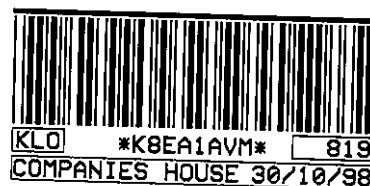


SCHOLL (UK) LIMITED

(Registration No. 2285039)

ACCOUNTS FOR THE YEAR ENDED 31ST DECEMBER 1997



SCHOLL (UK) LIMITED

DIRECTORS' REPORT

The Directors present their annual report on the affairs of the Company together with the accounts and auditors' report for the year ended 31st December 1997.

Principal activity

The principal activity of the Company is that of a holding company.

Results and dividends

The results for the year are dealt with in the profit and loss account on page 4. The directors have declared an interim dividend of £3,000,000 (1996: £2,000,000). The Directors do not recommend a final dividend for the year ended 31st December 1997 (1996: nil).

Directors and their interests

The Directors who have served during the year are as follows: -

C.A. Marchetti (appointed 1st December 1997, resigned 5th January 1998)
A. Eaton (appointed 5th January 1998)
A.C. Stamper (appointed 19th January 1998)
M.J.V Bishop
C.M. Lee (appointed 1st December 1997)

As at 31 December 1997, Mr M.J.V. Bishop held options over 38504 Ordinary Shares of Scholl PLC (31st December 1996 – 35029) and the movement represents options granted during the year less 5000 options exercised during the year.

As at 31 December 1997, Mr C A Marchetti held options over 59450 Ordinary Shares of Scholl PLC (31st December 1996 – nil) being options granted during the year.

Auditors

On 11th November 1991 the Company passed an elective Resolution to dispense with the annual appointment of Auditors.

By order of the Board



M.J.V. Bishop
Director

Scholl PLC
475 Capability Green
Luton, Bedfordshire
LU1 3LG

30th September 1998

SCHOLL (UK) LIMITED

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 the year. In preparing those accounts, the Directors are required to:

- (i) select suitable accounting policies and then apply them consistently;
- (ii) make judgements and estimates that are reasonable and prudent;
- (iii) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- (iv) prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the 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.

SCHOLL (UK) LIMITED

AUDITORS' REPORT

To the members of Scholl (UK) Limited

We have audited the accounts on pages 4 to 9 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of Directors and Auditors

As described on page 2, the Company's Directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

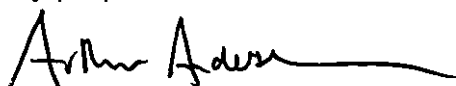
Basis of opinion

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 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 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 as at 31st December 1997 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen
Chartered Accountants and Registered Auditors
1 Surrey Street
London
WC2R 2PS

30th September 1998

SCHOLL (UK) LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31st DECEMBER 1997

	<u>Notes</u>	Year ended 31st December 1997 £	Year ended 31st December 1996 £
Operating expenses		(1)	(370,145)
Investment Income	3	5,008,297	2,459,944
Profit on ordinary activities before taxation		5,008,296	2,089,799
Tax on profit on ordinary activities	4	(381,744)	(289,233)
Profit on ordinary activities after taxation		4,626,552	1,800,566
Dividends paid and proposed	5	(3,000,000)	(2,000,000)
Retained profit / (loss) for the year		1,626,552	(199,434)
Retained profit at the beginning of the year		166,851	366,285
Retained profit at the end of the year		1,793,403 =====	166,851 =====

All operations of the company continued throughout both periods and no operations were acquired or discontinued.

Statement of total recognised gains and losses for the year ended 31st December 1997:

There are no recognised gains and losses other than the profit on ordinary activities after taxation.

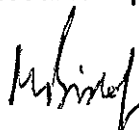
The accompanying notes are an integral part of these statements.

SCHOLL (UK) LIMITED
BALANCE SHEET
AT 31ST DECEMBER 1997

	<u>Notes</u>	1997 £	1996 £
Fixed assets			
Investments	6	63,163,695	63,163,695
Current assets			
Debtors	7	2,437,301	4
Cash		350	
		<u>2,437,651</u>	<u>4</u>
Creditors: Amounts falling due within one year	8	(2,078,041)	(1,266,946)
Net current assets/(liabilities)		<u>359,610</u>	<u>(1,266,942)</u>
Total assets less current liabilities		63,523,305	61,896,753
Creditors: Amounts falling due after more than one year	9	(30,898,802)	(30,898,802)
Net assets		<u>32,624,503</u>	<u>30,997,951</u>
Capital and reserves			
Called-up share capital	10	30,831,100	30,831,100
Profit and loss		1,793,403	166,851
Equity shareholders' Funds		<u>32,624,503</u>	<u>30,997,951</u>

Signed on behalf of the Board

M.J.V.Bishop



30th September 1998

The accompanying notes are an integral part of this balance sheet.

SCHOLL (UK) LIMITED

NOTES TO THE ACCOUNTS

1. Principal accounting policies

The following accounting policies have been applied consistently throughout this year and the preceding year:

- a) Basis of accounting
The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.
- b) Investments in subsidiary undertakings
Investments are stated at Directors' valuation. The Directors carry out an annual review to identify any permanent diminution in value.
- c) Taxation
Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation is calculated using the liability method, provided in respect of the taxation effect of all timing differences to the extent that it is probable that liabilities will crystallise in the foreseeable future.

- d) Consolidation
The Company considers its ultimate parent company to be Scholl PLC, a company registered in England and Wales. The only group in which the results of the Company are consolidated is that headed by Scholl PLC. The company has taken advantage of section 228 of the Companies Act 1985 not to prepare consolidated accounts. The consolidated accounts of Scholl PLC are available to the public from 475 Capability Green, Luton, Bedfordshire, LU1 3LG.

2. Supplementary Profit and Loss information

No persons were employed by the Company. C.A. Marchetti and M.J.V. Bishop were remunerated by Scholl PLC. No portion of their remuneration is specifically attributable to their services to the company. Auditors' remuneration has been paid by the parent company.

3. Investment Income

	1997	1996
	£	£
Scholl Consumer Products Ltd - received	3,000,000	1,000,000
Scholl International B.V. – received	2,008,297	1,459,944
	<u>5,008,297</u>	<u>2,459,944</u>

SCHOLL (UK) LIMITED

NOTES TO THE ACCOUNTS (continued)

4. Tax on ordinary profits

The tax (charge) / credit of 31.5% is based on the profit for the year including the dividend receivable from Scholl International B.V. - The Netherlands.

	1997 £	1996 £
Corporation Tax at 31.5%(1996-33%)	(429,000)	(741,883)
Deferred Tax Movement	-	430,060
Adjustment in respect of prior years	47,256	22,590
	<u>(381,744)</u>	<u>(289,233)</u>

5. Dividends paid and proposed

	1997 £	1996 £
Interim Paid 1997 of 9.7p per share (1996: 6.5p)		
- Scholl (Investments) Limited	<u>3,000,000</u>	<u>2,000,000</u>
	<u>3,000,000</u>	<u>2,000,000</u>

6. Investments

The investments in subsidiary undertakings held at cost less provisions for diminution in value as at 31st December 1996 and 31st December 1997 was as follows:-

63,163,695

	Percentage Shareholding	Country of Incorporation	Principal Activity
Scholl Consumer Products Limited	100 %	England & Wales	Manufacture & Distribution of
Foot Comfort Centre Srl	1%	Italy	Personal care products
Scholl International B.V.	41.34%	Netherlands	Footwear Distribution
EHP (Investments)	100%	England & Wales	Holding Company
			Holding Company

SCHOLL (UK) LIMITED

NOTES TO THE ACCOUNTS (continued)

7.	<u>Debtors</u>	1997 £	1996 £
	ACT recoverable	429,000	
	Amounts due from Scholl PLC	2,008,297	-
	VAT	4	4
		<u>2,437,301</u>	<u>4</u>
8.	<u>Creditors: Amounts falling due within one year</u>	1997 £	1996 £
	Amounts due to Scholl PLC	(1,476,718)	(1,015,978)
	Amounts due to fellow subsidiaries	(172,323)	(172,323)
	Corporation Tax	(429,000)	(78,641)
	Bank loans and overdrafts	(5)	(4)
		<u>(2,078,046)</u>	<u>(1,266,946)</u>
9.	<u>Creditors: Amounts falling due after more than one year</u>	1997 £	1996 £
	Loan from Scholl PLC	<u>(30,898,802)</u>	<u>(30,898,802)</u>
	The loan from Scholl PLC, which is non-interest bearing, is repayable in full on or before 31st December 2003.		
10.	<u>Called up share capital</u>	1997 £	1996 £
	Authorised 35,000,000 ordinary shares of £1 each	<u>35,000,000</u>	<u>35,000,000</u>
	Allotted, called-up and fully paid 30,831,100 ordinary shares of £1 each	<u>30,831,100</u>	<u>30,831,100</u>
11.	<u>Reconciliation of movement on shareholders' funds</u>	1997 £	1996 £
	Profit/(loss) for the year	1,626,552	(199,434)
	Net movement in shareholders' funds	1,626,552	(199,434)
	Opening shareholders' funds	166,851	366,285
	Closing shareholders' funds	<u>1,793,403</u>	<u>166,851</u>

SCHOLL (UK) LIMITED

NOTES TO THE ACCOUNTS (continued)

12. Ultimate Parent company

The ultimate parent company is Scholl PLC, a company registered in England and Wales. The consolidated accounts of the group headed by Scholl PLC are available to the public and may be obtained from 475 Capability Green, Luton, Bedfordshire, LU1 3LG.

13. Cash flow statement

Under the provisions of Financial Reporting Standard No. 1 (revised), the company has not prepared a cash flow statement because its ultimate parent company, Scholl PLC, which is incorporated within the European Community has prepared consolidated accounts which include the accounts of the company for the year and which contain an appropriate cash flow statement.

14. Subsequent events

On 8th June 1998 the company's ultimate parent company, Scholl plc, merged with Seton Healthcare group plc. The new merged entity has been called Seton Scholl Healthcare Group plc.