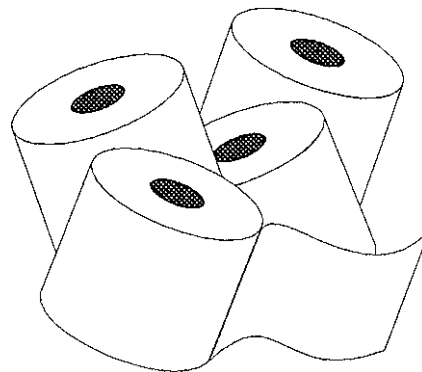


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DEAMAS DISPOSABLES LTD

DIRECTORS REPORT AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED

30 JUNE 1996



DEAMAS DISPOSABLES LIMITED

Financial statements for the year ended 30th JUNE 1996

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The following schedules do not form part of the statutory accounts

Trading and profit and loss account for the year ended 30 th June 1996.	18 - 19
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DEAMAS DISPOSABLES LIMITED

Report of the directors

The directors have pleasure in presenting their report and the audited financial statements for the year ended 30th June 1996.

Principal activity

The principal activity of the company is the production and supply of disposable paper.

Review of the business

During the past twelve months the business has relocated to larger premises which are occupied under licence and has invested substantially in new capital equipment, details of which are given on page 12. New share capital was raised during the year to enable this development and the result for the year is satisfactory.

Results and dividends

The results for the year are set out on page 5, dividends on the 9% cumulative preference shares were paid on 31st March 1996 and 30th September 1996, a dividend of 72.23p per share is proposed for the 'A' ordinary and ordinary shares.

Post balance sheet events

Since the year end a capital item to the value of £75,059 has been included in fixed assets.

Directors

The directors who served during the year and their beneficial interests in the company's issued ordinary capital were:

	30 th JUNE	
	1996	1995
M L MASON	18,750	18,750
P A MASON	18,750	18,750
S DAY	6,250	6,250
D BOSWELL	6,250	6,250

P Sheward was appointed a Director on 6th December 1995 and resigned on 28th March 1996

DEAMAS DISPOSABLES LIMITED

Report of the directors

Statement of directors responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to

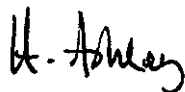
- Select suitable accounting policies and then apply them consistently.
- Make judgements and estimates that are reasonable and prudent.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 financial statements 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.

Auditors

The auditors, Raftery & Co., are deemed to be reappointed in accordance with section 385A(2) of the Companies Act 1985 by virtue of an elective resolution passed by the member on 1st April 1993.

By order of the board



H Ashley BSc ACA
SECRETARY

Claybrook Drive
Washford Industrial Estate
Redditch
Worcs B98 0DR

DEAMAS DISPOSABLES LIMITED

Report of the auditors to the members of DEAMAS DISPOSABLES LTD

We have audited the financial statement on pages 4 to 17 which have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and the accounting policies as set out on pages 8 and 9.

Respective responsibilities of directors and auditors

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

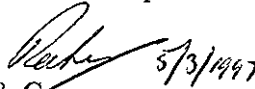
Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 30th June 1996 and of the profit for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985.


Raftery & Co
Registered Auditor
Chartered Accountants
Marlborough House
Warwick Road
Solihull
West Midlands B91 3DA

A member of the UK 200 Group of practising Chartered Accountants

DEAMAS DISPOSABLES LIMITED

Profit and loss account for the year ended 30th JUNE 1996

	Notes	1996 £	1995 £
Turnover	2	4,066,707	2,397,317
Cost of sales		<u>3,081,237</u>	<u>1,857,998</u>
Gross profit		985,470	539,319
Administrative expenses		(701,733)	(450,826)
Other operating income		<u>12,960</u>	<u>4,333</u>
Operating profit	6	296,697	92,826
Surplus on disposal of fixed assets		<u>4,343</u>	<u>3,481</u>
Profit on ordinary activities before interest		301,040	96,307
Interest payable	5	<u>(79,893)</u>	<u>(41,076)</u>
Profit on ordinary activities before taxation		221,147	55,231
Tax on results of ordinary activities	7	<u>-</u>	<u>-</u>
Profit for the year		221,147	55,231
Dividends and appropriations (including non equity)	8	<u>(61,714)</u>	<u>-</u>
Retained profit for the year	17	<u>159,433</u>	<u>55,231</u>

Continuing operations: None of the company's activities were acquired or discontinued during the above two financial years

Statement of total recognised gains and losses for the year ended 30th JUNE 1996

	1996 £	1995 £
Profit for the financial year	221,147	55,231
Total recognised gains and losses relating to the year	<u>221,147</u>	<u>55,231</u>


The attached notes form part of these financial statements.

DEAMAS DISPOSABLES LIMITED

Balance sheet as at
30th JUNE 1996

	Notes	30/06/96 £	30/06/95 £
Fixed assets			
Tangible assets	9	<u>1,504,637</u>	<u>303,762</u>
Current assets			
Stocks	10	337,689	132,459
Debtors	11	1,340,074	719,736
Cash at bank and in hand		<u>50,326</u>	<u>-</u>
		1,728,089	852,195
Creditors: amounts falling due within one year	12	<u>2,067,706</u>	<u>992,395</u>
Net current liabilities		<u>339,617</u>	<u>140,200</u>
Total assets less current liabilities		1,165,020	163,562
Creditors: amounts falling due after one year	13	(589,739)	(35,464)
Net assets		<u><u>£575,281</u></u>	<u><u>£128,098</u></u>
Capital and reserves			
Called up share capital	16	73,430	50,000
Share premium account	17	263,043	-
Revaluation reserve	17	49,800	49,800
Profit and loss account		<u>189,008</u>	<u>28,298</u>
Shareholders' funds	17	<u><u>£575,281</u></u>	<u><u>£128,098</u></u>
Attribute to equity shareholders funds		383,022	128,098
Attribute to non-equity shareholders funds		<u>192,259</u>	<u>-</u>
		<u><u>£575,281</u></u>	<u><u>£128,098</u></u>

The financial statements were approved by the board on 3 March, 1997 and signed on its behalf

 DIRECTOR

The attached notes form part of these financial statements.

DEAMAS DISPOSABLES LIMITED

Cash Flow Statement for the year ended 30th JUNE 1996

		1996 £
Net cash inflow from continuing operating activities (reconciliation to operating profit on Page 7)		171,144
Returns on investments and servicing of finance		
Interest received	826	
Interest paid	(3,498)	
Interest element of finance lease rental payments	<u>(25,597)</u>	
Net cash outflow from returns on investments and servicing of finance		(28,269)
Taxation		
UK corporation tax paid		-
Investment activities		
Purchase of tangible fixed assets	1,270,981	
Sales of tangible fixed assets	<u>(18,931)</u>	
Net cash outflow from investing activities		(1,252,050)
Net cash (outflow) before financing		<u>(1,109,175)</u>
Financing		
New Borrowings	910,395	
Repayment of principle under finance leases	<u>(105,846)</u>	
		804,549
Share issue - net proceeds		286,473
(Decrease) in cash and cash equivalents		<u><u>(18,153)</u></u>

The Directors took advantage of the special exemption by part I of schedule 8 of the Companies Act 1985 in preparing the financial statements for the year ended 30 June 1995 on the grounds that in their opinion the company was entitled to these exemptions as a small company, accordingly the comparative figures for the cash flow statement have not been presented.

DEAMAS DISPOSABLES LIMITED

Reconciliation of operating profit to net cash inflow from operating activities

	1996 £
Continuing activities	
Operating Profit	221,147
Depreciation on tangible fixed assets	61,478
Gain on sale of tangible fixed assets	(4,343)
(Increase) in stocks	(205,230)
(Increase) in trade debtors	(573,885)
(Increase) in other debtors	(50,462)
Decrease in prepayments and accrued income	4,009
Increase in trade creditors	286,322
(Decrease) in other taxation and social security	(5,685)
Increase in other creditors	433,844
Increase in accruals and deferred income	<u>3,949</u>
Net cash inflow from continuing operating activities	<u>171,144</u>

DEAMAS DISPOSABLES LIMITED

Notes to the financial statements for the year ended 30th JUNE 1996

1. Accounting policies

The financial statements are prepared under the under the historical cost convention, as modified by the revaluation of certain fixed assets, and include the results of the company's operations as indicated in the directors' report, all of which are continuing.

Turnover is the amount, excluding value added tax, of the sales of goods and services charged by the company.

The charge for taxation is based on the results for the year and allows for taxation arising because certain items are brought into consideration for tax purposes at a different time to that for accounting purposes. Such provision, shown as deferred tax, is made only to the extent that there is a reasonable probability that it will become payable in the foreseeable future.

Stocks have been valued at the lower of cost and net realisable value.

Tangible fixed assets are stated at cost or valuation less depreciation. Depreciation is calculated so as to write off the cost of tangible fixed assets by equal instalments over their useful lives or by the reducing balance method as follows:

Plant and machinery	10%, 20% & 33.3%	straight line
Motor vehicles	25%	straight line
Office equipment	10%, 20% & 33.3%	straight line

Depreciation is first provided six months after date of purchase.

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets and depreciated over the shorter of the lease term and their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to product a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the profit and loss account as incurred.

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Government Grants are recognised in the profit and loss account over a number of years depending on the terms of the Grant.

Finance costs of non equity shares, including dividends, premium on redemption and issue costs are charged at a constant rate in the profit and loss account as an appropriation of profit.

DEAMAS DISPOSABLES LIMITED

Notes to the financial statements for the year ended 30th JUNE 1996

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from the company in independently administered funds. The pension cost charge in the accounts represents contributions payable by the company to the fund.

2. Turnover

Analysis by geographical market

	1996 £	1995 £
United Kingdom	3,727,729	2,334,987
Europe	338,978	62,330
	<u>4,066,707</u>	<u>2,397,317</u>

3. Directors' Emoluments

	1996 £	1995 £
Fees	1,875	-
Other emoluments (including pension contributions and benefits in kind)	150,600	128,224
	<u>152,475</u>	<u>128,224</u>

Fees and other emoluments (excluding pension contributions) include amounts paid to:

	1996 £	1995 £
The Chairman and highest paid Director	46,250	35,625

The number of directors (including the Chairman and the highest paid Director) who received fees and other emoluments (excluding pension contributions) within the following ranges was:

	1996 £	1995 £
£0 to £5,000	1	-
£25,001 to £30,000	-	2
£30,001 to £35,000	2	1
£35,001 to £40,000	1	1
£45,001 to £50,000	1	-

DEAMAS DISPOSABLES LTD

Notes to the financial statements for the year ended 30th JUNE 1996

4. Employee information

The average weekly number of persons (including executive Directors) employed by the company during the year was:

	1996 £	1995 £
By activity		
Production	15	10
Selling and Distribution	4	3
Administration	7	5
	<u>26</u>	<u>18</u>

	1996 £	1995 £
Staff costs (for the above persons)		
Wages and salaries	337,599	225,925
Social security costs	30,855	21,002
Other pension costs	3,600	3,600
	<u>372,054</u>	<u>250,527</u>

5. Interest payable and similar charges

	1996 £	1995 £
On bank loans and overdrafts repayable within 5 years, not by instalments	3,498	1,935
On factoring loan	50,798	30,348
On finance leases	25,597	8,793
	<u>79,893</u>	<u>41,076</u>

DEAMAS DISPOSABLES LTD

Notes to the financial statements for the year ended 30th JUNE 1996

6. Operating profit

The operating profit is stated after charging

	1996 £	1995 £
Depreciation of tangible fixed assets		
- owned by the company	24,941	25,402
- held under finance lease	36,537	29,646
Auditors' remuneration	3,000	2,500
Directors remuneration (including benefits in kind)	152,475	128,224
Hire of plant and machinery	8,130	12,824
Operating lease rentals	102,801	74,000
Relocation expenses	22,522	-

7. Taxation

The charge in the profit and loss account comprises the following:

	1996 £	1995 £
Corporation tax based upon the results of the year	-	-
Adjustments relating to prior years	-	-
Transfer to reserve for deferred tax	-	-

8. Dividends and appropriation

	1996 £	1995 £
Preference share dividends	8,840	
Appropriations	1,277	-
Non equity appropriation	10,117	
Ordinary proposed dividend 72.23p	51,597	-
	61,714	-

DEAMAS DISPOSABLES LIMITED

Notes to the financial statements for the year ended 30th JUNE 1996

9. Tangible fixed assets

	Plant & Machinery £	Motor Vehicles £	Office Equipment £	Total £
Cost or valuation				
Brought forward 1 July 1995	321,083	84,358	17,996	423,437
Additions	1,201,220	47,801	21,960	1,270,981
Disposals	(2,000)	(16,931)	-	(18,931)
Carried forward 30 June 1996	<u>1,520,303</u>	<u>115,228</u>	<u>39,956</u>	<u>1,675,487</u>
Depreciation				
Brought forward 1 July 1995	93,078	18,658	7,939	119,675
Charge for the period	33,541	21,737	6,200	61,478
Disposals	(2,000)	(8,303)	-	(10,303)
Carried forward 30 June 1996	<u>124,619</u>	<u>32,092</u>	<u>14,139</u>	<u>170,850</u>
Net book value				
At 30 June 1996	<u>1,395,684</u>	<u>83,136</u>	<u>25,817</u>	<u>1,504,637</u>
At 1 July 1995	<u>228,005</u>	<u>65,700</u>	<u>10,057</u>	<u>303,762</u>

Included within plant and machinery is an item which was re valued by the directors as at 1 July, 1994 at a figure of £49,800 in excess of net book value.

The net book value of tangible fixed assets includes an amount of £1,313,239 (1995 £200,856) in respect of assets held under finance leases.

10. Stocks

	1996 £	1995 £
Stocks		
Raw materials	199,803	63,738
Finished stocks and work in progress	137,886	68,721
	<u>337,689</u>	<u>132,459</u>

DEAMAS DISPOSABLES LIMITED

Notes to the financial statements for the year ended 30th JUNE 1996

11. Debtors: Amounts falling due within one year

	1996 £	1995 £
Trade debtors	1,245,535	671,650
Other debtors	65,495	15,033
Prepayments and accrued income	29,044	33,053
	<u>1,340,074</u>	<u>719,736</u>

Trade debtors include factored debts totalling £1,139,350 (1995 - £528,862)

12. Creditors: amounts falling due within one year

	1996	1995
Bank loans and overdraft	146,751	78,272
Trade creditors	789,311	502,989
Net obligations under finance leases and hire purchase contracts	269,461	24,945
Taxation and social security costs	8,653	14,338
Other creditors	773,800	352,168
Dividends payable	56,097	-
Accrued and deferred income	23,633	19,683
	<u>2,067,706</u>	<u>992,395</u>

13. Creditors: amounts falling due after one year:

	1996 £	1995 £
Net obligations under finance leases and hire purchase contracts	<u>589,739</u>	<u>35,464</u>
	<u>589,739</u>	<u>35,464</u>

DEAMAS DISPOSABLES LIMITED

Notes to the financial statements for the year ended
30th JUNE 1996

14. Liabilities and charges

The provision for liabilities and charges comprises the following:

	1996 £	1995 £
Deferred taxation	-	-
	<u>-</u>	<u>-</u>

The potential liability of the company for deferred tax is shown below:

	1996 £	1995 £
Accelerated capital allowances	133,813	25,777
Tax losses available	<u>(133,813)</u>	<u>(25,777)</u>
	<u>-</u>	<u>-</u>

15. Pension scheme

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in independently administered funds. The pension cost charge in the financial statements represents contributions payable by the company to the fund and amounted to £3,600 (1995 - £3,600). There were no contributions outstanding at the year end.

16. Capital

	1996 £	1995 £
Authorised:		
50,000 ordinary shares of £1 each	50,000	50,000
21,430 'A' ordinary shares of 1 each	21,430	-
200,000 9% cumulative redeemable preference shares of 1p each	2,000	-
	<u>73,430</u>	<u>50,000</u>
Allotted, called up and fully paid		
50,000 ordinary shares of £1 each	50,000	50,000
21,430 'A' ordinary shares of 1 each	21,430	-
200,000 9% cumulative redeemable preference shares of 1p each	2,000	-
	<u>73,430</u>	<u>50,000</u>

DEAMAS DISPOSABLES LTD

Notes to the financial statements for the year ended 30th JUNE 1996

On 4th January 1996, the company issued 200,000 1p cumulative preference shares and 21,430 'A' ordinary shares of £1 each for a consideration of £200,000 and £100,000 respectively. Issue costs were £9,018 and £4,509 respectively. The preference shares are redeemable £1 per share by four instalments of 50,000 shares each to be made annually on 30th September of each year commencing 30th September 1998.

The 'A' ordinary shares may be converted one for one into ordinary shares at any time when decided by 75% of the holders of the 'A' ordinary shares.

The rights of the preference shareholders include entitlement to receive a cumulative preferential dividend at the rate of 9% per annum on paid up capital. The preference shareholders are entitled on a winding up, or capital reduction to a repayment of paid up capital, on priority to all other classes of shares.

17. Movement in shareholders funds

	Share Capital	Share Premium	Reval- uation Reserve	Profit & Loss Account	Total 1996	Total 1995
	£	£	£	£	£	£
At 1 st July 1995	50,000	-	49,800	28,298	128,098	72,867
Retained Profit for year for equity shareholders				159,433	159,433	55,231
Shares issued in period						
Equity	21,430	78,570			100,000	-
Non equity	2,000	198,000			200,000	-
Share issue costs						
Equity		(4,509)			(4,509)	-
Non equity		(9,018)			(9,018)	-
Other finance costs of non equity shares				1,277	1,277	-
At 30 th June 1996	<u>73,430</u>	<u>263,043</u>	<u>49,800</u>	<u>189,008</u>	<u>575,281</u>	<u>128,098</u>

DEAMAS DISPOSABLES LIMITED

Notes to the financial statements for the year ended 30th JUNE 1996

18. Secured liabilities

At the 30th June, liabilities totalling £1,005,951 (1995 £490,085) were secured on the assets of the company. A debenture was granted on the banks standard form to Barclays Bank Plc on 19th June 1991.

19. Contingent liabilities

The company has a £10,000 HM Customs and Excise bond dated June 1991.

20. Capital commitments

At the year end the company had contracts for capital expenditure not provided for amounting to £75,059 (1995 £243,500), including a deposit of £15,059 paid prior to the year end.

21. Leasing commitments

At 30th June the company had annual commitments under non-cancellable operating leases as follows:

	1996 £	1995 £
Land and buildings		
Expiry Date:		
Within one year	27,769	22,753
Between two and five years	-	96,531
Other		
Expiry Date		
Within one year	-	6,270
Between two and five years	<u>4,776</u>	<u>-</u>

DEAMAS DISPOSABLES LIMITED

Notes to the financial statements for the year ended
30th JUNE 1996

22. Analysis of change in financing during the year

	1996	
	Share capital (including Premium) £	Loans and finance lease obligations £
At 1 July	50,000	60,408
New shares raised	286,473	
Inception of finance lease contracts		910,395
Repayments of principal on finance leases		(105,846)
At 30 June	<u>336,473</u>	<u>864,957</u>

23. Cash and cash equivalents

	1996 £	1995 £
Changes in the year		
At 1 July 1995	(78,272)	(42,674)
Net cash flow	<u>(18,153)</u>	<u>(35,598)</u>
At 30 June 1996	<u>(96,425)</u>	<u>(78,272)</u>

	1996 £	1995 £	1996 Change in year £	1995 £	1994 £	1995 Change in year £
Analysis of balances						
Cash at bank and in hand	50,326	-	50,326	-	8	(8)
Bank loans and overdrafts	(146,751)	(78,272)	(68,479)	(78,272)	(42,682)	(35,590)
At 30 June 1996	<u>(96,425)</u>	<u>(78,272)</u>	<u>(18,153)</u>	<u>(78,272)</u>	<u>(42,674)</u>	<u>(35,598)</u>