

QUADRANT VIDEO SYSTEMS PLC
ANNUAL REPORT
FIFTEEN MONTHS ENDED 31 MAY 1997
Registered number 2127345

PANNELL KERR FORSTER
Chartered Accountants

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QUADRANT VIDEO SYSTEMS PLC
ANNUAL REPORT
FIFTEEN MONTHS ENDED 31 MAY 1997

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QUADRANT VIDEO SYSTEMS PLC
DIRECTORS' REPORT

The directors submit their annual report together with the financial statements for the 15 months ended 31 May 1997.

CHANGE OF YEAR END

The Company changed its year end date from 29 February to 31 May and accordingly these financial statements are for the fifteen months ended 31 May 1997.

RESULTS AND DIVIDENDS

The loss for the 15 months after taxation was £24,667.

The directors do not recommend the payment of a dividend in respect of the period on the ordinary share capital of the Company. Dividends of £93,625 have been accrued in respect of the cumulative preference shares.

REVIEW OF THE BUSINESS

The Company's principal activity during the period continued to be the design, manufacture, sale, installation, service and hire of video, audio, presentation and CCTV systems, and associated equipment. The Company's financial position at 31 May 1997 is shown in the attached balance sheet.

FUTURE DEVELOPMENTS

The directors plan to develop the activities of the Company, taking into account the general economic conditions which are likely to exist in the year ending 31 May 1998.

DIRECTORS

The directors who served during the period were:

R C Singleton	
S G Hope	Resigned 2 January 1997
G C Wragg	
M G Boddy	
P A Gregory	
S D Eldred	Resigned 21 August 1997
G Robinson	Appointed 2 January 1997
Fotovalue Limited	

DIRECTORS INTEREST

The interests of the directors in the share capital of the Company at the beginning and end of the period were as follows:

	Number of 'A' Ordinary Shares
R C Singleton	27,273
G C Wragg	13,636
M G Boddy	13,636

QUADRANT VIDEO SYSTEMS PLC
DIRECTORS' REPORT
(Continued)

The interests of the directors in the Ordinary Shares of the parent undertaking, Quadrant Group plc were as follows:

	Ordinary Shares of 20p each at <u>31 May 1997</u>	Ordinary Shares of 10p each at <u>29 February 1996</u>
R C Singleton	2,750	55,000
M G Boddy	680	13,610
G C Wragg	250	5,000

		<u>Share Options</u>			
		<u>20p Ordinary Shares</u>		<u>10p Ordinary Shares</u>	
		<u>31 May 1997</u>		<u>29 February 1996</u>	
<u>Exercisable Between</u>		<u>Price</u>	<u>Number</u>	<u>Price</u>	<u>Number</u>
		<u>£</u>		<u>£</u>	
R C Singleton	July 1994 to July 2001	16.80	1,000	0.84	20,000
	June 1995 to June 2002	7.20	1,250	0.36	25,000
	November 1995 to November 2002	4.00	2,250	0.20	45,000
	June 1996 to November 2003	3.80	2,500	0.19	50,000
M G Boddy	July 1994 to July 2001	16.80	1,000	0.84	20,000
G C Wagg	July 1994 to July 2001	16.80	500	0.84	10,000
P A Gregory	July 1994 to July 2001	16.80	500	0.84	10,000

No share options were exercised by the directors during the period.

The interests of S Eldred, being a director of the ultimate parent undertaking Quadrant Group plc during the period, are shown in the financial statements of that Company.

PAYMENT POLICY TO SUPPLIERS

It is not the Company's policy to follow any standard or code on payment practice. However, with respect to the financial year to 31 May 1998, the Company will continue to agree the terms of payment with its suppliers on a transaction by transaction basis and endeavour to abide by those terms. For the financial period to 31 May 1997 the Company settled outstanding invoices on average within sixty days.

CHARITABLE DONATIONS

During the period the Company contributed £800 to charitable causes.

AUDITORS

A resolution to reappointment Pannell Kerr Forster as auditors will be proposed at the forthcoming Annual General Meeting.

BY ORDER OF THE BOARD



Secretary

22.12 1997

QUADRANT VIDEO SYSTEMS PLC
STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

- select suitable accounting policies and 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 financial statements 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 financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS' REPORT TO THE SHAREHOLDERS OF
QUADRANT VIDEO SYSTEMS PLC

We have audited the financial statements on pages 5 to 14 which have been prepared under the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 3 the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company as at 31 May 1997 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

London

23 December 1997

Pannell Kerr Forster

PANNELL KERR FORSTER
Chartered Accountants
Registered Auditors

QUADRANT VIDEO SYSTEMS PLC
PROFIT AND LOSS ACCOUNT
FIFTEEN MONTHS ENDED 31 MAY 1997

	<u>Notes</u>	<u>15 Months to 31 May 1997</u> £	<u>12 Months to 29 February 1996</u> £
Turnover	2	13,909,248	9,331,529
Cost of sales		8,928,397	5,915,293
Gross profit		4,980,851	3,416,236
Distribution costs		(268,335)	(128,447)
Administrative expenses		(4,692,554)	(3,089,708)
Other operating income		32,863	29,002
Operating profit		52,825	227,083
Interest receivable		2,184	2,638
Amount written off investment	10	(6,282)	-
Interest payable	5	(73,394)	(67,661)
(Loss)/profit on ordinary activities before taxation	6	(24,667)	162,060
Tax on profit on ordinary activities	7	-	-
(Loss)/profit for the financial period		(24,667)	162,060
Dividends payable to non-equity shareholders	8	(93,625)	(52,037)
Retained (loss)/profit for the period	16	(118,292)	110,023

There are no recognised gains or losses other than those included above.

All amounts relate to continuing activities.

Movements on reserves are shown in note 16 to the financial statements.

QUADRANT VIDEO SYSTEMS PLC
BALANCE SHEET
31 MAY 1997

	<u>Notes</u>	<u>31 May 1997</u>	<u>29 February 1996</u>
		£	£
FIXED ASSETS			
Tangible assets	9	1,672,071	1,636,963
CURRENT ASSETS			
Stocks	11	1,009,468	649,523
Debtors due within one year	12	2,782,511	1,960,520
Debtors due in more than one year	12	441,023	-
Cash at bank and in hand		5,681	5,524
		<hr/>	<hr/>
		4,238,683	2,615,567
CREDITORS			
Amounts falling due within one year	13	3,491,231	1,714,715
		<hr/>	<hr/>
NET CURRENT ASSETS		747,452	900,852
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/>	<hr/>
		2,419,523	2,537,815
		<hr/>	<hr/>
CAPITAL AND RESERVES			
Called up share capital	15	2,412,727	2,412,727
Share premium	16	15,065	15,065
Profit and loss account	16	(8,269)	110,023
		<hr/>	<hr/>
SHAREHOLDERS' FUNDS	17	2,419,523	2,537,815
(including non-equity interests)		<hr/>	<hr/>

Approved by the board on 22.12.1997



Directors



QUADRANT VIDEO SYSTEMS PLC
NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom.

The principal accounting policies applied in the preparation of the accounts of the Company are described below.

(a) Accounting convention

The financial statements have been prepared in accordance with the historical cost convention.

(b) Depreciation

Fixed assets are stated at cost less accumulated depreciation.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned, commencing on the first day of the month following acquisition. The principal annual rates used for this purpose are:

	%
Freehold buildings	1
Fixtures and fittings	15
Equipment held for hire	15
Plant and equipment	20
Office equipment (including computers)	20
Motor vehicles	25

Short leasehold land and buildings and improvements are written off over 50 years, or the period of the lease if shorter.

(c) Stocks

Stocks are stated at the lower of cost and net realisable value. Provision is made for obsolete, slow moving and defective stock.

(d) Deferred taxation

Deferred taxation is provided in respect of material timing differences to the extent that it is probable that such differences will crystallise.

(e) Finance and operating leases

Assets acquired under finance leases or hire purchase agreements are capitalised and depreciated in accordance with the Company's depreciation policy. The capital element of future lease payments is included in the balance sheet as obligations under finance leases.

Payments under operating leases are charged wholly to the profit and loss account in the period in which they are incurred.

(f) Pensions

The Company operates a defined contribution pension scheme, the costs of which are charged to the profit and loss account as they fall due.

(g) Turnover

Turnover represents amounts receivable for goods and services provided in the UK and overseas net of trade discounts, VAT and other related taxes.

QUADRANT VIDEO SYSTEMS PLC
NOTES TO THE FINANCIAL STATEMENTS

2	TURNOVER	15 months to 31 May 1997 £	12 months to 29 February 1996 £
	Geographical market:		
	United Kingdom	13,815,826	9,273,080
	Rest of Europe	69,041	38,079
	North America	3,345	2,073
	Middle East	-	18,297
	Africa	21,036	-
		<hr/>	<hr/>
		13,909,248	9,331,529
		<hr/>	<hr/>
3	STAFF COSTS		
	Wages and salaries	2,531,075	1,588,838
	Social security costs	240,029	140,059
	Other pension costs	42,146	20,960
		<hr/>	<hr/>
		2,813,250	1,749,857
		<hr/>	<hr/>
	The average number employed by the Company during the period:	<u>Number</u>	<u>Number</u>
	Management and administration	26	23
	Production and sales	93	73
		<hr/>	<hr/>
		119	96
		<hr/>	<hr/>
4	DIRECTORS' EMOLUMENTS	£	£
	The emoluments of the directors of the Company comprise:		
	Remuneration for management services	229,889	232,238
	Pension contributions to a money purchase scheme	10,005	12,641
		<hr/>	<hr/>
		239,894	244,879
		<hr/>	<hr/>
	The particulars of emoluments of the highest paid director, were as follows:		
	Remuneration for management services	82,488	65,274
	Pension contributions to a money purchase scheme	4,275	3,432
		<hr/>	<hr/>
		86,763	68,706
		<hr/>	<hr/>

The number of directors to whom retirement benefits are accruing under money purchase schemes is 4 (1996 : 6).

QUADRANT VIDEO SYSTEMS PLC
NOTES TO THE FINANCIAL STATEMENTS

5	INTEREST PAYABLE	15 months to 31 May 1997 £	12 months to 29 February 1996 £
	Loans wholly repayable within five years	71,648	64,220
	Bank interest	1,336	-
	Interest on finance leases and hire purchase contracts	410	3,441
	Other interest	-	-
		<u>73,394</u>	<u>67,661</u>
6	(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		
	(Loss)/profit on ordinary activities before taxation is stated after charging the following:		
	Depreciation charge for the period:	6,443	-
	Tangible fixed assets held under finance leases	474,387	315,027
	Other fixed assets	(32,863)	(4,457)
	(Profit)/loss on disposal of tangible fixed assets		
	Auditors' remuneration:		
	Audit	9,000	13,800
	Other services	2,500	2,718
	Operating lease rentals - land and buildings	182,572	136,847
	- plant and equipment	332,117	199,780
		<u> </u>	<u> </u>
7	TAX ON PROFIT ON ORDINARY ACTIVITIES		
	There is no charge to taxation for the period due to the availability of tax losses brought forward.		
	The Company has tax losses available for offset against future taxable trading profits amounting to approximately £1,600,000.		
8	DIVIDENDS	15 months to 31 May 1997 £	12 months to 29 February 1996 £
	Dividends payable to non equity shareholders in respect of the Cumulative Preference Shares	<u>93,625</u>	<u>52,037</u>

QUADRANT VIDEO SYSTEMS PLC
NOTES TO THE FINANCIAL STATEMENTS

9 TANGIBLE FIXED ASSETS

	<u>Freehold land and buildings</u> £	<u>Short leasehold</u> £	<u>Plant, equipment and motor vehicles</u> £	<u>Total</u> £
Cost				
At 29 February 1996	347,245	301,543	2,101,289	2,750,077
Additions	65,000	620	665,195	730,815
Disposals	(65,000)	-	(271,097)	(336,097)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 May 1997	347,245	302,163	2,495,387	3,144,795
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 29 February 1996	12,712	139,189	961,213	1,113,114
Charge for year	4,380	43,485	432,965	480,830
Eliminated on disposals	-	-	(121,220)	(121,220)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 May 1997	17,092	182,674	1,272,958	1,472,724
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 May 1997	330,153	119,489	1,222,429	1,672,071
	<hr/>	<hr/>	<hr/>	<hr/>
At 29 February 1996	334,533	162,354	1,140,076	1,636,963
	<hr/>	<hr/>	<hr/>	<hr/>

10 INVESTMENT IN SUBSIDIARY COMPANY

During the period the Company acquired the whole of the share capital of A1 Presentations Limited, a company incorporated in Great Britain, for a consideration of £1 and associated costs of £6,281. Group accounts are not prepared as the trade and net liabilities were transferred into the Company at the date of acquisition and the investment in the subsidiary has been fully written off. In addition, and as a result of the transfer of the trade into the company, it is not possible to distinguish the results of the acquired business separately within the profit and loss account. The company owns the whole of the issued share capital of £1,000 in A1 Presentation Limited whose deficit on reserves at the date of acquisition was £24,243.

11 STOCKS

	<u>31 May 1997</u> £	<u>19 February 1996</u> £
Raw materials and consumables	18,898	2,429
Work in progress	287,623	53,340
Finished goods and goods for resale	702,947	593,754
	<hr/>	<hr/>
	1,009,468	649,523
	<hr/>	<hr/>

12 DEBTORS

Due within one year:		
Trade debtors	2,095,319	1,446,847
Prepayments and accrued income	162,769	82,685
Amounts owed by group undertakings	424,593	349,985
Other debtors	99,830	81,003
	<hr/>	<hr/>
	2,782,511	1,960,520
	<hr/>	<hr/>
Due in more than one year:		
Amounts owed by group undertakings	441,023	-
	<hr/>	<hr/>

QUADRANT VIDEO SYSTEMS PLC
NOTES TO THE FINANCIAL STATEMENTS

12 DEBTORS (Continued)

The Company's parent undertaking, Quadrant Group plc, has entered into a financial arrangement with Confidential Invoice Discounting Limited ("CID") under which certain of the trade debtors of the Company are used to secure facilities made available to the Quadrant Group. The Company, the parent undertaking and certain subsidiaries have guaranteed the total liability of the Group to CID under these arrangements which amounted to £1,210,000 at 31 May 1997.

13 CREDITORS

	<u>31 May</u> <u>1997</u> £	<u>29 February</u> <u>1996</u> £
Amounts falling due within one year:		
Bank overdrafts	1,014,219	557,708
Trade creditors	1,793,982	786,934
Obligations under hire purchase and finance leases	6,501	-
Amounts due to group undertaking	19,536	19,155
Corporation tax	392	392
Other taxation and social security	85,231	62,651
Other creditors	169,432	136,816
Accruals and deferred income	277,207	119,953
Preference dividends accrued	124,731	31,106
	<hr/> 3,491,231	<hr/> 1,714,715
	<hr/> <hr/>	<hr/> <hr/>

The bank overdraft, which is part of a pooled facility and cross guarantees with the Quadrant Group of companies, was overdrawn in total by £600,000 at 31 May 1997.

The accrual for the cumulative preference dividend includes arrears of payment for the period 31 March 1996 to 31 March 1997 of £112,350.

14 DEFERRED TAXATION

The full potential liability to deferred taxation comprises:

	<u>31 May</u> <u>1997</u> £	<u>29 February</u> <u>1996</u> £
Accelerated capital allowances	46,200	9,600
Tax losses	(46,200)	(9,600)
	<hr/> -	<hr/> -
	<hr/> <hr/>	<hr/> <hr/>

QUADRANT VIDEO SYSTEMS PLC
NOTES TO THE FINANCIAL STATEMENTS
FIFTEEN MONTHS ENDED 31 MAY 1997

15 CALLED UP SHARE CAPITAL	31 May 1997 £	29 February 1996 £
Authorised		
Ordinary Shares of £1 each	218,182	218,182
'A' Ordinary Shares of £1 each	54,545	54,545
3.5% Redeemable Cumulative Preference Shares of £1 each	2,140,000	2,140,000
	<hr/> 2,412,727	<hr/> 2,412,727
Allotted, called up and fully paid		
Ordinary Shares of £1 each	218,182	218,182
'A' Ordinary Shares of £1 each	54,545	54,545
3.5% Redeemable Cumulative Preference Shares of £1 each	2,140,000	2,140,000
	<hr/> 2,412,727	<hr/> 2,412,727

The 'A' Ordinary Shares have no rights to dividends, no rights to repayment on the winding up of the Company and no voting rights. Each 'A' Ordinary Share shall convert into one Ordinary Share on the date of acquisition by the controlling shareholder.

The 3.5% Cumulative Preference Shares have rights to a cumulative dividend of 3.5% of the capital paid up per annum. The Preference shares have rights to vote at meetings of the Company, at the rate of 100 votes for each Preference Share, if the preference dividend is three months in arrears or if any Preference Shares due to be redeemed, as described below, have remained unredeemed, or if the business of the meeting includes consideration of the winding up of the Company. The Preference Shares are redeemable at any time by the Company, and at the latest by 30 September 2000, at the amount paid up for the shares. On the winding up of the Company the Preference Shareholders shall be paid, in priority to the Ordinary Shareholders out of any surplus assets, the amount paid up on the Preference Shares together with any arrears of dividend.

16 RESERVES	1997 £	1996 £
Share premium account		
Share premium account brought forward	15,065	-
Premium on shares issued	-	27,272
Less: Issue Costs	-	(12,207)
	<hr/> 15,065	<hr/> 15,065
Profit and loss account		
At 1 March 1996	110,023	-
(Loss)/profit for the period	(118,292)	110,023
	<hr/>	<hr/>
At 31 May 1997	(8,269)	110,023
	<hr/>	<hr/>

QUADRANT VIDEO SYSTEMS PLC
NOTES TO THE FINANCIAL STATEMENTS
FIFTEEN MONTHS ENDED 31 MAY 1997

17 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS	<u>1997</u> £	<u>1996</u> £
(Loss)/profit for the period	(118,292)	110,023
Shares issued	-	2,412,725
Premium on shares issued	-	15,065
	<hr/>	<hr/>
	(118,292)	2,537,813
Shareholders' Funds brought forward	2,537,815	2
	<hr/>	<hr/>
Shareholders' Funds carried forward	2,419,523	2,537,815
	<hr/> <hr/>	<hr/> <hr/>
Shareholders' Funds are attributable as follows:		
Equity shareholders	279,523	397,815
Non equity shareholders	2,140,000	2,140,000
	<hr/>	<hr/>
	2,419,523	2,537,815
	<hr/> <hr/>	<hr/> <hr/>
 18 LEASE COMMITMENTS	 <u>31 May</u> <u>1997</u> £	 <u>29 February</u> <u>1996</u> £
Operating leases		
At the period end the Company has annual commitments under non-cancellable operating leases in respect of land and buildings as follows:		
Expiring between two and five years	102,500	104,900
Expiring in more than five years	35,200	33,700
	<hr/>	<hr/>
	137,700	138,600
	<hr/> <hr/>	<hr/> <hr/>
At 31 May 1997 the Company has annual commitments under non-cancellable operating leases in respect of motor vehicles as follows:		
Expiring within one year	29,953	26,527
Expiring between two and five years	180,934	134,277
	<hr/>	<hr/>
	210,887	160,804
	<hr/> <hr/>	<hr/> <hr/>
 19 CAPITAL COMMITMENTS		
Contracted for but not provided in the financial statements	71,273	-
	<hr/> <hr/>	<hr/> <hr/>

QUADRANT VIDEO SYSTEMS PLC
NOTES TO THE FINANCIAL STATEMENTS
FIFTEEN MONTHS ENDED 31 MAY 1997

20 CONTINGENT LIABILITIES

The Company has agreed to guarantee jointly and severally, with certain of its fellow subsidiaries within the Quadrant Group plc, certain obligations of fellow subsidiaries amounting to £1,124,718 at 31 May 1997.

At 31 May 1997 the company had given guarantees and indemnities under performance bonds amounting to £53,359.

21 ULTIMATE PARENT AND CONTROLLING UNDERTAKING

The ultimate parent and controlling undertaking is Quadrant Group plc, a company incorporated in Great Britain. Copies of the parent company's consolidated financial statements may be obtained from The Secretary, Quadrant Group plc, North Court House, Morton Bagot, Studley, Warwickshire B80 7EL.

As permitted by FRS8 "Related Party Disclosures" the financial statements do not disclose transactions with the ultimate parent company and fellow subsidiaries where more than 90% of the voting rights are controlled by the group.