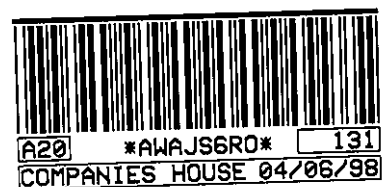


Showcard Group Limited

Directors' report and financial statements

31 December 1997

Registered number 2231656



Directors' report and financial statements

Contents

Company information	1
Directors' report	2
Statement of directors' responsibilities	3
Report of the auditors to the members of Showcard Group Limited	4
Profit and loss account	5
Balance sheet	6
Reconciliation of movement in shareholders' funds	7
Notes	8

Company information

Directors	H Balfour J Webster
Secretary	Havelock Europa PLC
Registered office	136 Church Street Eastwood Nottinghamshire NG16 3TH
Auditors	KPMG Audit Plc 24 Blythswood Square Glasgow G2 4QS
Bankers	National Westminster Bank Plc Smiths Bank Branch Nottingham

Directors' report

The directors present their report and audited accounts of the company for the year ended 31 December 1997.

Principal activity

The principal activities of the group are the manufacture and marketing of retail display systems, trade and retail printers and product and graphic design.

Review of the business

The results for the year are set out in the profit and loss account. The state of affairs of the company is set out in the balance sheet.

Results and dividends

The directors recommend the payment of a final dividend of £6,852,000 (1996: £150,000). The retained loss in the year of £5,083,000 was applied to reserves (1996: £1,223,000 profit).

Directors and directors' interests

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

H Balfour	
J Webster	
P Aslet	(resigned 9 January 1998)
P Tapper	(resigned 16 September 1997)
A Harrold	(resigned 16 September 1997)
R Pool	(resigned 16 September 1997)
P Day	(resigned 30 June 1997)
K Cole	(resigned 31 January 1997)
D Bygrave	(resigned 31 March 1997)

H Balfour, P Aslet and J Webster are all directors of Havelock Europa PLC and their interests in the shares of that company are shown in its accounts. No other director had an interest in the share capital of Havelock Europa PLC nor did any director have an interest in the share capital of the company at 31 December 1997.

Auditors

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

By order of the board



Havelock Europa PLC
Secretaries

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 of the profit or loss 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 group 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG Audit Plc
24 Blythswood Square
Glasgow
G2 4QS
United Kingdom

Report of the auditors to the members of Showcard Group Limited

We have audited the financial statements on pages 5 to 16.

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 1997 and the profit of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

26 May 1998

Profit and loss account
for the year ended 31 December 1997

	<i>Notes</i>	Year ended 31 December 1997 £000	9 months ended 31 December 1996 £000
Turnover	2	11,949	8,794
Cost of sales		(6,386)	(4,788)
		<hr/>	<hr/>
Gross profit		5,563	4,006
Administrative expenses		(3,001)	(1,998)
		<hr/>	<hr/>
Operating profit	3	2,562	2,008
Interest (payable) less receivable	6	(14)	6
		<hr/>	<hr/>
Profit on ordinary activities before taxation		2,548	2,014
Tax on profit on ordinary activities	7	(779)	(641)
		<hr/>	<hr/>
Profit on ordinary activities after taxation and for the financial year		1,769	1,373
Dividends	8	(6,852)	(150)
		<hr/>	<hr/>
Retained (loss)/profit		(5,083)	1,223
		<hr/>	<hr/>

There were no recognised gains or losses other than those set out above.

There were no acquisitions or discontinued operations in the period.

Details of movements in reserves are set out in note 15.

Balance sheet
at 31 December 1997

	Notes	1997 £000	1996 £000
Fixed assets			
Tangible assets	9	1,624	1,620
Current assets			
Stock	10	568	350
Debtors	11	5,201	5,795
Cash at bank and in hand		1,202	998
		<hr/> 6,971	<hr/> 7,143
Creditors: amounts falling due within one year	12	<hr/> (8,361)	<hr/> (3,400)
Net current assets			
Due within one year		(3,111)	1,522
Due after one year	11	1,721	2,221
		<hr/>	<hr/>
Total assets less current liabilities		234	5,363
Creditors: amounts falling due after more than one year	13	<hr/> (19)	<hr/> (65)
Net assets		<hr/> 215	<hr/> 5,298
Capital and reserves			
Called up share capital	14	101	101
Share premium account	15	90	90
Capital redemption reserve	15	24	24
Profit and loss account	15	-	5,083
		<hr/>	<hr/>
Equity shareholders' funds		215	5,298
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 21 May 1998 and were signed on its behalf by:



JS Webster
Director

Reconciliation of movements in shareholders' funds
for the year ended 31 December 1997

	Year ended 31 December 1997 £000	9 months ended 31 December 1996 £000
Profit for the financial year	1,769	1,373
Dividends on equity shares	(6,852)	(150)
	<hr/>	<hr/>
(Decrease)/increase in shareholders' funds	(5,083)	1,223
Opening equity shareholders' funds	5,298	4,075
	<hr/>	<hr/>
Closing equity shareholders' funds	215	5,298
	<hr/> <hr/>	<hr/> <hr/>

Notes

(forming part of the financial statements)

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 of the company.

Basis of preparation

The financial statements have been prepared under the historical cost accounting rules, modified to include the revaluation of all properties and comply with all applicable accounting standards.

The company is exempt from the requirement of Financial Reporting Standard 1 to prepare the cash flow statement as it is a wholly owned subsidiary undertaking of Havelock Europa PLC and its cash flows are included within the consolidated cash flow statement of that company.

Turnover

Turnover represents the invoiced amount of goods and services provided stated net of value added tax.

Depreciation

Depreciation is provided to write off the cost of tangible fixed assets, other than land, to their estimated residual values, by equal instalments over their estimated useful economic lives at the following annual percentages:

Leasehold land and buildings	- 2%
Plant and machinery	- 25%
Fixtures and fittings	- 20-33%
Motor vehicles	- 25%
Computer equipment	- 33%

Leasehold properties are depreciated over the terms of the respective leases or 50 years, whichever is the shorter.

Stocks and work in progress

Stock is stated at the lower of cost and net realisable value.

In the case of manufactured goods cost includes all direct expenditure and where appropriate a proportion of production overheads based on the normal level of activity.

Hire purchase and leasing contracts

Assets financed by hire purchase contracts and finance leases are capitalised. The obligation for future repayments and rentals is recognised and included in creditors net of finance charges allocated to future periods.

Assets capitalised are depreciated in accordance with the policy explained above.

The finance charges relating to such contracts are charged in the profit and loss account in equal instalments over the life of each contract.

Rentals paid under operating leases are charged to the profit and loss account in the period to which they relate.

Notes (continued)

1 Accounting policies (continued)

Pension costs

Contributions in respect of the company's defined contribution scheme are charged to the profit and loss account for the period in which they are payable to the scheme.

Taxation

The charge for tax is based on the result for the year and takes into account tax deferred because of timing differences between the treatment of items for tax and accounting purposes. Provision for deferred tax is made where there is reasonable evidence that such tax will become payable in the foreseeable future.

2 Analysis of turnover

An analysis of turnover by activity and market is given below:

	Year ended 31 December 1997 £000	9 months ended 31 December 1996 £000
Manufacture and marketing of retail display systems	4,872	3,526
Printing and design	7,077	5,268
	<hr/> 11,949 <hr/>	<hr/> 8,794 <hr/>

An analysis of turnover by destination by geographical area is shown below:

	£000	£000
United Kingdom	11,435	8,599
Rest of Europe	208	159
Rest of the world	306	36
	<hr/> 11,949 <hr/>	<hr/> 8,794 <hr/>

Notes *(continued)*

3 Supplementary information

	Year ended 31 December 1997 £000	9 months ended 31 December 1996 £000
Depreciation		
- owned assets	140	120
- assets purchased under hire purchase contracts and finance leases	35	31
(Profit) on disposal of fixed assets	(1)	(27)
Auditors' remuneration	17	17
Operating lease rentals - property	136	97

4 Staff numbers and costs

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

	Number of employees	
	Year ended 31 December 1997	9 months ended 31 December 1996
Directors	6	9
Office and management	56	40
Manufacturing	107	104
	<hr/>	<hr/>
	169	153
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	Year ended 31 December 1997 £000	9 months ended 31 December 1996 £000
Wages and salaries	2,510	1,891
Social security costs	222	159
Other pension costs	50	36
	<hr/>	<hr/>
	2,782	2,086
	<hr/>	<hr/>

Notes (continued)

5 Remuneration of directors

	Year ended 31 December 1997 £000	9 months ended 31 December 1996 £000
Directors' emoluments:		
Salaries and benefits in kind	182	266
Pension contributions	15	17
	<hr/> 197	<hr/> 283

The emoluments, excluding pension contributions, of the highest paid director amounted to £62,000 (1996: £68,000). The company contributions to pension scheme in respect of the highest paid director amounted to £5,000 (1996: £5,000).

At the year end benefits were accruing to no directors under the company pension scheme.

6 Interest

	Year ended 31 December 1997 £000	9 months ended 31 December 1996 £000
Interest receivable from short term deposits	-	20
Interest payable:		
On borrowings wholly repayable within five years including bank overdrafts	(14)	(5)
On hire purchase contracts and finance lease	-	(9)
	<hr/> (14)	<hr/> 6

7 Taxation

The tax charge on the profit on ordinary activities for the period was as follows:

	Year ended 31 December 1997 £000	9 months ended 31 December 1996 £000
UK corporation tax @ 31.5% (1996: 33%)	775	648
Under/(over)provision in prior years	4	(7)
	<hr/> 779	<hr/> 641

Notes (continued)

8 Dividends

	Year ended 31 December 1997 £000	9 months ended 31 December 1996 £000
Dividend paid on equity shares	-	150
Dividend proposed on equity shares	6,852	-
	<hr/>	<hr/>
	6,852	150
	<hr/>	<hr/>

9 Tangible fixed assets

	Land and buildings £000	Plant and machinery £000	Total £000
<i>Cost or valuation</i>			
At 1 January 1997	935	2,122	3,057
Additions	160	72	232
Disposals	-	(107)	(107)
	<hr/>	<hr/>	<hr/>
At 31 December 1997	1,095	2,087	3,182
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At 1 January 1997	18	1,419	1,437
Charge for the year	25	150	175
Eliminated on disposal	-	(54)	(54)
	<hr/>	<hr/>	<hr/>
At 31 December 1997	43	1,515	1,558
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 1997	1,052	572	1,624
	<hr/>	<hr/>	<hr/>
At 31 December 1996	917	703	1,620
	<hr/>	<hr/>	<hr/>

The company's interests in its properties were revalued on the basis of open market value at £870,000 at 10 January 1996 by Richard Ellis, a firm of independent chartered surveyors.

The net book value of tangible fixed assets includes an amount of £161,000 (1996: £196,568) in respect of assets held under hire purchase contracts and finance leases. Depreciation charged in the year in respect of these assets was £35,000 (1996: £31,000).

Notes (continued)

9 Tangible fixed assets (continued)

Land and buildings consists solely of leasehold property which is split as follows:

	1997 £000	1996 £000
Cost	225	65
Valuation	870	870
	<hr/>	<hr/>
	1,095	935
	<hr/>	<hr/>

On an historical cost basis, the net book value of land and buildings at 31 December 1997 would be £1,306,000 (1996: £1,171,348).

10 Stocks

	1997 £000	1996 £000
Raw materials	199	149
Work in progress	74	35
Finished goods	295	166
	<hr/>	<hr/>
	568	350
	<hr/>	<hr/>

11 Debtors

	1997 £000	1996 £000
Trade debtors	3,299	3,404
Prepayments and accrued income	181	170
Amounts due from parent undertaking	1,721	2,221
	<hr/>	<hr/>
	5,201	5,795
	<hr/>	<hr/>

Amounts due from parent undertaking includes £1,721,000 (1996: £2,221,000) due after more than one year.

Notes (continued)

12 Creditors: amounts falling due within one year

	1997 £000	1996 £000
Bank overdraft	-	80
Trade creditors	-	1,304
Corporation tax	775	1,226
Taxation and social security costs	270	320
Accruals	418	414
Obligations under hire purchase contracts	46	56
Proposed dividend	6,852	-
	<hr/> 8,361 <hr/>	<hr/> 3,400 <hr/>

13 Creditors: amounts falling due after more than one year

	1997 £000	1996 £000
Obligations under hire purchase contracts	<hr/> 19 <hr/>	<hr/> 65 <hr/>

14 Called up share capital

	1997 £000	1996 £000
<i>Authorised</i>		
125,000 ordinary shares of £1 each	125	125
2 cumulative preference shares of £1 each	-	-
1 special ordinary shares of £1	-	-
	<hr/> 125 <hr/>	<hr/> 125 <hr/>
<i>Allotted, issued and fully paid</i>		
101,571 ordinary shares of £1 each	101	101
2 cumulative preference shares of £1 each	-	-
1 special ordinary share of £1 each	-	-
	<hr/> 101 <hr/>	<hr/> 101 <hr/>

The special ordinary share carries 51% of the voting rights of that share and the ordinary shares combined. In all other respects its rights are the same as the ordinary shares.

Notes (continued)

15 Share premium account and reserves

	Share premium account £000	Capital redemption reserve £000	Profit and loss account £000
At 1 January 1997	90	24	5,083
Retained loss in the year	-	-	(5,083)
	<hr/>	<hr/>	<hr/>
At 31 December 1997	90	24	-
	<hr/>	<hr/>	<hr/>

16 Commitments

	1997 £000	1996 £000
a. Capital		
Contracted for but not provided	120	200
	<hr/>	<hr/>
b. Financial		

The payments under operating leases which are due to be made in the next year, analysed over the periods when the lease expire are:

	1997		1996	
	Properties £000	Other assets £000	Properties £000	Other assets £000
Within one year	-	9	-	15
Between two and five years	-	83	-	79
After five years	136	-	136	-
	<hr/>	<hr/>	<hr/>	<hr/>
	136	92	136	94
	<hr/>	<hr/>	<hr/>	<hr/>

17 Related party disclosures

Under Financial Reporting Standard No 8 the company is exempt from the requirement to disclose related party transactions with other group undertakings as it is a wholly owned subsidiary of a parent undertaking which prepares and publishes consolidated financial statements.

Notes *(continued)*

18 Parent undertaking

The company's ultimate parent undertaking is Havelock Europa PLC, which is incorporated in Great Britain. the financial statements of Havelock Europa PLC are available from their registered office at 136 Church Street, Eastwood, Nottinghamshire, NG16 3TH.

19 Post balance sheet event

On 1 January 1998 the company transferred its trade, assets and liabilities to Havelock Europa PLC and now trades as a division of that company.