

DOEFLEX INDUSTRIES LIMITED

Directors

R H C Bickerton (Chairman)
C Eccles (Managing Director)
T F Durkin (Managing Director)
W A Trendell (Finance Director)

Secretary

W A Trendell

Auditors

Ernst & Young
Rolls House,
7, Rolls Buildings,
Fetter Lane,
London EC4A 1NH

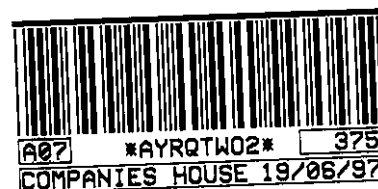
Bankers

Barclays Bank PLC,
15, Colmore Road,
Birmingham B3 2BY

Registered Office

56, Holmethorpe Avenue,
Redhill,
Surrey RH1 2NR

Registered Number 525186



DOEFLEX INDUSTRIES LIMITED
DIRECTORS' REPORT

The directors submit their report and accounts for the year ended December 31, 1996.

Results and Dividends

The profit for the year, after taxation, amounted to £2,768,000 (1995 £1,259,000)
The directors recommend the payment of a dividend of £1,400,000 (1995 £1,000,000).

Review of business and future developments

The company's principal activity during the year was the processing of thermoplastic material. The business and assets of Plastech Extrusions Limited were acquired on 31 December 1996 and the business and assets of BTP Polymers Limited were acquired on 28 June 1996.

Fixed Assets

The changes in fixed assets during the year are summarised in the notes to the accounts on page 9.

Employment of disabled persons

It is the policy of the group to give full and fair consideration to applications for employment which are received from disabled persons, having regard to their particular aptitudes and abilities. Where existing employees become disabled, it is the Group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Employee involvement

The group's policy is to keep employees informed on matters of concern to them as employees and to encourage employee involvement. This policy is implemented primarily on a divisional rather than a group basis.

Directors and their interests

The directors who served during the year ended December 31, 1996 were as follows:

R.H.C. Bickerton (Chairman)
C. Eccles
T.F. Durkin
W.A. Trendell

The directors are also directors of the holding company, Doeflex PLC, and their interests in the share capital of that company are shown in its accounts.

Auditors

A resolution to reappoint Ernst & Young as auditors and for their remuneration to be fixed by the directors will be proposed at the Annual General Meeting.



BY ORDER OF THE BOARD
W.A. Trendell
Secretary

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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 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 applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- * prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that the accounts comply with the above requirements.

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.

REPORT OF THE AUDITORS

To the members of Doeflex Industries Limited

We have audited the accounts on pages 4 to 13, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 6 and 7.

Respective responsibilities of directors and auditors

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

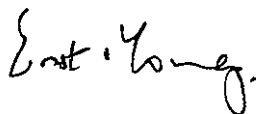
Basis of opinion

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 31 December 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



ERNST & YOUNG
Chartered Accountants
Registered Auditor
London

DOEFLEX INDUSTRIES LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 1996**

	Notes	1996 £'000	1995 £'000
Turnover-Continuing	2	46,372	43,676
-Acquisitions		9,945	-
		56,317	43,676
Cost of sales		42,647	34,199
Gross profit		13,670	9,477
Distribution costs		1,530	1,111
Administration expenses		8,969	5,693
		10,499	6,804
Operating profit-Continuing	3	2,714	2,673
-Acquisitions		863	-
-Exceptional		(406)	-
		3,171	2,673
Income from investment in group undertaking		1,442	200
Interest payable	5	838	860
Profit on ordinary activities before taxation		3,775	2,013
Tax on profit on ordinary activities	6	1,007	754
Profit on ordinary activities after taxation		2,768	1,259
Dividend proposed		1,400	1,000
Retained profit for the year		1,368	259

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED DECEMBER 31, 1996

	1996 £'000	1995 £'000
Profit for the year	2,768	1,259
Exchange differences on foreign net investments	468	(273)
Total recognised gains and losses relating to the year	3,236	986

The notes on pages 6 to 13 form part of these accounts.

DOEFLEX INDUSTRIES LIMITED

BALANCE SHEET AT DECEMBER 31, 1996

	Notes	1996 £'000	1995 £'000
Fixed assets:			
Tangible assets	7	15,415	7,373
Investment in subsidiary undertakings	8	7,439	7,439
		<u>22,854</u>	<u>14,812</u>
Current Assets			
Stocks	9	7,246	3,358
Debtors	10	18,903	11,151
Cash in hand		5	12
		<u>26,154</u>	<u>14,521</u>
Creditors: amounts falling due within one year	11	25,178	17,976
Net Current Assets /(Liabilities)		<u>976</u>	<u>(3,455)</u>
Total assets less current liabilities		23,830	11,357
Creditors: amounts falling due after more than one year	12	17,141	7,196
Provision for liabilities and charges:			
Deferred taxation	13	1,542	710
		<u>5,147</u>	<u>3,451</u>
Capital and reserves:			
Called up share capital	14	45	45
Share premium		40	40
Profit and loss account	15	5,062	3,366
Shareholders' Funds	16	<u>5,147</u>	<u>3,451</u>

R.H.C.Bickerton }
 }
 W.A.Trendell }


 Directors


11 JUN 1997

The notes on pages 6 to 13 form part of these accounts.

DOEFLEX INDUSTRIES LIMITED

NOTES TO THE ACCOUNTS AT DECEMBER 31,1996

1 Accounting Policies

Accounting convention

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost less estimated residual value of each asset, evenly over its expected useful life, as follows:

Freehold Buildings	-over 50 years
Leasehold land and buildings	-over the lease term.
Plant and machinery	-over 5 to 10 years
Fixtures and fittings	-over 10 years
Motor vehicles	-over 4 years

Stocks

Stocks are stated at the lower of cost and net realisable value as follows:

Cost incurred in bringing each product to its present location and condition:

Raw Materials-	purchase cost on a first-in, first out basis
Finished goods-	cost of direct materials and labour plus attributable overheads based on normal level of activity.

Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

Deferred Taxation

Deferred taxation is provided using the liability method on all timing differences, to the extent that they are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse. Advance corporation tax which is expected to be recoverable in the future is deducted from the deferred taxation balance.

Goodwill

Purchased goodwill arising on the acquisition of a subsidiary undertaking, representing the difference between the fair value of the net assets acquired and the consideration given, is set off directly against the revenue reserves.

Foreign Currencies

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date, except where a hedge exists, in which case the contract rate is used. Translations in foreign currencies are recorded at the rate ruling at the date of the transactions. All differences are taken to the profit and loss account.

DOEFLEX INDUSTRIES LIMITED

NOTES TO THE ACCOUNTS AT DECEMBER 31,1996 (continued)

1 Accounting Policies (continued)

Research and Development

Research and development expenditure is written off as incurred, except that development expenditure incurred on an individual project is carried forward when its future recoverability can be foreseen with reasonable assurance. Any expenditure carried forward is amortised over its useful life and classified as an intangible asset.

Leasing and hire purchase commitments

Assets obtained under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives.

The interest element of the rental obligations is charged to profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight line basis over the term of the lease.

Pension commitments

The company operates a defined contribution scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. All pension contributions made by the company, including contributions to individual private pension schemes, are charged to income as incurred. There were no outstanding or prepaid contributions at the Balance Sheet Date.

2 Turnover

Turnover represents the invoiced amount of goods sold and services provided during the year, stated net of Value Added Tax.

An analysis of turnover by geographical market is given below:

	1996 £'000	1995 £'000
United Kingdom	49,935	38,334
Rest of EC	5,686	4,802
Rest of World	696	540
	<u>56,317</u>	<u>43,676</u>

DOEFLEX INDUSTRIES LIMITED

NOTES TO THE ACCOUNTS AT DECEMBER 31,1996 (continued)

3 Operating Profit

	Exceptional Costs	Ongoing	Acquisitions	1996	1995
	£'000	£'000	£'000	£'000	£'000
Turnover	-	46,372	9,945	56,317	43,676
Cost of Sales	-	35,206	7,441	42,647	34,199
	-	11,166	2,504	13,670	9,477
Distribution Costs	-	1,338	192	1,530	1,111
Administration Costs	406	7,114	1,449	8,969	5,693
Operating profit	(406)	2,714	863	3,171	2,673

This is stated after charging:

Directors' remuneration (see below)	-	-
Auditors' remuneration - audit services	39	23
Depreciation	2,004	1,033
Operating lease rentals- land & buildings	724	613
- plant & machinery	267	239
Exceptional costs	406	-

Exceptional costs relate to rationalising the recently acquired activities.

Emoluments of the Chairman were £nil (1995 £nil). The other directors received no remuneration during the year in respect of services to this company.

4 Staff Costs

	1996	1995
	£'000	£'000
Wages and salaries	6,026	3,684
Social Security costs	609	370
Other pension costs	86	68
	6,721	4,122

The average weekly number of employees during the year was made up as follows;

	1996	1995
	No	No
Office and Management	98	90
Manufacturing	213	99
	311	189

5 Interest Payable

	1996	1995
	£'000	£'000
Bank loans and overdraft		
-wholly repayable within five years	748	596
-not wholly repayable within five years	74	238
Finance leases	16	26
	838	860

6 Tax on Profit on Ordinary Activities

	1996	1995
	£'000	£'000
Based on profit for the year:		
Corporation Tax @ 33% (1995 33%)	619	641
Deferred Taxation	388	113
	1,007	754

DOEFLEX INDUSTRIES LIMITED

NOTES TO THE ACCOUNTS AT DECEMBER 31, 1996
(continued)7 Tangible Fixed Assets

	Freehold £'000	Short Leasehold £'000	Plant & Machinery £'000	Fixtures & Fittings £'000	Motor Vehicles £'000	TOTAL £'000
<u>Cost:</u>						
At January 1, 1996	261	890	11,636	383	663	13,833
Additions	1,064	-	6,227	132	297	7,720
Inter Company Transfers	-	268	2,497	105	43	2,913
Disposals	-	-	(121)	(3)	(301)	(425)
At December 31, 1996	1,325	1,158	20,239	617	702	24,041
<u>Depreciation:</u>						
At January 1, 1996	38	213	5,693	187	329	6,460
Provided during the year	287	44	1,479	57	137	2,004
Inter Company Transfers	-	15	311	23	9	358
Disposals	-	-	-	(1)	(195)	(196)
At December 31, 1996	325	272	7,483	266	280	8,626
<u>Net Book Value</u>						
At December 31, 1996	1,000	886	12,756	351	422	15,415
<u>Net Book Value</u>						
At January 1, 1996	223	677	5,943	196	334	7,373

Included in plant and machinery above are the following amounts in respect of assets held under finance leases.

	Cost £'000	Depreciation £'000	Net Book Value £'000
<u>Cost:</u>			
At January 1, 1996	2,113	1,484	629
Provided during the year	-	199	(199)
At December 31, 1996	2,113	1,683	430

DOEFLEX INDUSTRIES LIMITED

NOTES TO THE ACCOUNTS AT DECEMBER 31, 1996 (continued)

8 Investment in Subsidiary Undertakings

	£'000
Cost:	
At January 1, 1996 and December 31, 1996	7,439
Depreciation:	
At January 1, 1996 and December 31, 1996	-
Net Book Value:	
At January 1, 1996 and December 31, 1996	7,439

The Company holds more than 10% of the equity of the following companies. Shares held are ordinary shares and the percentage held is 100%. The country of incorporation is the country of operation. The nature of the business is processing thermoplastic materials.

<u>Name of Company</u>	<u>Country of Operation</u>
Plastech Extrusions Ltd	UK
Manchester Rubber Co Ltd	UK
Horizon Industries NV	Belgium
Doeflex Deutschland GmbH	Germany

Consolidated Accounts have not been produced as permitted by S228 of the Companies Act 1985.

9 Stocks

	1996 £'000	1995 £'000
Raw materials and consumables	4,206	1,815
Finished goods and goods for resale	3,040	1,543
	<u>7,246</u>	<u>3,358</u>

10 Debtors

Trade Debtors	17,672	10,234
Prepayments	620	159
Other debtors	266	110
Amount due from fellow subsidiary undertakings	345	648
	<u>18,903</u>	<u>11,151</u>

DOEFLEX INDUSTRIES LIMITED

NOTES TO THE ACCOUNTS AT DECEMBER 31,1996 (continued)

<u>11 Creditors: amounts falling due within one year</u>	1996 £'000	1995 £'000
Secured bank overdraft	4,556	5,070
Bank Loans	1,167	2,542
Finance leases (Note 19)	171	18
Amount due to fellow subsidiary undertakings	424	-
Trade creditors	12,730	7,013
Corporation tax	632	710
Other taxes and social security costs	1,103	306
Other creditors and accruals	4,395	2,317
	<u>25,178</u>	<u>17,976</u>

12 Creditors : amounts falling due after more than one year

	1996 £'000	1995 £'000
Loan from parent undertaking	13,193	4,390
Bank loans	3,455	2,619
Finance leases (Note 19)	493	187
	<u>17,141</u>	<u>7,196</u>
Due over one and under two years	14,430	4,908
Due over two and under five years	2,334	1,445
Due after five years	377	843
	<u>17,141</u>	<u>7,196</u>

Details of loan not wholly repayable within five years is as follows:

	1996 £'000
Floating rate loan repayable in quarterly installments from 28 November 1996	1,242

The company's main banker has a fixed and floating charge over the assets of the company.

13 Deferred Taxation

The potential deferred taxation liability which is provided for in full comprises:

	1996 £'000	1995 £'000
Capital allowances in advance of depreciation	1,495	726
Other timing differences	94	-
Finance lease rent in advance of depreciation	180	151
	<u>1,769</u>	<u>877</u>
ACT paid	(227)	(167)
	<u>1,542</u>	<u>710</u>

14 Share Capital

	Authorised		Allotted, called up and Fully paid	
	1996 No	1995 No	1996 £'000	1995 £'000
Ordinary shares of 25p each	<u>180,000</u>	<u>180,000</u>	<u>45</u>	<u>45</u>

DOEFLEX INDUSTRIES LIMITED

NOTES TO THE ACCOUNTS AT DECEMBER 31, 1996
(continued)

15 Profit and Loss Account

	1996 £'000
At January 1, 1996	3,366
Currency fluctuations	468
Goodwill written off	(140)
Retained Profit for the year	1,368
At December 31, 1996	5,062

16 Reconciliation of Shareholders' Funds

	1996 £'000	1995 £'000
At January 1, 1996	3,451	3,465
Profit for the year	2,768	1,259
Other recognised gains and losses	468	(273)
Goodwill written off	(140)	-
Dividends	(1,400)	(1,000)
At December 31, 1996	5,147	3,451

17 Acquisitions

Acquisitions completed in the year were as follows:

	Cash £'000	Total £'000	Fair value of assets acquired £'000	Goodwill £'000
Polymer Division of BTP Polymers	7,589	7,589	5,962	1,627
Synlon	901	901	831	70
	8,490	8,490	6,793	1,697
Net Cash Outflow	8,490			

Adjustments have been made to reflect the fair value of assets acquired as follows:

Polymer Division of BTP Plc	Net tangible assets acquired £'000	Fair value adjustments Revaluation £'000	Accounting Policy £'000	Fair value of assets acquired £'000
Fixed assets	2,914	(589)	(85)	2,240
Stocks	2,480	-	(288)	2,192
Other current assets	4,741	-	(1)	4,740
Creditors and accruals	(3,140)	-	(70)	(3,210)
	6,995	(589)	(444)	5,962

The fair value adjustments for fixed assets, stocks and other current assets were required to harmonise group accounting policies and the adjustments for creditors and accruals comprise liabilities arising from trading prior to acquisition

BTP Polymers contribution to post acquisition cash flows:

BTP Polymers generated £2,246,000 of cash and utilised £75,000 for investing activities.

BTP Polymers made a loss of £209,000 in the 9 months ended 31 December 1996 (Year ended 31/3/96 Profit £429,000) of which a loss of £822,000 arose in the period 1 April 1996 to 27 June 1999 the date of acquisition. The summarised profit and loss account for the period from 1 April 1996 to the effective date of the acquisition is as follows;

	1/4/96 - 27/6/96
Turnover	4,714
Loss before Taxation	(822)
Taxation	-
Loss for Period 1 April- 27th June 1996	(822)

Synlon	Net tangible assets acquired £'000	Fair value adjustments £'000	Fair value of assets acquired £'000
Net Assets	873	(42)	831

DOEFLEX INDUSTRIES LIMITED

NOTES TO THE ACCOUNTS AT DECEMBER 31, 1996 (continued)

18 Capital Commitments

	1996 £'000	1995 £'000
Contracted for but not provided in the accounts	<u>1,268</u>	<u>1,933</u>
Authorised by the directors but not contracted	<u>169</u>	<u>296</u>

19 Obligations Under Leases

a) Operating lease commitments

At December 31, 1996, the company's annual aggregate commitments under non-cancellable operating leases were as set out below:

	1996 £'000	1995 £'000
Land and buildings		
Operating leases which expire in		
- within 1 year	92	38
- within 2-5 years	127	58
- over 5 years	<u>505</u>	<u>401</u>
Plant and Machinery		
Operating leases which expire in		
- within 2-5 years	<u>267</u>	<u>239</u>
b) Finance lease commitments		
Shown on balance sheet (Notes 11 and 12)		
Current obligations	171	18
Non-current obligations -due within 2-5 years	438	99
-due over 5 years	<u>55</u>	<u>88</u>
	<u>664</u>	<u>205</u>

20 Contingent Liabilities

At the end of the year, the company was party to a banking arrangement whereby all the group companies have been given a joint and several guarantee for the total amount outstanding of £nil (1995 £195,000)

The guarantee is supported by a fixed and floating charge over the assets of the Doeflex Group.

21 Parent Undertaking

The parent undertaking of the group of undertakings for which group accounts are drawn up and of which the company is a member is Doeflex PLC, incorporated in England and Wales

Copies of Doeflex PLC accounts can be obtained from 56, Holmethorpe Avenue, Redhill, Surrey, RH1 2NR