Company Registration No. 1927339

Cementone plc

Report and Financial Statements

31 December 1997

FOR FILING

Deloitte & Touche
Verulam Point
Station Way
St Albans
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Directors:

L Lewis	Executive Chairman
R D Evans	Chief Executive
A S Perloff	Non Executive

Registered Number:
1927339

Secretary and Registered Office:
R D Evans
36 Ladbroke Square
London
W11 3NB

Auditors:
Deloitte & Touche
Verulam Point
Station Way
St Albans
Herts AL1 5HE

Solicitors:
Frere Cholmeley Bischoff
4 Carpenter Street
London
EC4Y 0NH

Principal Bankers:
Lloyds Bank Plc
19 Market Square
Buckingham
MK18 1NP

Financial Advisers:
Guinness Mahon & Co
32 St Mary at Hill
London
EC3P 3AJ

Registrars:
Independent Registrars Group Limited
Balfour House
390/398 High Road
Ilford
Essex IG1 1NQ

Stockbrokers:
Henderson Crosthwaite
32 St Mary at Hill
London
EC3P 3AJ

Brief biographical details of the directors are as follows:

Executive

Lawrie Lewis (54). Mr Lewis founded the Blenheim Group in 1979 to organise and develop exhibitions and conferences and was chief executive until his retirement in 1991. For the last few years he has resided abroad.

Robert David Evans (43). Mr Evans was employed in a number of senior managerial and financial positions at Hillsdown Holdings Plc for over ten years. He was subsequently chairman and chief executive of a number of publicly quoted companies, including Enterprise Computer Holdings Plc and Global Group Plc. He is currently involved in a number of businesses in the UK, USA and Eastern Europe.

Non-executive

Andrew Stewart Perloff (53). Mr Perloff has over 30 years experience in commercial property investment and development and is the executive chairman of Panther Securities PLC.

FINANCIAL REVIEW

Turnover and profits

Turnover for the year to 31 December 1997 was £8.843 million (1996 £19.622 million) resulting in pre tax losses before exceptional items of £129,000 (1996 profit £530,000).

Exceptional losses amounted to £8.827 million (1996 profit £330,000). Loss for the year before tax is therefore £8.956 million (1996 profit £860,000).

Exceptional items

In the Circular dated 26 June 1997 to shareholders of the Company the proposed sale of the operating businesses for £9.5 million ("the Disposal") was announced and this was completed on 14 July 1997. This Disposal has given rise to a loss of £5.361 million after all costs and provisions including goodwill previously written off to reserves.

Since the year end the Company has issued a Prospectus setting out the proposed acquisition of ITE Group Limited for a consideration of approximately £65 million. As part of this transaction it is intended to dispose of all the interests in Philip Johnstone Group Limited, and the freehold property in Buckingham, as soon as is practicable. In anticipation of these disposals, exceptional provisions of £3.466 million against the values of these assets have been charged in the accounts to 31 December 1997.

Liquidity

At the year end, the group had £3.537 million in cash and short-term investments (1996 £815,000) and the loan secured on the freehold property in Buckingham was £1.218 million.

Shareholder's Funds

Despite the exceptional losses, equity shareholders' funds during the year increased to £6.623 million from £4.743 million due to the release of goodwill previously written off to reserves.

OPERATING REVIEW

The trading results for the first half year, which included the businesses disposed of, were substantially behind the previous management's forecasts. Whilst turnover was substantially down on the same period in the previous year, gross margins were ahead but this increase was insufficient to cover the high level of fixed costs. In addition, larger than expected provisions had to be made to cover slow moving stock and after date credit notes.

In the second half of the year, the Company was deemed by the Stock Exchange to be a "company without a significant business" and the only income was interest received.

DISPOSALS

On 14 July 1997 the Company disposed of all its operating businesses to Philip Johnstone Group Limited. The consideration of £9.5 million was made up of £4.5 million in cash, a 20% shareholding in Philip Johnstone Group Limited, valued by the Directors at £3 million, and a secured loan of £2 million repayable over five years. In addition Philip Johnstone Group Limited entered into a new 25 year lease on the factory at Buckingham at a rental of £320,000 a year commencing on 14 January 1998 following a six month rent-free period.

DIVIDENDS

Due to the change in status of the Company, your board do not consider it appropriate to pay any dividend in respect of the results for 1997.

POST BALANCE SHEET EVENT

On 17 February 1998 the Company entered into a conditional agreement to acquire the entire issued share capital of ITE Group Limited, a company specialising in the organising of international trade exhibitions primarily in Russia and the CIS. The consideration will be approximately £65 million. This consideration is to be satisfied by the issue of 123,058,960 new Ordinary Shares to the Vendors, 2,910,037 new Ordinary Shares to certain ITE optionholders who have elected to exercise their ITE options, and by the grant of options over 14,177,450 Ordinary Shares.

If the acquisition is approved at the extraordinary general meeting to be held on 12 March 1998, the Company will change its name to ITE Group Plc and its year end will be changed to 30 September.

Lawrie Lewis
Chairman

11 March 1998

The directors present their report and the financial statements for the year ended 31 December 1997.

Directors' responsibilities and corporate governance

Details concerning the company's arrangements relating to corporate governance and its compliance with the Code of Best Practice are given on pages 7 to 9.

Results and dividends

The group loss for the year after tax was £9,018,000 (1996: profit £680,000). The directors propose no dividend for the year (1996: £330,000).

Activities

The group's principal activities, until the disposal of most subsidiaries on 14 July 1997, was the manufacture of specialist building chemicals, decorative and trade paints, wood preservative and anti-infestation products. From this date the Company was deemed by the Stock Exchange to be a "company without a significant business".

Further developments are discussed in the Chairman's Statement on pages 3 and 4.

Directors and their interests

The present membership of the Board is set out on page 1. Messrs Evans and Lewis were appointed on 14 April 1997. Messrs Chattwell and Mallya resigned on 2 April and 14 April 1997 respectively. Messrs Clements, Regan, Baxendale, Prenty and Whitelaw resigned on 14 July 1997.

The information required on directors' remuneration and the workings and policy of the Remuneration Committee are included on page 9 and note 9 to the accounts.

Directors' interests

The directors' interests at 31 December in the ordinary shares of the company are as follows:

	1997 Beneficial	1996 (or date of appointment) Beneficial
L Lewis	6,587,560 (29.99%)	6,587,560
R D Evans	-	-
A S Perloff	2,242,715 (10.21%)	2,242,715

On 4 February 1998, 6,587,557 shares beneficially held by Lawrie Lewis were transferred to Greenspan Holdings Limited, a company incorporated in the British Virgin Islands and wholly owned by him.

Robert Evans has options on 450,000 ordinary shares granted on 8 September 1997 at 67.5p

Andrew Perloff has a beneficial interest in 20,000 warrants to acquire ordinary shares (1996: 20,000). In addition, Mr Perloff is a trustee and beneficiary of B.P. Pension Fund (1985) which holds 432,543 warrants. Mr Perloff is a director and substantial shareholder of Panther Securities PLC which holds 142,850 warrants.

Substantial interests in shares

As at 27 February 1998 the following interests in three per cent or more of the issued share capital have been notified to the Board in addition to those disclosed above.

	Number of ordinary shares	Percentage of issued capital
Eaglet Investment Trust	3,386,401	15.4
M & G Group plc	1,745,573	7.9
Strand Associates Limited	1,515,967	6.9
Neville Buch	797,440	3.6

Taxation status

As far as the directors are aware the company is not a close company for the purpose of the Income and Corporation Taxes Act 1988.

Extraordinary general meeting

The Board has convened an extraordinary general meeting to be held on 12 March 1998 to approve, inter alia, the acquisition of ITE Group Limited and change the name of the Company to ITE Group Plc.

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

R D Evans
Secretary

11 March 1998

The directors have noted and support the conclusions of the Cadbury Committee as contained in its Report on the Financial Aspects of Corporate Governance. The directors have reviewed the group's compliance with the Code of Best Practice. Until 14 July 1997 the group was in full compliance with the provisions of the Code. On 14 July 1997 the company disposed of its operating businesses and since that date has been deemed by the Stock Exchange to be a "company without a significant business". The group has had only two executive and one non-executive directors and no other employees. The Board have authorised all financial transactions and Mr Evans has maintained financial records and control.

PERIOD TO 14 JULY 1997

The Board

For the majority of the period the Board of Directors comprised three executive and five non-executive directors and met regularly. The Board adopted a schedule of matters specifically reserved to itself for decisions covering key areas of the group's affairs including overall strategy, acquisition and divestment policy, approval of major capital expenditure projects and consideration of significant financing matters. It reviewed the strategic direction of individual trading subsidiaries, their annual budgets, their progress towards achievement of those budgets and their capital expenditure programmes.

Board Committees

The Company had an Audit Committee, a Nominations Committee and a Remuneration Committee, each of which was chaired by Mr Clements.

The Audit Committee was formally constituted with written terms of reference and it met not less than twice a year. It comprised Messrs Clements (Chairman), Chattwell and Regan, who were non executive directors. Mr Chattwell resigned from the committee on 2 April 1997. The role of the audit committee (as set out in the 1996 annual report issued to shareholders in June 1997) continued in force during the period to 14 July 1997.

The Nominations Committee comprised the non-executive directors and was chaired by Mr Clements. It made recommendations to the Board on the appointment of directors.

The Remuneration Committee had the same membership as the Audit Committee. It reviewed and determined all aspects of the remuneration and benefits offered to the executive directors.

There is a separate report from the Remuneration committee on page 9.

Internal financial controls

The Board reviewed the effectiveness of the system of internal financial controls based on the criteria set out in the Guidance for Directors "Internal Control and Financial Reporting". It considered the major business and financial risks, the control environment and information on, and arising from, control procedures. Given that a system can provide only reasonable, but not absolute, assurance and that it relates only to the needs of the business at that time, the system of internal financial control as a whole was found to be generally appropriate during the period under review.

GOING CONCERN

After making appropriate enquiries, the directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

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

R Evans
Director
11 March 1998

The Remuneration Committee operated until 14 July 1997 and consisted of Alan Clements, Roger Regan and until 2 April 1997, Antony Chattwell. Its composition, responsibilities and operation complied with the best practice provisions in Section A of the Annex to the Listing Rules of The London Stock Exchange. In implementing its policy, the Committee gave full consideration to the best practice provisions set out in Section B of the Annex to the Listing Rules.

Directors' Remuneration

Non-Executive Directors - The fees for Non-Executive Directors were set by the Board. Non-Executive Directors did not, as a matter of policy, receive the non-cash benefits available to Executive Directors and were not eligible to participate in the Company's share option schemes or pension schemes.

Executive Directors - The remuneration of the Executive Directors was determined by the Remuneration Committee. Its principal function was to determine the Company's policy for executive remuneration and the individual remuneration and benefit packages and terms of employment of the Executive Directors.

Remuneration Policy

The Committee's objective was to provide the Executive Directors with packages which encouraged them to enhance the company's performance and to ensure that they were fairly and responsibly rewarded for their individual contribution. In determining packages, reference was made to pay levels in comparable companies and independent surveys, as well as to the performance of the individuals concerned

Directors' Remuneration - Information on the remuneration of directors is shown in Note 9 to the accounts.

Other matters - The Committee was responsible for supervising the company's share option schemes in accordance with rules approved by shareholders in general meeting. Policies on options, service contracts, pensions and other benefits (as set out in the 1996 committee report issued to shareholders in June 1997), continued until 14 July 1997.

In addition to and separate from our audit of the financial statements, we have reviewed the directors' statements on pages 7 to 9 on the company's compliance with the paragraphs of the Code of Best Practice specified for our review by the London Stock Exchange and their adoption of the going concern basis in preparing the financial statements. The objective of our review is to draw attention to non-compliance with listing rules 12.43 (j) and 12.43 (v). We have also reviewed the statement of compliance with Section A of the Best Practice Provisions on remuneration committees and the report of the remuneration committee to the shareholders set out respectively on pages 7 and 9 to the extent that they provide the disclosures specified by the Listing Rules

Basis of Opinion

We carried out our review in accordance with guidance issued by the Auditing Practices Board. That guidance does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the group's system of internal financial control or the company's corporate governance procedures or on the appropriateness of the bases uses in determining directors' remuneration or on the ability of the group to continue in operational existence.

Opinion

As noted in the directors' statements on pages 7 to 9, the circumstances of the Company have restricted full compliance throughout the year.

Subject to the restrictions covering the period from 14 July 1997 to 31 December 1997:-

With respect to the directors' statements on internal financial controls and going concern on pages 7 and 8 in our opinion the directors have provided the disclosure required by the Listing Rules referred to above and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain directors and officers of the company, and examination of relevant documents, in our opinion the directors' statements on pages 7 to 9 appropriately reflects the company's compliance with the other paragraphs of the Code specified for our review by the Listing Rule 12.43(j). Also on this basis, in our opinion the directors' statement of compliance with Section A of the Best Practice Provisions on remuneration committees and the report of the remuneration committee appropriately provide the disclosures specified by the Listing Rules and are not inconsistent with the information of which we have become aware from our audit work on the financial statements.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants
Verulam Point
Station Way
St Albans
Herts
AL1 5HE

11 March 1998

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 as at the end of the financial year and of the profit or loss of the group 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 the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the Group's system of internal financial controls and for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

We have audited the financial statements on pages 13 to 33 which have been prepared under the accounting policies set out on pages 19 and 20.

Respective responsibilities of directors and auditors

As described on page 11 the company's directors are responsible for the preparation of the 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 have 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 and 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 at 31 December 1997 and of the loss of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Deloitte & Touche
Chartered Accountants and Registered Auditors
Verulam Point
Station Way
St Albans
Herts
AL1 5HE

11 March 1998

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1997

	Note	Year ended 31 December 1997		Year ended 31 December 1996	
		£'000	£'000	£'000	£'000
TURNOVER					
Continuing operations	1	220		440	
Discontinued operations		8,623		19,182	
			8,843		19,622
Cost of sales			(4,309)		(10,348)
Gross Profit			4,534		9,274
Distribution costs		(1,671)		(3,504)	
Administrative expenses		(2,932)		(4,949)	
			(4,603)		(8,453)
Operating (loss)/profit	2				
Continuing operations		137		372	
Discontinued operations		(206)		449	
			(69)		821
Interest receivable	3		139		9
Interest payable and similar charges	4		(199)		(300)
			(129)		530
Exceptional items:					
Gain on disposal of assets following insurance claim			-		330
Loss on disposal of subsidiary companies	20		(5,361)		-
Provisions in anticipation of disposal					
- tangible fixed assets	10		(1,166)		-
- fixed asset investments	13		(2,300)		-
(Loss)/profit on ordinary activities before tax			(8,956)		860
Tax on profit on ordinary activities	5		(62)		(180)
(Loss)/profit on ordinary activities after taxation			(9,018)		680
Dividends	6		-		(330)
Retained (loss)/profit			(9,018)		350
(Loss)/earnings per share - basic	7		(41.0)p		3.1p

RECONCILATION OF SHAREHOLDERS' FUNDS
FOR THE YEAR ENDED 31 DECEMBER 1997

	Year ended 31 December 1997 £'000	Year ended 31 December 1996 £'000
Total recognised (losses)/gains for the year		
Net (loss)/profit after taxation	(9,018)	680
Dividends	-	(330)
	(9,018)	350
Goodwill on acquisition	-	(1,197)
Acquisition costs	-	(184)
Release of goodwill previously written off	10,898	-
Net movement in shareholders' funds	1,880	(1,031)
Opening shareholders' funds	4,743	5,774
Closing shareholders' funds	6,623	4,743

There are no recognised gains and losses in the current or preceding year other than those shown above. Accordingly, no Statement of Total Recognised Gains and Losses is given.

	Note	31 December 1997 £'000	31 December 1997 £'000	31 December 1996 £'000	31 December 1996 £'000
FIXED ASSETS					
Tangible assets	10	2,000		3,783	
Investments	13	2,700		1	
			4,700		3,784
CURRENT ASSETS					
Stock	11	-		2,024	
Debtors	12	32		5,263	
Short term investments	14	2		2	
Cash at bank and in hand		3,535		813	
		3,569		8,102	
CURRENT LIABILITIES					
Creditors: amounts falling due within one year	15	(592)		(4,169)	
NET CURRENT ASSETS			2,977		3,933
TOTAL ASSETS LESS CURRENT LIABILITIES			7,677		7,717
Creditors: amounts falling due after more than one year	15		(1,054)		(2,974)
			6,623		4,743
CAPITAL AND RESERVES					
Called up share capital	16		5,491		5,491
Share premium account	17		3,137		3,137
Goodwill reserve	17		-		(4,758)
Profit and loss account	17		(2,005)		873
EQUITY SHAREHOLDERS' FUNDS			6,623		4,743

These accounts were approved by the Board of Directors on 11 March 1998

Signed on behalf of the Board of Directors

R D Evans
Director

COMPANY BALANCE SHEET
AT 31 DECEMBER 1997

	Note	31 December 1997		31 December 1996	
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Tangible assets	10	-		2	
Investments	13	2,700		3,758	
			2,700		3,760
CURRENT ASSETS					
Debtors	12	2,026		6,008	
Short term investments	14	2		2	
Cash at bank and in hand		3,534		23	
		5,562		6,033	
CURRENT LIABILITIES					
Creditors: amounts falling due within one year	15	(413)		(448)	
NET CURRENT ASSETS			5,149		5,585
TOTAL ASSETS LESS CURRENT LIABILITIES			7,849		9,345
CAPITAL AND RESERVES					
Called up share capital	16		5,491		5,491
Share premium account	17		3,137		3,137
Profit and loss account	17		(779)		717
EQUITY SHAREHOLDERS' FUNDS			7,849		9,345

These accounts were approved by the Board of Directors on 11 March 1998.

Signed on behalf of the Board of Directors

R D Evans
Director

		Year ended 31 December 1997		Year ended 31 December 1996	
	Note	£'000	£'000	£'000	£'000
Cash inflow from operating activities	18		501		1,062
Returns on investments and servicing of finance					
Interest received		139		9	
Interest paid		(199)		(300)	
			(60)		(291)
Taxation					
UK Corporation tax paid		(192)		(151)	
Group relief paid to former owners		-		(566)	
			(192)		(717)
Capital expenditure and financial investment					
Payments to acquire tangible fixed assets		-		(140)	
Received from insurers for assets destroyed		-		604	
Sale of tangible fixed assets		126		51	
			126		515
Acquisitions and Disposals					
Cost of acquiring subsidiaries		-		(1,678)	
Costs of disposal of subsidiaries		(376)		-	
Proceeds from disposals of subsidiaries	20	4,500		-	
			4,124		(1,678)
Equity dividends paid			(242)		(309)
Cash inflow/(outflow) before financing	19		4,257		(1,418)
Financing					
(Decrease)/increase in debt			(878)		1,243
Increase/(decrease) in cash in period			3,379		(175)

	Note	Year ended 31 December 1997 £'000
RECONCILATION OF NET CASH FLOW TO MOVEMENT IN NET CASH/(DEBT)		
Increase in cash in the period		3,379
Cash outflow from decrease in debt		878
Change in net debt due to disposal		946
Change in net debt resulting from cash flows		5,203
Net debt at 1.1.97	19	(2,886)
Net cash at 31.12.97	19	2,317

Accounting convention

The accounts have been prepared under the historical cost convention in accordance with applicable accounting standards.

The principal accounting policies of the company and group are set out below. The policies have remained unchanged from the previous accounting period.

Basis of consolidation

The group financial statements consolidate those of the company and all subsidiary undertakings drawn up to 31 December each year. No profit and loss account is presented for Cementone plc as permitted by section 230 of the Companies Act 1985.

Companies and businesses acquired have been included in the group accounts using the acquisition method of accounting. At the date of acquisition the fair values of the net assets, excluding goodwill, of the subsidiary are determined and these values are incorporated in the consolidated financial statements. Any excess of the cost of investment over the net assets of the subsidiary that remains after this valuation is written off against reserves. Where permitted, the company has taken advantage of the merger relief provisions conferred by section 131 of the Companies Act 1985.

Goodwill

Goodwill is written off directly to reserves. Purchased goodwill is transferred to distributable reserves on a straight line basis over a period of ten years.

Turnover

Turnover is the total amount receivable by the group in the ordinary course of business with outside customers for goods supplied as a principal and for services provided, excluding VAT.

Depreciation

Depreciation is calculated to write down the cost of all tangible fixed assets by equal annual instalments over their expected useful economic lives.

The rates of depreciation are:

Plant and machinery	10% to 20%
Motor vehicles	25% to 33.3%
Freehold building	2%
Computer equipment	20% to 33.3%

Stocks

Stocks are stated at the lower of cost and net realisable value.

In the case of raw materials and consumable stores, cost means purchase price including transport and handling costs, less trade discounts, calculated on a first in first out basis. In the case of finished goods, cost comprises direct materials, direct labour and attributable overheads.

Net realisable value means estimated selling price (less trade discounts) less all further costs to completion and all costs to be incurred in marketing, selling and distribution.

Deferred taxation

Deferred taxation is provided using the liability method to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

Investments

Investments are valued at cost or directors valuation less provision for any permanent diminution in value.

Leases

Assets held under finance leases and the related lease obligations are recorded in the balance sheet at the fair value of the leased assets at the inception of the leases. The amounts by which the lease payments exceed the recorded lease obligations are treated as finance charges which are amortised over each lease term to give a constant rate of charge on the remaining balance of the obligation.

Rentals under operating leases are charged to profit and loss in equal annual amounts over the lease term.

Foreign currency

Transactions denominated in foreign currencies are translated into Sterling at the rate ruling at the date of the transaction. Amounts receivable and payable in foreign currencies at the balance sheet date are translated at the rate ruling at that date, unless they are covered by forward exchange contracts where the rate of the contract is used. Translation differences are dealt with in the profit and loss account.

Pensions and other post retirement benefits

The expected cost of providing pensions and other post retirement benefits, as calculated periodically by professionally qualified actuaries, is charged to the profit and loss account so as to spread the cost over the service lives of employees in the scheme operated within the Group in such a way that the pension cost is a substantially level percentage of current and expected future pensionable payroll.

1. Turnover

	Year ended 31 December 1997 £'000	Year ended 31 December 1996 £'000
Analysed by area of geographical destination		
United Kingdom	8,489	16,337
Rest of Europe	86	751
Africa	164	897
Far and Middle East	104	236
Caribbean	-	1,401
	8,843	19,622

In the opinion of the directors, the group operated in one class of business activity, all of which originated in the United Kingdom.

2. Operating (loss)/profit

Operating (loss)/profit is stated after charging/(crediting) the following:

	Year ended 31 December 1997 £'000	Year ended 31 December 1996 £'000
Rentals under operating leases:		
Hire of plant and machinery	215	365
Other operating leases	94	168
Auditors' remuneration		
- Audit fees	20	45
- Other services	24	15
Depreciation on tangible fixed assets owned	145	250
Directors' emoluments (see note 9)	447	327

3. Interest receivable and similar income

	Year ended 31 December 1997 £'000	Year ended 31 December 1996 £'000
Bank interest receivable	139	9

4. Interest payable and similar charges

	Year ended 31 December 1997 £'000	Year ended 31 December 1996 £'000
On bank loans, overdrafts and other loans repayable within five years, otherwise than by instalments	51	40
On bank loans repayable after more than five years	148	260
	199	300

5. Taxation

	Year ended 31 December 1997 £'000	Year ended 31 December 1996 £'000
United Kingdom corporation tax at 31.5% (1996 - 33%)	26	139
Prior year adjustment	(6)	38
Overseas taxation	-	2
Deferred taxation	-	1
Advance corporation tax written off	42	-
	62	180

There is no tax credit on the loss made in the year due to expenditure incurred that is not deductible for tax purposes.

6. Dividends

	Year ended 31 December 1997 £'000	Year ended 31 December 1996 £'000
Interim paid - nil (year ended 31 December 1996 - 0.4p)	-	88
Second interim proposed - nil per ordinary share (year ended 31 December 1996 - 1.1p)	-	242
	-	330

7. Earnings per share

Earnings per share were calculated by dividing the earnings by the weighted average number of shares in issue during the year.

	Year ended 31 December 1997 £'000	Year ended 31 December 1996 £'000
Net (loss)/profit after taxation	(9,018)	680
Weighted average number of shares in issue	21,965,856	21,965,856

8. Profit of parent company

The parent company's loss for the financial year amounted to £1,496,000 (year ended 31 December 1997 profit : £579,000).

9. Directors and employees

Staff costs during the year

	Year ended 31 December 1997 £'000	Year ended 31 December 1996 £'000
Wages and salaries	1,453	2,729
Social security costs	241	254
Other pension costs	119	189
	1,813	3,172

The average number of employees of the group during the year was 71 (year ended 31 December 1996 - 167)

Staff costs include costs in respect of directors, whose remuneration was as follows:

	Year ended 31 December 1997 £'000	Year ended 31 December 1996 £'000
Directors' emoluments (including benefits in kind and pension fund contributions)		
Directors' remuneration	211	251
Directors' fees	119	76
Compensation for loss of office	117	-
	447	327

The emoluments of the highest paid director, including benefits in kind, pension contributions and compensation for loss of office was £158,000 (1996 £92,000).

The disclosures required by the Greenbury Committee on Directors' Remuneration are as follows:

		1997					1997	1996
	Salary £ 000	Fees £ 000	Pension £ 000	Benefits in Kind £ 000	Loss of office £ 000		Total £ 000	Total £ 000
Executive								
A Baxendale Managing	57	-	5	4	92		158	92
K J Prenty Finance	49	-	4	4	25		82	80
J Whitelaw Commercial	33	-	4	4	*		41	79
L Lewis Chairman (from 3 July 1997)	-	30	-	-	-		30	-
R D Evans Chief Executive	47	55	-	-	-		102	-
Non-Executive								
A W Clements Chairman (to 3 July 1997)	-	7	-	-	-		7	15
A Chatwell	-	3	-	-	-		3	12
V Mallya	-	6	-	-	-		6	12
A S Perloff	-	6	-		-		6	12
B R Regan	-	12	-	-	-		12	25

* = Under negotiation

Mr Regan's fees were paid pursuant to a consultancy agreement between Cadismark Securities Limited and Cementone-Beaver Limited.

There are no annual or short term bonus schemes.

Share Options

Options were granted during 1994 to the Executive Directors under the Cementone plc Executive Share Option Scheme as follows:

	Date of Grant	Number of Shares	Exercise Price
A Baxendale	10 January 1994	47,960	81p
	21 January 1994	152,040	92½p
K J Prenty	10 January 1994	46,042	81p
	21 January 1994	145,958	92½p
J Whitelaw	3 June 1994	116,975	74½p
	25 October 1994	50,000	55p

On 13 January 1998, John Whitelaw exercised his option to purchase 50,000 shares at 55p against the mid-market value of 67.5p. All other options granted to A Baxendale and K Prenty lapsed on 14 January 1998

R D Evans was granted options on 450,000 ordinary shares on 8th September 1997 at 67.5p.

The mid-market value of the ordinary shares at the year end was 67.5p.

Bonus/Phantom Option Scheme

The Phantom Option Scheme was a bonus scheme whereby Executive Directors have the opportunity to earn bonuses based on increases in the Company's share price. Provided that there has been a return to shareholders of at least ten percent, after allowing for inflation, over a three year period the Directors were entitled to a bonus equivalent to the number of phantom options issued multiplied by the difference between the mid-market price and the exercise price of the phantom options.

The Directors were granted phantom options as follows:

	Date of Grant	Number of Options	Exercise Price
A Baxendale	3 March 1995	46,447	36p
K J Prenty	3 March 1995	40,000	36p
J Whitelaw	3 March 1995	40,000	36p

These options were exercised on 24 June 1997 at a mid-market price of 60p per share.

10. Tangible Fixed Assets

Group

	Total £'000	Plant & equipment £'000	Motor vehicles £'000	Freehold property £'000
Cost				
At 1 January 1997	6,096	2,521	142	3,433
Additions	-	-	-	-
Disposals	(117)	-	(117)	-
Disposal of subsidiaries	(2,554)	(2,521)	(25)	(8)
At 31 December 1997	3,425	-	-	3,425
Depreciation				
At 1 January 1997	2,313	1,977	135	201
Charge for the year	145	86	1	58
Disposals	(115)	-	(115)	-
Disposal of subsidiaries	(2,084)	(2,063)	(21)	-
Provision in anticipation of disposal	1,166	-	-	1,166
At 31 December 1997	1,425	-	-	1,425

Net book value				
At 31 December 1997	2,000	-	-	2,000
At 31 December 1996	3,783	544	7	3,232

Company

	Plant & Equipment £'000
Cost	
At 1 January and 31 December 1997	2
Depreciation	
Charge for year and at 31 December 1997	2
Net book value	
At 31 December 1997	-
At 31 December 1996	2

11. **Stock**

	Group 1997 £'000	1996 £'000
Raw materials and consumable stores	-	431
Finished products	-	1,593
	-	2,024

12. Debtors

	Group		Company	
	1997 £'000	1996 £'000	1997 £'000	1996 £'000
Amounts falling due within one year:				
Trade debtors	-	4,329	-	-
Amounts due from subsidiary undertakings	-	-	1,994	5,836
Amounts due from associated undertaking	-	262	-	-
Other debtors	32	164	32	27
Prepayments and accrued income	-	367	-	141
Corporation tax recoverable	-	141	-	-
	32	5,263	2,026	6,008

13. Investments

Group

The group's principal remaining subsidiary company, Cementone Properties Limited, is incorporated in England and Wales and trading as a property holding company. This subsidiary is wholly owned and operates in the United Kingdom.

Company

	1997 £'000	1996 £'000
At cost:		
At 1 January	3,758	3,604
Disposal	(3,758)	-
Additions	5,000	154
Provision in anticipation of disposal	(2,300)	-
At 31 December	2,700	3,758

The shareholdings in Cementone-Beaver Limited, Ultrabond Limited and Stanhope Chemical Products Limited were disposed of during the year to Philip Johnstone Group Limited.

Trade Investments (unlisted)

Acquired during the year:

Philip Johnstone Group Limited (Incorporated in the United Kingdom).

	At Directors' valuation on acquisition	Provisions in anticipation of disposal	Net Book Value
Ordinary shares (20% Holding)	3,000	(1,500)	1,500
Secured loan	2,000	(800)	1,200
	5,000	(2,300)	2,700

14. Short term investments

	Group and Company 1997 £'000	1996 £'000
Investments at valuation		
- listed in the UK	2	2
	2	2

15. Creditors

	Group 1997 £'000	1996 £'000	Company 1997 £'000	1996 £'000
Amounts falling due within one year:				
Bank loan	164	393	-	-
Bank overdraft	-	332	-	-
Trade creditors	-	1,647	-	4
Dividends payable	-	242	2	242
Corporation tax payable	2	273	2	115
Group relief payable	-	-	-	-
Other taxes and social security	-	283	-	-
Other creditors	-	136	-	25
Accruals and deferred income	426	863	409	62
Obligations under finance leases	-	1	-	-
	592	4,169	413	448

		Group
	1997	1996
	£'000	£'000
Amounts falling due after more than one year:		
Bank loans:		
Due within one to two years	164	393
Due within two to five years	492	1,179
Due after five years	398	1,402
	1,054	2,974

The bank loan is secured by way of a legal charge on the property of the group. The loan is repayable within eight years in monthly instalments. Interest is charged at normal commercial rates.

16. **Share capital**

	£'000	£'000
Authorised:		
32,000,000 ordinary shares of 25p each (1996 - 32,000,000)	8,000	8,000
Allotted, issued and fully paid:		
21,965,856 ordinary shares of 25p each (1996 - 21,965,856)	5,491	5,491

Warrants

In the year ended 30 June 1992 warrants to subscribe for 866,080 ordinary shares of 25p in the capital of the company at a price of 65p per share were issued. Warrants to subscribe for 864,070 shares of 25p were outstanding at 31 December 1997.

The warrants are exercisable for a period of 31 days following the posting of the Annual Report and Financial Statements for the year ended 31 December 1997.

17. Reserves

Group

	Share premium £'000	Goodwill reserve £'000	Profit and loss account £'000
At 1 January 1997	3,137	(4,758)	873
Retained loss	-	-	(9,018)
Write back of purchased goodwill on disposal of subsidiaries	-	4,758	6,140
At 31 December 1997	3,137	-	(2,005)

Company

	Share premium £'000	Goodwill reserve £'000	Profit and loss account £'000
At 1 January 1997	3,137	-	717
Retained loss	-	-	(1,496)
At 31 December 1997	3,137	-	(779)

18. Reconciliation of operating (loss)/profit to net cash inflow from operating activities

	Year ended 31 December 1997 £'000	Year ended 31 December 1996 £'000
Operating (loss)/profit	(69)	821
Increase in stocks	(194)	(134)
Decrease/(increase) in debtors	1,101	(421)
Decrease in creditors	(467)	(481)
Depreciation	145	250
Profit on sale of fixed assets	15	(65)
Net cash inflow from operating activities	501	1,062

19. Analysis of net cash /net debt

	At 1 January 1997 £'000	Cash Flow £'000	Disposals £'000	At 31 December 1997 £'000
Cash in hand at bank	813	3,047	(325)	3,535
Overdrafts	(332)	332	-	-
Debt due after 1 year	(2,974)	649	1,271	(1,054)
Debt due within 1 year	(393)	229	-	(164)
At 31 December 1997	(2,886)	4,257	946	2,317

20. Sale of Subsidiaries

	£'000
Net assets disposed of:	
Fixed assets	535
Stocks	2,218
Debtors	3,989
Cash	325
Creditors	(3,517)
	3,550
Goodwill written off in previous years	10,898
Costs and provisions on disposal	413
Loss on disposal	(5,361)
Proceeds	9,500
Satisfied by:	
Cash	4,500
Shares	3,000
Loan	2,000
	9,500

21. Leasing commitments

Operating lease payments committed to be made during the next year are as follows:

	31 December 1997 £'000	31 December 1996 £'000
Land and buildings:		
Leases expiring: in two to five years	-	25
over five years	-	143
Other operating leases:		
Expiring within: one year	-	86
two to five years	-	213

22. Related party transactions

Buckingham Coatings Limited

Buckingham Coatings Limited (BCL) was a company jointly owned by Cementone-Beaver Ltd (a subsidiary until 14 July 1997) and Sigma Coatings Ltd, a subsidiary of Petrofina SA, a company incorporated in Belgium.

BCL manufactures paints and operates under a Joint Processing Agreement (JPA) between itself and its shareholders which are invoiced at the raw material and packaging prices of other costs of BCL. Therefore, for the duration of the JPA, BCL makes neither a profit nor loss on its ordinary activities.

In addition, the shareholders have undertaken to finance the capital requirements of the company including the provision of adequate working capital.

During the period until disposal of Cementone-Beaver Limited, it's material purchases from BCL amounted to £1,764,165 and processing fees of £372,443 were paid.

23. Commitments and Contingencies

a) In April 1997, Mansped Limited ("Mansped") issued a writ against Cementone Beaver Limited for £799,000 claiming damages for breach of contract, resulting from termination by Cementone Beaver Limited of a Management Agreement with United Carriers Limited for them to become the Company's distribution contractor through Mansped. The directors of Cementone Beaver Limited have been advised that they were justified in the termination of the contract and have a strong defence and counterclaim against the claim. This defence and counterclaim was served in July 1997 claiming damages in the sum of £410,387. As part of the disposal of the Cementone Beaver companies to PJG Limited completed on 14 July 1997, an indemnity was given in respect of the claim provided that the conduct of the defence is carried out in accordance with the Company's directions and access to all information and personnel is allowed. A provision to cover costs was accrued in the Company's accounts at the time of the disposal. Furthermore, the Company has indemnified Cementone Beaver Limited against any loss over and above £75,000.

b) The Company has given a guarantee to Petrofina SA in respect of its share of the liabilities of Buckingham Coatings Limited due to Kredietbank NV. At 28 February 1998 the maximum liability under such guarantee amounted to £525,000. The Company's liability to Petrofina SA has been counter-indemnified by PJG Limited and guaranteed by The Royal Bank of Scotland plc.

c) On 14 December 1993, Cementone-Beaver assigned the lease of a light industrial building to UB Group (UK) Limited. The lease has a further 21 years and four months to run and carried a rental of £90,000 per annum now payable by UB Group (UK) Limited. Cementone-Beaver would still however, be liable for the rent and any repairs on the property should UB Group (UK) Limited default on the rent. The Company has guaranteed Cementone-Beaver Limited's obligation under this agreement.

d) There is a contingent liability in respect of unprovided deferred tax amounting to £170,000 (1996: £175,000). This is analysed as follows:

	As at 31 December 1997 £'000	As at 31 December 1996 £'000
Capital allowances in excess of depreciation	170	183
Other short term timing differences	-	(8)
	170	175

Capital allowances mainly relate to the freehold property of the group. There is no unprovided deferred tax in the company.

24. Post Balance Sheet event

On 17 February 1998 the Company entered into a conditional agreement to acquire the entire issued share capital of ITE Group Limited, a company specialising in the organising of international trade exhibitions primarily in Russia and the CIS. The consideration will be approximately £65 million. This consideration is to be satisfied by the issue of 123,058,960 new Ordinary Shares to the Vendors, 2,910,037 new Ordinary Shares to certain ITE optionholders who have elected to exercise their ITE options and by the grant of options over 14,177,450 Ordinary Shares.

If the acquisition is approved at the extraordinary general meeting to be held on 12 March 1998 the Company will change its name to ITE Group Plc and its year end will be changed to 30 September.

NOTICE OF ANNUAL GENERAL MEETING

Cementone plc

(Registered in England No 1927339)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Cementone plc will be held at the offices of Frere Cholmeley Bischoff, 4 Carpenter Street, London, EC4Y ONH on *Thursday 23 April* 1998 at 11.00 am when the following business will be transacted:

1. To receive, and if thought fit, to adopt the Report of the Directors and the Financial Statements for the year ended 31 December 1997 with the Auditors' Report thereon.
2. To re-appoint Messrs Arthur Andersen as Auditors of the Company to hold office until the conclusion of the next General Meeting of the Company at which Financial Statements are laid and to authorise the Directors to fix their remuneration.

Dated: 11 March 1998

By Order of the Board

Registered Office:
36 Ladbroke Square
London
W11 3NB

R D Evans
Secretary

NOTE: (1) A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and on a poll vote in his stead. A proxy need not be a member of the Company. A form of proxy is enclosed with this notice.

(2) The form of proxy, and the power of attorney or other authority (if any) under which it is signed or an office or notarially certified copy thereof, should be lodged with Independent Registrars Group Limited, Balfour House, 390/398 High Road, Ilford, Essex IG1 1NQ, not later than 48 hours before the time appointed for the meeting.

(3) Completion and return of a form of proxy will not prevent the member from attending at the meeting and voting should he/she so wish.