

REPORT AND ACCOUNTS
THE GUILD OF EXCELLENCE PLC

31 AUGUST 1997

Registered No. 2885607



REPORT AND FINANCIAL STATEMENTS 1997

CONTENTS	Page
Officers and professional advisors	2
Directors' Report	3
Statement of directors' responsibilities	4
Auditors' report	5
Profit and loss account	6
Balance sheet	7
Combined statement of movements in shareholders' funds and statement of movements on reserves	8
Cash flow statement	9
Notes to the accounts	10

REPORT AND FINANCIAL STATEMENTS 1997

OFFICERS AND PROFESSIONAL ADVISORS

DIRECTORS

The directors of the company together with their dates of appointment and retirement are listed below:

Vincent Isaacs	Chairman	
Paul Ashley	Managing director	
Andrew Stimpson	Director	Appointed 17.09.97
Michael Arnold	Non-executive director	
Baroness Dean of Thornton-le-Fylde	Non-executive director	Retired 13.05.96
Michael John Goodrich	Non-executive director	
Peter Anning Revell-Smith CBE	Non-executive director	
Lionel Jack Ross	Non-executive director	
Sir William Royden Stuttford CBE	Non-executive director	

SECRETARY

Peter Katz

REGISTERED OFFICE

Hill House
1 Little New Street
London EC4A 3TR

BANKERS

Samuel Montagu
31 Hill Street
London W1 7FD

Midland Bank plc
27-32 Poultry
London EC2P 2BX

SOLICITORS

Frere Cholmeley Bischoff
4 John Carpenter Street
London EC4Y 0NH

Paisner & Co
Bouverie House
154 Fleet Street
London EC4A 2DU

AUDITORS

Arthur Andersen
Chartered Accountants
20 Old Bailey
London
EC4M 7AN

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the seventeen months ended 31 August 1997.

RESULTS AND DIVIDENDS

The loss for the period after taxation amounted to £1,865,000 (1996 - £5,345,000) and has been transferred from reserves.

The directors do not recommend any dividend on the ordinary shares in respect of the period ended 31 August 1997.

PRINCIPAL ACTIVITIES

The Guild is a marketing and services company which undertakes to develop and expand opportunities by promoting campaigns locally and nationally in a targeted and focused way.

As part of the strategy The Guild also seeks to develop and build local loyalty programmes and civic schemes for local authorities under the Touch trademark.

REVIEW OF THE BUSINESS

The Guild has continued to develop its marketing services under its trademarks, Guild of Excellence, Go Local value vouchers and Touch. It has invested further in developing civic and retail loyalty schemes.

DIRECTORS AND THEIR INTERESTS

Directors and their interests in shares of the company at 31 August 1997 are as follows:

	Ordinary Shares of 50p
Vincent Isaacs (Chairman)	5,000,000
Michael Arnold	50,000
Michael John Goodrich	5,000
Peter Anning Revell-Smith CBE	50,000
Lionel Jack Ross	10,000

No interest in the shares of the company was held at 31 August 1997 by either Sir William Stuttaford or Paul Ashley.

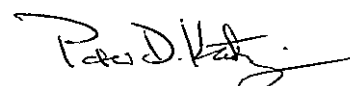
CLOSE COMPANY STATUS

In the opinion of the directors the company is a close company for taxation purposes.

AUDITORS

Arthur Andersen, Chartered Accountants and Registered Auditors, were appointed on the 16 October 1997 as auditors of the company. The directors will place a resolution before the annual general meeting to reappoint Arthur Andersen as auditors for the ensuing year.

Approved by order of the Board of Directors
and signed on behalf of the Board



Peter Katz
Secretary

4 December 1997

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed; and
- prepare the accounts on a going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REPORT OF THE AUDITORS

To the Shareholders of The Guild of Excellence plc:

We have audited the accounts on pages 6 to 15 which have been prepared under the historical cost convention and the accounting policies set out on page 10.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 4, the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts and of whether the accounting policies are appropriate to the circumstances of the company, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

OPINION

In our opinion the accounts give a true and fair view of the state of affairs of the company at 31 August 1997 and of the company's loss and cash flows for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen
Chartered Accountants and Registered Auditors
20 Old Bailey
London
EC4M 7AN

4 December 1997

PROFIT AND LOSS ACCOUNT

For the period 1 April 1996 to 31 August 1997

	Period from 1 April 1996 to 31 August 1997	Year ended 31 March 1996
Notes	£000	£000
TURNOVER	389	36
Cost of sales	(992)	(1,015)
Gross profit	(603)	(979)
Administrative expenses	(837)	(3,921)
OPERATING LOSS	3 (1,440)	(4,900)
Loss on write-off of fixed assets in continuing operations	-	(347)
LOSS ON ORDINARY ACTIVITIES BEFORE INTEREST	(1,440)	(5,247)
Interest receivable	2	42
Interest payable	6 (427)	(140)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	(1,865)	(5,345)
Tax on loss on ordinary activities	7 -	-
LOSS FOR THE FINANCIAL PERIOD	(1,865)	(5,345)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no other gains or losses other than the loss for the period of £1,865,000.

BALANCE SHEET

31 August 1997

		31 August 1997	31 March 1996
	Notes	£000	£000
FIXED ASSETS			
Tangible assets	8	105	209
Investments	9	20	20
		<u>125</u>	<u>229</u>
CURRENT ASSETS			
Debtors – due within one year	10	61	154
Cash at bank and in hand		8	48
		<u>69</u>	<u>202</u>
CREDITORS: amounts falling due within one year	11	(2,485)	(592)
CONVERTIBLE LOAN STOCK	11	(1,700)	-
NET CURRENT LIABILITIES		(4,116)	(390)
TOTAL ASSETS LESS CURRENT LIABILITIES		(3,991)	(161)
CREDITORS: amounts falling due after more than one year	12	(878)	(1,143)
CONVERTIBLE LOAN STOCK	12	-	(1,633)
NET LIABILITIES		(4,869)	(2,937)
CAPITAL AND RESERVES			
Called-up share capital	13	3,500	3,500
Share premium		1,071	1,138
Profit and loss account		(9,440)	(7,575)
SHAREHOLDERS' DEFICIT		(4,869)	(2,937)

Approved by the board on 4 December 1997, and signed on its behalf by

Vincent Isaacs

Paul Ashley

Directors

**COMBINED STATEMENT OF MOVEMENTS IN SHAREHOLDERS' FUNDS AND
STATEMENT OF MOVEMENTS ON RESERVES**

31 August 1997

	Issued share capital £000	Share premium account £000	Profit and loss account £000	Period ended 31 August 1997 £000	Year ended 31 March 1996 £000
At beginning of period	3,500	1,138	(7,575)	(2,937)	2,408
Loss attributable to members of company	-	-	(1,865)	(1,865)	(5,345)
Preliminary expenses transferred	-	(67)	-	(67)	-
At end of period	<u>3,500</u>	<u>1,071</u>	<u>(9,440)</u>	<u>(4,869)</u>	<u>(2,937)</u>

STATEMENT OF CASH FLOWS

For the period 1 April 1996 to 31 August 1997

	Notes	1 April 1996 to 31 August 1997 £000	Year ended 31 March 1996 £000
Net cash outflow from operating activities	15	(1,201)	(4,281)
Returns on investments and servicing of finance	16	(64)	42
Taxation	16	-	(6)
Capital expenditure and financial investment	16	(25)	(200)
Cash outflow before management of liquid resources and financing		<u>(1,290)</u>	<u>(4,445)</u>
Financing	16	1,250	1,615
Decrease in cash in the period	17	<u>(40)</u>	<u>(2,830)</u>

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

The accounts are prepared in accordance with applicable accounting standards. The particular accounting policies are described below.

Basis of preparation

The accounts have been prepared under the historical cost convention and on a going concern basis, as the company has been guaranteed support from its shareholders up to a level that, in the opinion of the directors, is sufficient to meet the company's requirements.

Depreciation

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost of each asset evenly over its expected useful life, as follows:

Leasehold improvements	- lease term
Fixtures and fittings	- 4 years
Computer equipment	- 3 years

Deferred taxation

Deferred taxation is provided on timing differences arising from the different treatment of items for accounting and taxation purposes, which are expected to reverse in the future, calculated at the rates at which it is expected that tax will arise.

The different treatment of items for accounts and taxation purposes gives rise to a deferred tax asset which, for prudence, has not been recognised.

2. TURNOVER

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

3. OPERATING LOSS

This is stated after charging:

	1 April 1996 to 31 August 1997 £000	Year ended 31 March 1996 £000
Auditors' remuneration -audit services	8	10
- other	-	37
Depreciation of owned assets	129	319
Payments to retiring directors	-	75
Operating lease rentals - land and buildings	61	-
-other operating leases	14	157

4. DIRECTORS' REMUNERATION

	1 April 1996 to 31 August 1997 £000	Year ended 31 March 1996 £000
Directors' emoluments		
Other remunerations	87	288
Pensions Scheme Contributions	-	13
	<u>87</u>	<u>301</u>
Remuneration of the chairman	2	-
Remuneration of the highest paid director	<u>85</u>	<u>86</u>

NOTES TO THE ACCOUNTS

5 STAFF COSTS

	1 April 1996 to 31 August 1997 £000	Year ended 31 March 1996 £000
Staff costs during the period (including directors)		
Wages and salaries	594	1,618
Social security costs	58	165
Other pensions costs	-	13
	<u>652</u>	<u>1,796</u>
	Number	Number
Average number of persons employed (including directors)		
Administrative	<u>19</u>	<u>74</u>

6 INTEREST PAYABLE

	1 April 1996 to 31 August 1997 £000	Year ended 31 March 1996 £000
Bank loans	73	-
Other loans	354	140
	<u>427</u>	<u>140</u>

7 TAX ON LOSS ON ORDINARY ACTIVITIES

There is no UK tax charge for the period due to losses made in the period.

8 TANGIBLE FIXED ASSETS

	Leasehold & leasehold improvements £000	Fixtures & fittings £000	Computer equipment £000	Total £000
Cost				
At 1 April 1996	-	199	133	332
Additions	21	4	-	25
Disposals	-	-	-	-
At 31 August 1997	<u>21</u>	<u>203</u>	<u>133</u>	<u>357</u>
Depreciation				
At 1 April 1996	-	84	39	123
Provided during the period	7	60	62	129
Disposals	-	-	-	-
At 31 August 1997	<u>7</u>	<u>144</u>	<u>101</u>	<u>252</u>
Net book value				
31 August 1997	<u>14</u>	<u>59</u>	<u>32</u>	<u>105</u>
31 March 1996	<u>-</u>	<u>115</u>	<u>94</u>	<u>209</u>

NOTES TO THE ACCOUNTS

9 INVESTMENTS

Own Shares
£000

At 1 April 1996 and 31 August 1996	<u>20</u>
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The investment in own shares arises because The Guild of Excellence Employee Benefit Trustees Limited holds shares for distribution to employees of that company at the discretion of the Trustees.

None of the shares held by The Guild of Excellence Employee Benefit Trustees Limited at 31 August 1997 had been unconditionally offered to employees and so, in accordance with UITF Abstract 13, the assets and liabilities of the trust company relating to these shares have been included within the accounts of The Guild of Excellence Employee Benefit Trustees Limited.

All finance charges and administration expenses relating to the trust company are recognised within the profit and loss of The Guild of Excellence Employee Benefit Trustees Limited.

The investment is held at historic cost.

10 DEBTORS: amounts falling due within one year

	31 August 1997 £000	31 March 1996 £000
Trade debtors	8	36
VAT	10	-
Other debtors	38	63
Prepayments and accrued income	5	55
	<u>61</u>	<u>154</u>

11 CREDITORS: amounts falling due within one year

	31 August 1997 £000	31 March 1996 £000
Convertible debt		
10% convertible unsecured loan stock	1,700	-
Other Creditors		
Bank loans and overdrafts	1,250	-
Other loans	338	-
Trade creditors	142	238
Other creditors	379	85
Corporation tax	-	2
Other taxes and social security	65	43
Accruals and deferred income	311	224
Total other creditors	<u>2,485</u>	<u>592</u>
	<u>4,185</u>	<u>592</u>

	31 August 1997	31 March 1996
	£000	£000
Loans - repayable between one and two years	878	414
two and five years	-	729
	<u>878</u>	<u>1,143</u>
Loan stock – repayable between one and two years	-	1,633
	<u>878</u>	<u>2,776</u>

The loan stock is 10% convertible redeemable unsecured loan stock, which was issued on 17 November 1995 at par. £1 of loan stock is convertible, at the option of the holder, to two ordinary shares at any time between 31 March 1997 and 31 December 1998. During this period the company has the right to redeem the loan stock at par. Full conversion of the outstanding rights would result in the issue of 3,400,000 ordinary shares.

	31 August 1997 £000	31 March 1996 £000
<i>Authorised:</i>		
13,500,000 ordinary shares of 50p each	6,750	6,750
<i>Allotted, called up and fully paid</i>		
7,000,000 ordinary shares of 50p each	3,500	3,500

	Motor vehicles £000	Land and buildings £000	Total £000
Leases which expire:			
Within two to five years	-	58	58

	1 April 1996 to 31 August 1997	Year ended 31 March 1996
	£000	£000
Operating loss	(1,440)	(4,900)
Depreciation	129	319
Fixed asset write off	-	60
Loss on sale of tangible fixed assets	-	20
Decrease/(increase) in stocks	-	254
Decrease/(increase) in debtors	93	240
(Decrease)/increase in creditors	17	(274)
Net cash outflow from operating activities	(1,201)	(4,281)

NOTES TO THE ACCOUNTS

16 ANALYSIS OF CASH FLOWS

	1 April 1996 to 31 August 1997 £000	Year ended 31 March 1996 £000
<i>Returns on investments and servicing finance</i>		
Interest received	2	42
Interest paid	(51)	-
Loan stock dividends paid	(15)	-
Net cash outflow/(inflow)	<u>(64)</u>	<u>42</u>
<i>Taxation</i>		
UK corporation tax paid	-	(6)
Net cash outflow	<u>-</u>	<u>(6)</u>
<i>Capital expenditure and financial investment</i>		
Purchase of tangible fixed assets	(25)	(365)
Sale of tangible fixed assets	-	165
Net cash outflow	<u>(25)</u>	<u>(200)</u>
<i>Financing</i>		
Unsecured bank loan	1,250	-
Issue of 10% loan stock	-	1,700
Expenses paid in connection with loan stock	-	(85)
Net cash inflow	<u>1,250</u>	<u>1,615</u>

17 ANALYSIS AND RECONCILIATION OF NET DEBT

	At 1 April 1996 £000	Cash flows £000	Loan Accrued interest £000	Other changes £000	At 31 August 1997 £000
Cash in hand, at bank	48	(40)			8
Overdrafts	-	-			-
		<u>(40)</u>			
Debt due within 1 year	-	(1,250)	(124)	(1,914)	(3,288)
Debt due after 1 year	(2,776)	-		1,898	(878)
		<u>(1,250)</u>			
Net debt	<u>(2,728)</u>	<u>(1,290)</u>	<u>(124)</u>	<u>(16)</u>	<u>(4,158)</u>

	1 April 1996 to 31 August 1997 £000	Year ended 31 March 1996 £000
Decrease in cash in period	(40)	(2,830)
Cash inflow from increase in debt and lease financing	(1,250)	(1,700)
Accrued Interest payments - loan	(124)	(92)
Adjustment to loan stock costs capitalisation	(67)	67
Adjustment to accrued interest re loan stock	51	(51)
Change in net debt resulting from cash flows	<u>(1,430)</u>	<u>(4,606)</u>
Net debt 1 April 1996	<u>(2,728)</u>	<u>1,878</u>
Net debt 31 August 1997	<u>(4,158)</u>	<u>(2,728)</u>

NOTES TO THE ACCOUNTS

18 RELATED PARTY TRANSACTIONS

During the period the company purchased goods in the ordinary course of business from Indigo International Publications Limited an undertaking under common control, at a cost of £19,297, and sold goods to that undertaking for £103,712.

The company also sold goods in the ordinary course of business to Electronic Media Promotions Limited, an undertaking under common control, for £55,837.

The company owes £3,438 to Electronic Media Promotions Limited and is owed £36,040 by Indigo International Publications Limited. These amounts are included within other creditors and other debtors respectively.

19 PENSION SCHEME

A contribution of £100 was made during the period to The Guild of Excellence plc Directors Pension Scheme.

This is a money purchase scheme with one eligible member, being Mr Vincent Isaacs.