

Company No. 362487

SIMS PORTEX LIMITED

REPORT AND ACCOUNTS

2 AUGUST 1997



SIMS PORTEX LIMITED**DIRECTORS' REPORT****FOR THE 52 WEEKS ENDED 2 AUGUST 1997**

DIRECTORS:

G.M. Kennedy
D.M. Barrow
T. Curry
A J Eatwell (Appointed 01.07.97)
J.C. Forward
A.J. Gooding
N.D. Green
M.C. Jamieson
J.D. Kockott
B. Madden
R.S. Morgan (Resigned 31.03.97)
T.M. Pearson
M.W. Walls
S.J. Williamson (Resigned 30.09.97)

The Directors have pleasure in presenting their report and the accounts for the 52 weeks ended 2 August 1997.

RESULTS AND DIVIDENDS

The profit for the period after taxation was £14,910,997.

The Directors have not paid any Interim Ordinary Dividend and do not recommend the payment of a Final Dividend.

REVIEW OF THE BUSINESS

The principal activity of the Company continues to be the manufacture of surgical and medical plastic products. At the start of the financial year, the operations of the 'Simcare' business were transferred into the Company from its fellow subsidiary company, Eschmann Bros. and Walsh Limited.

Turnover has increased to £74,151,816 (1996 £61,366,761) during the period.

FIXED ASSETS

The changes in tangible fixed assets are detailed in note 10 to the accounts.

SIMS PORTEX LIMITED**DIRECTORS' REPORT (CONTINUED)****FOR THE 52 WEEKS ENDED 2 AUGUST 1997**

EMPLOYEES

The maintenance of a highly skilled workforce is key to the future of the Company. Health and Safety matters are regularly reviewed by the Directors and it is their policy to ensure that:

1. full and fair consideration is given to all applications for employment made by disabled persons, having regard to their capabilities;
2. when existing employees become disabled (whether from illness or accident) every reasonable effort is made to continue to provide suitable employment either in the same or, by training, in an alternative job;
3. disabled persons are given equal consideration for training, career development and opportunities for promotion within the Company.

FUTURE DEVELOPMENTS

The Company will pursue its existing activities and continue to seek business opportunities to ensure the profitability of the Company.

SUBSEQUENT EVENTS

There have been no events to the date of publication of this Report which have significantly affected the Company.

DIRECTORS' INTERESTS

The interests of directors of the Company at 2 August 1997 in the share capital of Smiths Industries PLC at the beginning and end of the period were as follows:

SIMS PORTEX LIMITED**DIRECTORS' REPORT (CONTINUED)****FOR THE 52 WEEKS ENDED 2 AUGUST 1997**

	Ordinary shares of 25p	
	<u>3 August 1996</u>	<u>2 August 1997</u>
G M Kennedy	35318	43695
D M Barrow	1500	1971
T Curry	5808	6689
A J Eatwell	2632*	3132
J C Forward	1647	3063
A J Gooding	1213	1213
N D Green	NIL	1209
M.C. Jamieson	2000	3528
J D Kockott	NIL	NIL
B. Madden	1803	2438
T M Pearson	1963	2879
M W Walls	30466	26759
S J Williamson	1240	NIL

* At date of appointment

Options have been granted over the number of ordinary shares of Smiths Industries PLC, in the amounts shown below, under the terms of the Smiths Industries 1982 SAYE and Executive Share Option Schemes, and the Deferred Share Scheme.

	<u>03.08.96</u>	<u>Granted</u>	<u>Exercised</u>	<u>02.08.97</u>
G M Kennedy	166851	36159	53430	149580
D Barrow	6166	2187	471	7882
T Curry	34775	3472	3024	35223
A J Eatwell	15483*	NIL	1512	13971
J C Forward	21885	3943	NIL	25828
A J Gooding	11542	1944	7341	6145
N D Green	35903	3119	1209	37813
M C Jamieson	50214	7141	NIL	57355
J D Kockott	6890	2831	NIL	9721
B Madden	17934	3731	NIL	21665
T M Pearson	21281	2446	916	22811
M W Walls	57052	9948	NIL	67000
S J Williamson	15735	2842	938	17639

*At date of appointment

Details of options exercise prices and dates are contained in the Report and Accounts of Smiths Industries PLC.

SIMS PORTEX LIMITED**DIRECTORS' REPORT (CONTINUED)****FOR THE 52 WEEKS ENDED 2 AUGUST 1997**

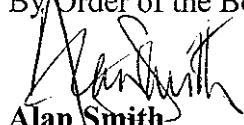
POLICY ON PAYMENT OF CREDITORS

The Company's policy is to pay creditors promptly in accordance with agreed terms of business.

AUDITORS

By mutual agreement, Clark Whitehill resigned as auditors during the year, and the directors appointed Price Waterhouse to fill the resultant vacancy. A resolution, for which special notice has been given, will be prepared at the Annual General Meeting to reappoint Price Waterhouse as auditors to the Company.

By Order of the Board



Alan Smith

Secretary

28 May 1998

London NW11 8DS

SIMS PORTEX LIMITED**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the Directors to prepare accounts for each financial period which give a true and fair view of the Company's state of affairs at the end of the period and of its profit and loss for that period. In preparing those accounts the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the applicable accounting standards have been followed, subject to any material departure disclosed and explained in the accounts;
- prepare the accounts on the going concern basis unless it is inappropriate to assume 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 or other irregularities.

REPORT OF THE AUDITORS
TO THE MEMBERS OF SIMS PORTEX LIMITED

We have audited the accounts on pages 7 to 17 which have been prepared under the accounting policies set out on page 9.

Respective responsibilities of Directors and Auditors

As described on page 5 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 the Company's affairs as at 2 August 1997 and of its profit for the 52 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.



Price Waterhouse
Chartered Accountants
and Registered Auditors
London
28 May 1998

SIMS PORTEX LIMITED**PROFIT AND LOSS ACCOUNT****FOR THE 52 WEEKS ENDED 2 AUGUST 1997**

	<u>Notes</u>	<u>1997</u> £	<u>1996</u> £
TURNOVER	2	74,151,816	61,366,761
Cost of Sales		(41,564,401)	(32,381,511)
GROSS PROFIT		<u>32,587,415</u>	<u>28,985,250</u>
Distribution costs		(3,166,106)	(2,589,980)
Administrative expenses		(4,107,780)	(4,330,773)
OPERATING PROFIT	3	<u>25,313,529</u>	<u>22,064,497</u>
Interest receivable		307,128	558,920
Interest payable and similar charges	6	(2,214,660)	(23,430)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>23,405,997</u>	<u>22,599,987</u>
Tax on profit on ordinary activities	7	(8,495,000)	(7,418,000)
PROFIT FOR THE FINANCIAL PERIOD		<u>14,910,997</u>	<u>15,181,987</u>
Dividends	8	-	-
RETAINED PROFIT FOR THE FINANCIAL PERIOD		<u>14,910,997</u>	<u>15,181,987</u>
RETAINED PROFITS at 3 August 1996		49,249,546	34,067,559
RETAINED PROFITS AT 2 August 1997		<u><u>64,160,543</u></u>	<u><u>49,249,546</u></u>

All of the above figures relate to continuing operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

The profit and loss account contains all gains and losses recognised in the current and preceding financial period.

The notes on pages 9 to 17 form part of these accounts.

SIMS PORTEX LIMITED**BALANCE SHEET****2 AUGUST 1997**

	<u>Notes</u>	<u>£</u>	<u>August 1997</u> <u>£</u>	<u>August 1996</u>
FIXED ASSETS				
Intangible assets	9		834,469	8,395,553
Tangible assets	10		<u>12,439,333</u>	
			13,273,802	<u>8,395,553</u>
CURRENT ASSETS				
Stocks	11	13,583,254		7,465,471
Debtors	12	44,995,793		40,318,477
Cash at bank and in hand		<u>47,740</u>		<u>23,835</u>
		58,626,787		47,807,783
CREDITORS: amounts falling due within one year	13	6,153,812		5,367,556
NET CURRENT ASSETS			<u>52,472,975</u>	<u>42,440,227</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>65,746,777</u>	<u>50,835,780</u>
CREDITORS: amounts falling due after more than 1 year				
Amounts owed to Group undertakings			1,543,019	1,543,019
NET ASSETS			<u>64,203,758</u>	<u>49,292,761</u>
CAPITAL AND RESERVES				
Called up share capital	14	43,215		43,215
Profit and loss account		<u>64,160,543</u>		<u>49,249,546</u>
Equity Shareholders' Funds	15		<u>64,203,758</u>	<u>49,292,761</u>

Approved by the Board on 27 May 1998
and signed on its behalf:



(Martin C. Jamieson) Director

The notes on pages 9 to 17 form part of these accounts.

SIMS PORTEX LIMITED

NOTES TO THE ACCOUNTS

FOR THE 52 WEEKS ENDED 2 AUGUST 1997

1. ACCOUNTING POLICIES

a) Basis of Accounting

The accounts have been prepared in accordance with applicable accounting standards under the historical cost convention. As a wholly owned subsidiary, the company is exempt from the requirement to prepare a cash flow statement.

b) Depreciation

Depreciation is provided on all relevant assets in use at rates calculated to write off the cost, less estimated residual value, of each asset over its expected useful life, as follows:

Plant and machinery	- over 10 years
Motor vehicles	- over 4 years
Fixtures, fittings, tools, equipment and vehicles	- over 2 to 10 years
Intangible assets	- over 10 years

c) Research and Development

Research and development expenditure, other than that recoverable from third parties, is written off as incurred.

d) Stocks and Work in Progress

Stocks and work in progress are valued at the lower of cost and net realisable value. Cost is determined on a "first in, first out" basis and, in the case of work in progress and finished goods, includes the relevant proportion of overheads.

e) Taxation

All taxation liabilities, both current and future, have been assumed by Smiths Industries PLC.

f) Foreign Exchange

Transactions denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences arising in the ordinary course of business are included in trading profit.

Assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates ruling at the Balance Sheet date.

g) Pension Costs

The cost of providing retirement pensions for employees charged in the profit and loss account represents the Company contributions paid in the period.

SIMS PORTEX LIMITED**NOTES TO THE ACCOUNTS (CONTINUED)****FOR THE 52 WEEKS ENDED 2 AUGUST 1997****2. TURNOVER**

Turnover, which comprises a single class of activity, represents the net amount invoiced to customers less trade discounts, excluding value added tax and sales of fixed assets. The analysis of turnover by geographical area is as follows:

	<u>1997</u>	<u>1996</u>
	£	£
U.K.	24,487,907	15,658,745
Overseas	49,663,909	45,708,016
	<hr/>	<hr/>
	£74,151,816	£61,366,761
	<hr/> <hr/>	<hr/> <hr/>

3. OPERATING PROFIT

This is stated after charging:

Depreciation		
- Tangible Fixed Assets	2,527,584	2,383,700
- Intangible Assets	121,645	-
Operating Leases		
- Land and buildings	434,233	199,905
- Other	-	-
Emoluments of directors (Note 4)	841,665	654,350
Auditors' remuneration - Audit	31,292	38,500
Research and development expenditure	1,204,944	905,478
	<hr/> <hr/>	<hr/> <hr/>

SIMS PORTEX LIMITED**NOTES TO THE ACCOUNTS (CONTINUED)****FOR THE 52 WEEKS ENDED 2 AUGUST 1997**

	<u>1997</u>	<u>1996</u>
	£	£
4. DIRECTORS AND STAFF		
a) Directors' emoluments		
Other emoluments	841,665	654,350
	<u> </u>	<u> </u>
	£841,665	£654,350
	<u> </u>	<u> </u>
Emoluments, excluding pension scheme contributions:		
Chairman	£ Nil	£ Nil
	<u> </u>	<u> </u>
Highest paid Director	£106,060	£77,813
	<u> </u>	<u> </u>
The emoluments of directors fall into the following bands		
	No.	No.
£Nil - £ 5,000	2	4
£40,001 - £45,000	1	-
£45,001 - £50,000	-	2
£50,001 - £55,000	-	1
£55,001 - £60,000	3	1
£60,001 - £65,000	1	-
£65,001 - £70,000	-	4
£70,001 - £75,000	1	1
£75,001 - £80,000	4	1
£80,001 - £85,000	1	-
£105,001 - £110,000	1	-
	<u> </u>	<u> </u>
	<u>1997</u>	<u>1996</u>
	£	£
b) Wages and Salaries	16,939,481	14,130,090
Social Security Costs	1,320,730	1,033,137
Other Pension Costs	1,100,162	812,118
	<u>£19,360,373</u>	<u>£15,975,345</u>

The average number of employees during the period was 1186 (1996 - 908), only three (1996 - four) of whom were employed outside the U.K.

SIMS PORTEX LIMITED**NOTES TO THE ACCOUNTS (CONTINUED)****FOR THE 52 WEEKS ENDED 2 AUGUST 1997****5. PENSIONS**

The Company's employees are members of various defined benefit pension schemes which cover the United Kingdom employees of Smiths Industries PLC. Contributions to these schemes are based upon advice received from independent actuaries taking account of the costs of each relevant scheme as a whole. The relevant information for the group as a whole is set out in the consolidated accounts of Smiths Industries PLC.

6. INTEREST PAYABLE AND OTHER CHARGES

	<u>1997</u>	<u>1996</u>
	£	£
Foreign exchange losses	(2,214,660)	(23,430)
	<u> </u>	<u> </u>

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

Taxation represents corporation tax at 33% (1996 - 33%) on the profit for the period.

8. DIVIDEND

No dividends have been declared or paid (1996 - nil)

SIMS PORTEX LIMITED**NOTES TO THE ACCOUNTS (CONTINUED)****FOR THE 52 WEEKS ENDED 2 AUGUST 1997****9. INTANGIBLE ASSETS**

	Know-how Patents and <u>Trade Marks</u> £	<u>Goodwill</u> £	<u>Total</u> £
Cost			
Transfers in	<u>175,000</u>	<u>1,041,448</u>	<u>1,216,448</u>
2 August 1997	<u>175,000</u>	<u>1,041,448</u>	<u>1,216,448</u>
Depreciation			
Transfers in	42,291	218,043	260,334
Charge for period	<u>17,500</u>	<u>104,145</u>	<u>121,645</u>
August 1997	59,791	322,188	381,979
Net Book Value			
2 August 1997	<u>£115,209</u>	<u>£719,260</u>	<u>£834,469</u>
3 August 1996	<u>-</u>	<u>-</u>	<u>-</u>

These intangible assets were acquired by fellow subsidiary company, Eschmann Bros. and Walsh Limited, and were transferred to SIMS Portex Limited on 3 August 1996 as part of the transfer of the Simcare business.

SIMS PORTEX LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE 52 WEEKS ENDED 2 AUGUST 1997

10. TANGIBLE FIXED ASSETS

	<u>Plant and machinery</u>	<u>Fixtures, fittings, tools, equipment and vehicles</u>	<u>Total</u>
	<u>£</u>	<u>£</u>	<u>£</u>
Cost			
3 August 1996	6,660,881	15,498,534	22,159,415
Additions	1,029,869	2,880,416	3,910,285
Transfers in	3,178,132	2,496,636	5,674,768
Disposals	(387,275)	(476,712)	(863,987)
	<hr/>	<hr/>	<hr/>
2 August 1997	10,481,607	20,398,874	30,880,481
	<hr/>	<hr/>	<hr/>
Depreciation			
3 August 1996	4,054,816	9,709,046	13,763,862
Charge for period	722,957	1,804,627	2,527,584
Transfers in	1,775,570	1,143,212	2,918,782
Disposals	(380,204)	(388,876)	(769,080)
	<hr/>	<hr/>	<hr/>
2 August 1997	6,173,139	12,268,009	18,441,148
	<hr/>	<hr/>	<hr/>
Net Book Value			
2 August 1997	£4,308,468	£8,130,865	£12,439,333
	<hr/>	<hr/>	<hr/>
3 August 1996	£2,606,065	£5,789,488	£8,395,553
	<hr/>	<hr/>	<hr/>

SIMS PORTEX LIMITED**NOTES TO THE ACCOUNTS (CONTINUED)****FOR THE 52 WEEKS ENDED 2 AUGUST 1997****11. STOCKS**

	<u>1997</u>	<u>1996</u>
	£	£
Raw materials and consumables	2,182,215	400,349
Work in progress	4,787,292	3,259,295
Finished goods and goods for resale	6,613,747	3,805,827
	<u> </u>	<u> </u>
	£13,583,254	£7,465,471
	<u> </u>	<u> </u>

12. DEBTORS

	<u>1997</u>	<u>1996</u>
Trade debtors	11,515,401	15,019,242
Amounts owed by group undertakings	32,542,762	24,508,165
Other debtors and prepayments	937,630	791,070
	<u> </u>	<u> </u>
	£44,995,793	£40,318,477
	<u> </u>	<u> </u>

On 20th June 1995 the Company granted an interest bearing loan facility to Flexible Ducting Limited, an agent of Smiths Industries Industrial Group Limited and a fellow subsidiary of Smiths Industries PLC. FF 70,000,000 was taken up on 22nd June 1995 for a 6 month period and subsequently rolled forward. The value of the loan included in these accounts is

	<u>1997</u>	<u>1996</u>
	£	£
Loan converted at date of draw down	8,932,560	8,932,560
Gain/(Loss) on exchange at year end conversion rate	(2,103,292)	111,368
	<u> </u>	<u> </u>
	£6,829,268	£9,043,928
	<u> </u>	<u> </u>

SIMS PORTEX LIMITED**NOTES TO THE ACCOUNTS (CONTINUED)****FOR THE 52 WEEKS ENDED 2 AUGUST 1997****13. CREDITORS: Amounts falling due within one year**

	<u>1997</u>	<u>1996</u>
	£	£
Trade creditors	3,410,264	3,014,596
Amounts owed to group undertakings	1,219,185	83,763
Taxes and social security costs	422,367	425,290
Other creditors	509,960	392,186
Accruals and deferred income	592,036	1,451,721
	<hr/>	<hr/>
	6,153,812	£5,367,556
	<hr/> <hr/>	<hr/> <hr/>

14. CALLED UP SHARE CAPITAL

Authorised		
Ordinary shares of £1 each	£50,000	£50,000
	<hr/> <hr/>	<hr/> <hr/>
Issued and fully paid		
Ordinary shares of £1 each	£43,215	£43,215
	<hr/> <hr/>	<hr/> <hr/>

15. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>1997</u>	<u>1996</u>
	£	£
Profit for the financial period	14,910,997	15,181,987
Opening shareholders' funds	49,292,761	34,110,774
	<hr/>	<hr/>
Closing shareholders' funds	£64,203,758	£49,292,761
	<hr/> <hr/>	<hr/> <hr/>

SIMS PORTEX LIMITED**NOTES TO THE ACCOUNTS (CONTINUED)****FOR THE 52 WEEKS ENDED 2 AUGUST 1997****16. CAPITAL COMMITMENTS**

Future capital expenditure not otherwise included in these accounts	<u>1997</u> £	<u>1996</u> £
Amounts contracted for	£860,635	£1,121,869
Authorised by the directors but not contracted out	£827,000	£645,000

17. ULTIMATE PARENT COMPANY

The Company is a wholly owned subsidiary of Smiths Industries PLC which is registered in England and Wales and is the ultimate parent company. Copies of the accounts of Smiths Industries PLC can be obtained from The Company Secretary, Smiths Industries PLC, 765 Finchley Road, London NW11 8DS.

18. OBLIGATIONS UNDER OPERATING LEASES

At 2 August 1997, the company had annual commitments as follows:

Lease expiring	<u>1997</u> £	<u>1996</u> £
Within one year	39,717	59,175
Within two to five years	95,153	76,000
After five years	159,298	63,798