Goodwill arising on payment of deferred consideration (note 25(ii))                               | -                          | -                         | (65)                         | -                                 | (65)           |
| Goodwill arising on acquisition of business (note 25(ii))                                         | -                          | -                         | (102)                        | -                                 | (102)          |
| At 28 February 1997                                                                               | -                          | -                         | (11,842)                     | (750)                             | (12,592)       |

The subsidiaries to which the merger reserve and other reserves related have been liquidated and hence these reserves have now become distributable.

16 RESERVES (CONTINUED)

COMPANY

PROFIT & LOSS ACCOUNT

£'000

|                              |         |
|------------------------------|---------|
| At 1 March 1996              | (1,567) |
| Retained profit for the year | 242     |
| At 28 February 1997          | (1,325) |

On 21 May 1997 the Court approved a reduction in the Company's share premium account of £1,492,000 which has eliminated the deficit on the Company's profit and loss account.

17 RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' (DEFICIT)/FUNDS

|                                                                        | GROUP   |       | COMPANY |       |
|------------------------------------------------------------------------|---------|-------|---------|-------|
|                                                                        | 1997    | 1996  | 1997    | 1996  |
|                                                                        | £'000   | £'000 | £'000   | £'000 |
| Profit/(loss) for the year                                             | 616     | 752   | 242     | (391) |
| Shares to be issued (note 25(i))                                       | 500     | -     | 500     | -     |
| Goodwill arising on acquisitions and payment of deferred consideration | (2,466) | (84)  | -       | -     |
| Goodwill written back on disposals                                     | -       | 442   | -       | -     |
| Net (reduction)/addition to shareholders' funds                        | (1,350) | 1,110 | 742     | (391) |
| Opening shareholders' funds/(deficit)                                  | 138     | (972) | 9,313   | 9,704 |
| Closing shareholders' (deficit)/funds                                  | (1,212) | 138   | 10,055  | 9,313 |

18 MINORITY INTERESTS

£'000

|                                                               |       |
|---------------------------------------------------------------|-------|
| At 1 March 1996                                               | 342   |
| Minority interests' share of profit in the year               | 374   |
| Acquisition of minority interests by the Company (note 25(i)) | (716) |
| At 28 February 1997                                           | -     |

## 19 COMMITMENTS

Annual commitments under non-cancellable operating leases are as follows:

|                                        | 1997                           |                | 1996                           |                |
|----------------------------------------|--------------------------------|----------------|--------------------------------|----------------|
|                                        | LAND AND<br>BUILDINGS<br>£'000 | OTHER<br>£'000 | LAND AND<br>BUILDINGS<br>£'000 | OTHER<br>£'000 |
| <b>GROUP</b>                           |                                |                |                                |                |
| Operating leases which expire:         |                                |                |                                |                |
| Within one year                        | -                              | -              | -                              | 5              |
| In the second to fifth years inclusive | -                              | 15             | -                              | 3              |
| Over five years                        | 349                            | -              | 189                            | -              |
|                                        | <u>349</u>                     | <u>15</u>      | <u>189</u>                     | <u>8</u>       |
| <b>COMPANY</b>                         |                                |                |                                |                |
| Operating leases which expire:         |                                |                |                                |                |
| In the second to fifth years inclusive | -                              | 1              | -                              | 3              |
| Over five years                        | 127                            | -              | 127                            | -              |
|                                        | <u>127</u>                     | <u>1</u>       | <u>127</u>                     | <u>3</u>       |

## 20 CONTINGENCIES

## CROSS GUARANTEES

Cross guarantees exist in respect of any overdrafts at National Westminster Bank PLC between Incepta Group plc, LGM Marketing Services Limited and Mediamix Communications Limited. During the year and to the date of this report any overdraft has remained within agreed facilities.

## 21 POST BALANCE SHEET EVENTS

On 3 March 1997, the Group acquired the whole of the issued share capital of Citigate Communications Group Limited. Initial consideration was satisfied by the issue of 87,999,910 new Ordinary Shares of 1 pence each in Incepta Group plc. A maximum of 45,000,090 further shares will be issued as deferred consideration if Citigate Communications Group Limited's consolidated profit before tax for the year ending 30 September 1997 exceeds £3,000,000.

On 3 March 1997, the Company raised £3,000,000 by way of a placing of 15,000,000 new Ordinary Shares of 1 pence in the Company at a price of 20 pence each.

On 29 May 1997, Citigate agreed to acquire Hunt Thompson, a technology based public relations business for a total consideration of £341,000, satisfied by £201,000 in cash and the balance within 60 days of the completion of the first twelve months of trading subject to the level of fee income achieved.

22 RECONCILIATION OF OPERATING PROFIT TO NET CASH  
INFLOW FROM OPERATING ACTIVITIES

|                                             | 1997<br>£'000 | 1996<br>£'000 |
|---------------------------------------------|---------------|---------------|
| Operating profit                            | 1,584         | 812           |
| Depreciation charge                         | 197           | 333           |
| Loss on sale of fixed assets                | 3             | 36            |
| (INCREASE)/DECREASE IN CURRENT ASSETS:      |               |               |
| Work in progress                            | 92            | 65            |
| Debtors                                     | (73)          | (1,164)       |
| Prepayments and accrued income              | 69            | 290           |
| INCREASE/(DECREASE) IN CURRENT LIABILITIES: |               |               |
| Trade creditors                             | (764)         | 699           |
| Other taxes and social security             | 152           | 94            |
| Payments received on account                | 696           | 200           |
| Accruals and deferred income                | 214           | (258)         |
| Net cash inflow from operating activities   | <u>2,170</u>  | <u>1,107</u>  |

23 ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS

|                     | CASH<br>£'000 | OVERDRAFT<br>£'000 | NET<br>£'000 |
|---------------------|---------------|--------------------|--------------|
| At 1 March 1996     | 1,018         | (837)              | 181          |
| Net cash inflow     | <u>695</u>    | <u>409</u>         | <u>1,104</u> |
| At 28 February 1997 | <u>1,713</u>  | <u>(428)</u>       | <u>1,285</u> |

## 24 ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

|                                                                                  | SHARE CAPITAL<br>(INCLUDING PREMIUM) |               | LOAN AND FINANCE<br>LEASE OBLIGATIONS |               |
|----------------------------------------------------------------------------------|--------------------------------------|---------------|---------------------------------------|---------------|
|                                                                                  | 1997<br>£'000                        | 1996<br>£'000 | 1997<br>£'000                         | 1996<br>£'000 |
| At 1 March 1996                                                                  | 10,880                               | 10,880        | 11                                    | 179           |
| Cash outflow from financing                                                      | -                                    | -             | (11)                                  | (143)         |
| Issue of loan notes for non-cash consideration (note 25(i))                      | -                                    | -             | 2,500                                 | -             |
| Finance lease obligations of subsidiary undertakings disposed of during the year | -                                    | -             | -                                     | (25)          |
| At 28 February 1997                                                              | <u>10,880</u>                        | <u>10,880</u> | <u>2,500</u>                          | <u>11</u>     |

## 25 ACQUISITIONS

## (i) ACQUISITION OF MINORITY INTERESTS IN PARK AVENUE PRODUCTIONS PLC

On 28 February 1997, the Company acquired the remaining 40 per cent. of the issued share capital of Park Avenue Productions plc from the minority shareholders. The initial consideration for the acquisition was satisfied by the issue of £2,500,000 loan notes (note 13). ND Greening (a Director of the Company until 3 March 1997 and Chairman of Park Avenue) and D Tuke-Hastings (a Director of Park Avenue) received £1,000,000 and £750,000 of these loan notes respectively. Further consideration is to be satisfied by the issue and allotment of 1,250,000 Ordinary Shares to each of ND Greening and D Tuke-Hastings if they remain as employees of the Group until 28 February 1999. Accordingly none of these Ordinary Shares will be issued and allotted before 28 February 1999. In accordance with Financial Reporting Standard 7, however, the estimated value of the shares to be issued, £500,000 based on a price of 20 pence per share, has been shown as a separate item in shareholders' funds and included in the estimation of goodwill arising on the acquisition.

The fair value of assets acquired was £716,000, being the minority interests at the date of acquisition (note 18), and acquisition costs were £15,000, resulting in estimated goodwill of £2,299,000 which has been written off against reserves (note 16).

## (ii) OTHER ACQUISITIONS

During the year, deferred consideration of £65,000 was paid under the acquisition agreement of Mediamix Communications. The amount has been written off to the goodwill reserve (note 16).

During the year the Group acquired part of the business of Coaxis Limited for an estimated consideration of £102,000. The fair value of assets acquired was £nil and the resultant estimated goodwill of £102,000 has been written off against reserves (note 16). Consideration of £57,000 was paid during the year and a further £45,000 is included in creditors at 28 February 1997.

## 26 PENSIONS

The Group operates a defined contribution pension scheme and makes contributions to individual employees' personal pension schemes. Contributions are charged against profits in the year in which they are made.

## 27 RELATED PARTY TRANSACTIONS

The Company's acquisition on 28 February 1997 of the remaining 40 per cent. of the issued share capital of Park Avenue Productions plc involved two related parties, ND Greening and D Tuke-Hastings. Details of the transaction are discussed in note 25(i).

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the shareholders of Incepta Group plc, will be held at 26 Finsbury Square, London, EC2A 1DS on 4 July 1997 at 12 noon for the following purposes:

### ORDINARY BUSINESS

#### RESOLUTION 1

That the Directors' report and financial statements of the Company for the year ended 28 February 1997 be received.

#### RESOLUTION 2

TO re-elect DE Wright, CA Good and KB Steeds, being Directors appointed on 3 March 1997, who retire in accordance with the Articles of Association. (The re-election of each will be proposed as a separate resolution.)

#### RESOLUTION 3

TO re-elect ALR Morton, being a Director retiring by rotation in accordance with the Articles of Association.

#### RESOLUTION 4

TO re-appoint KPMG Audit Plc as auditor to the Company and to authorise the Directors to fix the auditor's remuneration.

#### RESOLUTION 5

THAT the Directors be and hereby are generally and unconditionally authorised pursuant to section 80 of the Companies Act 1985 ("the Act") to exercise all powers of the Company to allot, grant options over, deal with or dispose of any relevant securities (as defined in section 80(2) of the Act) to such persons, at such times and generally on such terms and conditions as the Directors may determine up to an aggregate nominal amount of £956,811 provided that this authority shall expire, unless previously renewed, revoked or varied by the Company in general meeting, fifteen months after the passing of this Resolution, or, if earlier, at the conclusion of the Annual General Meeting next following the passing of this Resolution save that, before such expiry, the Company may make any offer or agreement which would or might require relevant securities to be allotted after such expiry and, notwithstanding such expiry, the Directors may allot relevant securities in pursuance of any

such offer or agreement, and provided further that all unexercised authorities previously granted to the Directors to allot relevant securities be and are hereby revoked.

#### Explanation of Resolution 5

Resolution 5 would give the Directors authority to allot shares up to a maximum nominal amount of £956,811 being the whole of the authorised but unissued share capital of the Company and representing 57 per cent. of the Company's current issued share capital. This amount of authority is required to provide the Directors with flexibility to allot shares up to approximately one third of the Company's issued share capital in addition to allowing for the allotment of shares in respect of deferred consideration which may fall due pursuant to acquisitions previously approved by the Company's shareholders and also on the exercise of warrants and options. The existing authority would be revoked and this authority would expire on the date of the 1998 Annual General Meeting, or 30 September 1998, whichever is the earlier. Save as set out above, the Directors have no present intention of exercising this authority.

### SPECIAL BUSINESS

#### RESOLUTION 6

THAT subject to the passing of Resolution 5, the Directors be and are hereby empowered pursuant to section 95 of the Companies Act 1985 ("the Act") to allot equity securities (as defined in section 94(2) of the Act) for cash pursuant to the general authority conferred on them by Resolution 5 as if section 80(1) of the Act did not apply to any such allotment provided that this power shall be limited to:

(a) the allotment of equity securities in connection with an offer of securities, open for acceptance for a period fixed by the Directors, to holders of Ordinary Shares on the register on any fixed record date in proportion to their holdings of Ordinary Shares, subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems arising under the laws of, or the requirements of any regulatory body or any stock exchange in any territory; and

(b) the allotment (otherwise than pursuant to paragraph (a) above) of securities up to an aggregate nominal amount of £84,659

and shall expire, unless previously renewed, revoked or varied by the Company in general meeting, at such time as the general authority conferred on the Directors by Resolution 5 expires save that, before the expiry of this power, the Company may make any offer or agreement which would or might require equity securities to be allotted after such expiry and, notwithstanding such expiry, the Directors may allot equity securities in pursuance of any such offer or agreement.

#### Explanation of Resolution 6

Resolution 6 will be proposed as a special resolution and would renew the power of the Directors to allot shares for cash, up to a nominal amount of £84,659 as though the rights of pre-emption conferred by Section 89(1) of the Companies Act 1985 did not apply

(a) in respect of the whole of the authorised but unissued share capital in connection with an offer to existing shareholders (to allow the Directors to take action to overcome certain practical difficulties which could arise in the case of such an offer), and

(b) up to a nominal amount of £84,659, being 5 per cent. of the current issued share capital of the Company (to give the Directors some flexibility in financing business opportunities as they arise).

This power would expire on the date of the 1998 Annual General Meeting or 30 September 1998, whichever is the earlier.

By Order of the Board

KB Steeds  
Company Secretary

2 June 1997

Registered office:  
26 Finsbury Square  
London  
EC2A 1DS

### NOTES

1. A Member entitled to attend and vote at the above Meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of him. A proxy need not be a Member of the Company.

2. To be effective the Form of Proxy and any Power of Attorney or other authority under which it is executed or a notarially certified or office copy of such power or authority must be lodged with the Company's Registrars, Harford Registrars, Harford House, 101-103 Great

Portland Street, London W1N 6BH not less than 48 hours before the time appointed for the Meeting.

3. In the case of a Corporation, the Form of Proxy should be under its Common Seal, or under the hand of an officer of the Corporation duly authorised in that behalf.

4. There will be available for inspection at the Registered Office of the Company, during usual

business hours on any week day, (Saturday and public holidays excepted) from the date of this Notice to the end of the Meeting:

a. The Register of Directors' share interests.

b. Copies of all service agreements for services of any Director with the Company which are not expiring and determinable by the Company with payment of compensation within one year.

**HEAD OFFICE**  
26 Finsbury Square  
London EC2A 1DS  
TEL 0171 282 8000  
FAX 0171 282 8030  
Registered in England no. 2005521  
Registered Office as above