

**International Process Technologies Limited
(formerly Quayshelfco 539 Limited) and
subsidiary companies**

Report and Financial Statements

31 December 1996

Deloitte & Touche
Mountbatten House
1 Grosvenor Square
Southampton
SO15 2BE



REPORT AND FINANCIAL STATEMENTS 1996

CONTENTS	Page
Officers and professional advisers	1
Chairman's statement	2
Directors' report	3
Statement of directors' responsibilities	5
Auditors' report	6
Consolidated profit and loss account	7
Consolidated balance sheet	8
Company balance sheet	9
Consolidated cash flow statement	10
Reconciliation of movements in shareholders' funds	11
Statement of total recognised gains and losses	11
Notes to the accounts	12

REPORT AND FINANCIAL STATEMENTS 1996

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

A S Lewis
C F Dunnett
G F Elkin
P R Benson
D Flahault
M R Hoffman

SECRETARY

G F Elkin

REGISTERED OFFICE

The Courtyard
17 West Street
Farnham
Surrey
GU9 7DR

BANKERS

Bank of Scotland
P O Box 208
21 Prince Street
Bristol
BS99 7JG

AUDITORS

Deloitte & Touche
Chartered Accountants
Mountbatten House
1 Grosvenor Square
Southampton
SO15 2BE

CHAIRMAN'S STATEMENT

Period ended 31 December 1996

Following the acquisition from BTR Nylex Limited of Plascoat International Limited in April 1996, I am pleased to report to shareholders the first results of International Process Technologies Limited (IPT).

The Group

As a world leader in the polymer industry, operating from many sites across Europe, IPT's multi-technology approach delivers a wide range of plastics products and raw materials to industries throughout Europe and worldwide. We embrace the principles of world class business practice and strive for Total Quality in every aspect of our operation.

This commitment to quality and technical innovation has kept us at the leading edge of plastics engineering technology serving industries such as the aerospace, defence, commercial, marine and automotive sectors. In addition to its wide range of thermoplastic coating powders the Group is able to offer plastic coating facilities, injection moulding, rotomoulding, flexible moulding, profile extrusions, vacuum forming and associated services.

Financial results

Turnover from 1 April 1996 to 31 December 1996 rose by 1.4% over the same period of 1995, for the companies acquired, to £29.0 million. Operating profit at £2.7 million rose, before restructuring costs, by 14.7%

Financial position

The Group generated strong operational cash flow in 1996 and, as a result, the cash balance at the end of the year had arisen to £2.5 million despite a higher than normal investment in new equipment and restructuring costs during the year.

Group trading

With reinforced management following the acquisition, and the implementation of world class practice, the Group saw an improvement in manufacturing efficiencies and customer service.

The decision was taken during the year to close the Lyon factory and move its manufacturing facilities to the UK and Holland. This equipment together with new investment will ensure that the Group can meet the increasing demand for thermoplastic coatings and powders.

Investment was also made at the end of the year in the plastic coatings factories to again meet increasing demand and to satisfy customers requirements.

Over 24% of the Group's turnover is exported and further 23% manufactured and sold in Netherlands and France. The strong pound in the second half of the year affected both the margin level on exports out of the UK and reduced the profit contribution from our overseas companies.

A number of operations in the Group have been rationalised and reorganised to improve efficiency. The successful accomplishment of this task has required hard work and commitment from staff at all levels and the Board and I would like to thank them for their past and continuing effort.

Current trading and prospects

During the first quarter of the year sales are running slightly below last year but in line with the budget. Orders are running ahead of both budget and prior year with all units having a strong start. Margins are being affected in the first quarter by exchange rates (being adverse for exports) whilst plans to improve productivity and margin are proceeding.



International Process Technologies Limited
(formerly Quayshelfco 539 Limited)
and subsidiary companies

DIRECTORS REPORT

Period ended 31 December 1996

The directors present their first annual report and the audited financial statements for the period from incorporation on 19 December 1995 to 31 December 1996.

ACTIVITIES

The principal activity of the company is that of a holding and management service company to the IPT Group of companies. The principal trading activity of the group is that of plastic engineering operations.

REVIEW OF DEVELOPMENTS

The company was incorporated on 19 December 1995 as Quayshelfco 539 Limited and changed its name to International Process Technologies Limited on 11 April 1996. It started trading in April 1996 with the agreement to acquire the entire issued share capital of Plascoat International Limited and Plastic Coatings Holdings BV. Completion of this transaction took place on 23 April 1996.

DIVIDENDS

The directors do not recommend payment of a dividend on either the "A" ordinary or ordinary shares. After dividends of £668,844 in respect of the 7% preferences shares, retained profit for the period was £396,922.

DIRECTORS

The current list of directors is shown on page 1. The following directors served throughout the year and their interests in the ordinary shares of the company at 31 December 1996 and at 19 December 1995 were:

	31 December 1996 No.	19 December 1995 No.
A S Lewis (appointed 23 April 1996)	-	-
C F Dunnett (appointed 21 March 1996)	4,000,000	-
G F Elkin (appointed 21 March 1996)	2,666,667	-
P R Benson (appointed 23 April 1996)	533,333	-
D Flahault (appointed 23 April 1996)	533,333	-

A S Lewis is a director of NatWest Ventures (Nominees) Limited and as such has a non-beneficial interest in the 1,861,540 7% cumulative redeemable preference shares and 11,500,376 'A' ordinary shares owned by that company. A S Lewis also has a beneficial interest of 22,258 'A' ordinary shares. The directors had no interests in any other group companies at the 19 December 1995 or 31 December 1996.

M R Hoffman was appointed as a director on 25 March 1997.

EMPLOYEES

The Group pursues a policy of employee communication through meetings, including briefings and team meetings, and through internal notification of the Group focus and movement.

The Group employs disabled persons whenever circumstances permit, and full and fair consideration is given to applications for employment by disabled persons having regard to their particular aptitudes and disabilities.

DIRECTORS' REPORT (continued)
Period ended 31 December 1996

PAYMENT OF SUPPLIERS

It is the policy of the Group that each of the trading subsidiaries should agree appropriate terms and conditions for its transactions with suppliers. These will range from standard written terms to individually registered contracts. Payments are then made in accordance with these terms and conditions, provided that the supplier has complied with them.

AUDITORS

Deloitte & Touche were appointed during the period by the directors and they have expressed their willingness to continue in office as auditors. A resolution to confirm their appointment will be proposed at the forthcoming Annual General Meeting.

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



G F Elkin
Secretary

25 March 1997

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



Chartered Accountants

Deloitte & Touche
Mountbatten House
1 Grosvenor Square
Southampton SO15 2BE

Telephone: National 01703 334124
International + 44 1703 334124
Fax (Gp. 3): 01703 330948

AUDITORS' REPORT TO THE MEMBERS OF INTERNATIONAL PROCESS TECHNOLOGIES LIMITED (FORMERLY QUAYSHELFCO 539) LIMITED AND SUBSIDIARY COMPANIES

We have audited the financial statements on pages 7 to 27 which have been prepared under the accounting policies set out on pages 11 and 12.

Respective responsibilities of directors and auditors

As described on page 5 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 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 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 circumstances of the company and the group, 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 as at 31 December 1996 and of the profit of the group for the period from 19 December 1995 to 31 December 1996 and have been properly prepared in accordance with the Companies Act 1985.

DELOITTE & TOUCHE

Chartered Accountants and Registered Auditors

25 March 1997

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Period ended 31 December 1996

	Note	Continuing operations 1996 £000's
Turnover	3	29,038
Cost of sales		(22,640)
Gross profit		<u>6,398</u>
Distribution costs		(1,408)
Administrative expenses - ordinary		(2,125)
- exceptional	4	(314)
		<u>(2,439)</u>
Operating profit	5	<u>2,551</u>
Interest receivable		69
Interest payable and similar charges	7	(1,142)
Profit on ordinary activities before taxation		<u>1,478</u>
Tax on profit on ordinary activities	8	(412)
Profit for the financial year		<u>1,066</u>
Dividends paid	9	(669)
Profit retained for the financial year	20	<u><u>397</u></u>


The trading period comprises the results of the acquired businesses from the date of acquisition to 31 December 1996.

CONSOLIDATED BALANCE SHEET
31 December 1996

	Note	1996 £000's
FIXED ASSETS		
Tangible assets	11	12,497
CURRENT ASSETS		
Stocks	13	2,795
Debtors	14	7,688
Cash		2,689
		13,172
CREDITORS: amounts falling due within one year	15	(7,071)
NET CURRENT ASSETS		6,101
TOTAL ASSETS LESS CURRENT LIABILITIES		18,598
CREDITORS: amounts falling due after more than one year	16	(14,573)
PROVISIONS FOR LIABILITIES AND CHARGES	18	(195)
NET ASSETS		3,830
CAPITAL AND RESERVES		
Called up share capital	19	3,283
Share premium account	20	12,323
Goodwill reserve	20	(11,311)
Profit and loss account	20	(465)
TOTAL SHAREHOLDERS' FUNDS		3,830
Attributable to equity shareholders		(12,183)
Attributable to non-equity shareholders		16,013
		3,830

These financial statements were approved by the Board of Directors on 25 March 1997

Signed on behalf of the Board of Directors


Director

COMPANY BALANCE SHEET
31 December 1996

	Note	1996 £000's
FIXED ASSETS		
Investments	12	<u>32,017</u>
CURRENT ASSETS		
Debtors	14	1,064
CREDITORS: amounts falling due within one year	15	<u>(2,803)</u>
NET CURRENT LIABILITIES		<u>(1,739)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		30,278
CREDITORS: amounts falling due after more than one year	16	<u>(14,573)</u>
NET ASSETS		<u><u>15,705</u></u>
CAPITAL AND RESERVES		
Called up share capital	19	3,283
Share premium account	20	12,323
Profit and loss account	20	99
TOTAL SHAREHOLDERS' FUNDS		<u><u>15,705</u></u>
Attributable to equity shareholders		(308)
Attributable to non-equity shareholders		<u>16,013</u>
		<u><u>15,705</u></u>

These financial statements were approved by the Board of Directors on 25 March 1997

Signed on behalf of the Board of Directors



Director

CONSOLIDATED CASH FLOW STATEMENT
Period ended 31 December 1996

	Note	1996 £	1996 £
Cash flow from operating activities	24		5,364
Returns on investments and servicing of finance	25		(1,478)
Net taxation received			1,063
Capital expenditure and financial investment	25		(1,058)
Acquisitions	25		(32,255)
Cash outflow before financing			(28,364)
Financing			
Issue of shares	25	15,606	
Increase in debt	25	15,295	
			30,901
Increase in cash in the period	27		2,537

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
Period ended 31 December 1996

	1996 £000's
Profit for the financial year	1,066
Dividends paid	(669)
Exchange translation differences on net assets of overseas subsidiaries	(862)
Purchased goodwill written off in the period	(11,311)
Share capital issued in the period	3,283
Share premium arising in the period	12,323
	<hr/>
Net increase to shareholders' funds	3,830
Opening shareholders' funds	-
	<hr/>
Closing shareholders' funds	3,830
	<hr/> <hr/>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
Period ended 31 December 1996

	1996 £000's
Profit for the financial year	1,066
Exchange translation differences on net assets of overseas subsidiaries	(862)
	<hr/>
Total recognised gains and losses relating to the period	204
	<hr/> <hr/>

NOTES TO THE ACCOUNTS

Period ended 31 December 1996

1. ACCOUNTING POLICIES

Accounting convention

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and all its subsidiaries for the period ended 31 December 1996.

Acquisitions and disposals

On the acquisition of a business, fair values are attributed to the group's share of net tangible assets. Where the cost of acquisition exceeds the values attributable to such net assets, the difference is treated as purchased goodwill and is written off directly to reserves in the year of acquisition.

Profit and loss account

The period of consolidated trading presented is from completion of the acquisitions to 31 December 1996. All notes relating to the profit and loss account refer to this period as 1996.

Depreciation of tangible fixed assets

Depreciation is not provided on freehold land. On other assets it is provided on cost in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows:

Freehold and long leasehold buildings	-	2% per annum
Short leasehold buildings	-	over the period of the lease
Plant and machinery	-	over 5 - 13 years
Fixtures, fittings, tools and equipment	-	over 3 - 10 years
Computer equipment	-	over 3 - 5 years

Stocks

Stocks and work in progress are valued on a first in, first out basis at the lower of cost and net realisable value. Cost includes materials, direct labour and an appropriate proportion of overhead expenses. Provision is made for obsolete and slow moving items.

Deferred taxation

Deferred taxation is provided at the anticipated tax rates on timing differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability or asset will crystallise in the future.

Investments

Investments held as fixed assets are stated at cost less provision for permanent diminution in value.

Turnover

Turnover represents amounts invoiced, less returns, exclusive of value added tax.

NOTES TO THE ACCOUNTS
Period ended 31 December 1996

Pension costs

The group operates a defined benefit pension scheme. The expected cost of providing pensions, 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 in such a way that the pension cost is a substantially level percentage of current and expected future pensionable payroll.

Leases

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the period of the lease.

Foreign currency

Transactions of UK companies denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. These translation differences are dealt with in the profit and loss account, except those relating to capital funding which are taken directly to reserves.

The financial statements of foreign subsidiaries are translated into sterling at the closing rates of exchange and the difference arising from the translation of the opening net investment in subsidiaries at the closing rate is taken direct to reserves.

Research and development

Research and development expenditure is charged to the profit and loss account except where the profitability of the related project can be determined with reasonable certainty. In these cases the related costs of tooling have been capitalised in the balance sheet under tangible fixed assets and depreciated accordingly.

2. ACQUISITIONS

Plascoat International Limited

On 23 April 1996 100% of the issued share capital of Plascoat International Limited and its subsidiaries was acquired for total consideration of £15,644,481. In addition the company settled liabilities with the previous parent company of £14,570,740. This acquisition has been accounted for by the acquisition method of accounting. The amount of goodwill arising as a result of the transaction is £11,404,818. The profit after taxation of Plascoat International Limited, and its subsidiaries, was as follows:

	£000's
Results prior to acquisition	
1 January 1996 to date of acquisition	3,532
	<hr/>
Preceding financial year ended 31 December 1995	1,608
	<hr/>

The period from 1 January 1996 to the date of acquisition includes an exceptional profit of £3,000,000 on disposal of an investment.

NOTES TO THE ACCOUNTS
Period ended 31 December 1996

2. ACQUISITIONS (continued)

The following table explains the adjustments made to the book value of the major categories of assets and liabilities acquired to arrive at the fair values included in the consolidated financial statements at the date of acquisition. The cash flow effects of the acquisition are given in Note 28.

	Book amount £000's	Fair value adjustment £000's	Fair value to the Group £000's
Tangible fixed assets	12,427	(157)	12,270
Current assets	14,707	(870)	13,837
Creditors and provisions	(7,664)	367	(7,297)
	<u>19,470</u>	<u>(660)</u>	<u>18,810</u>
Former parent group liabilities settled on acquisition	(14,571)	-	(14,571)
	<u>4,899</u>	<u>(660)</u>	<u>4,239</u>

Plastic Coatings Holdings BV

100% of the share capital of Plastic Coatings Holdings BV was acquired as at 23 April 1996 for total consideration of £1,000,000.

This acquisition has been accounted for by the acquisition method of accounting. The fair value of the assets acquired exceeded the consideration paid by £93,509.

The profit after taxation of Plastic Coatings Holdings BV was as follows:

	£000's
Results prior to acquisition	
1 January 1996 to date of acquisition	<u>132</u>
Preceding financial year ended 31 December 1995	<u>408</u>

The following table explains the adjustments made to the book value of the major categories of assets and liabilities acquired to arrive at the fair values included in the consolidated financial statements at the date of the acquisition. The cash flow effects of the acquisition are given in note 28.

	Book amount £000's	Fair value adjustment £000's	Fair value to the Group £000's
Tangible fixed assets	628	-	628
Current assets	988	(3)	985
Creditors and provisions	(519)	-	(519)
	<u>1,097</u>	<u>(3)</u>	<u>1,094</u>

NOTES TO THE ACCOUNTS
Period ended 31 December 1996

3. TURNOVER

The analysis by geographical area of the Group's turnover is set out below:

	1996 £000's
United Kingdom	15,376
Other European countries	11,437
North America	838
Rest of the World	1,387
	<hr/> 29,038 <hr/>

The directors are of the opinion that the Group operates only one class of business.

4. EXCEPTIONAL ITEM

Following the acquisition, the Group rationalised parts of it's existing activities. The total cost of £314,000 comprises relocation and reorganisation costs.

5. OPERATING PROFIT

	1996 £000's
Operating profit is stated after charging/(crediting):	
Depreciation - owned assets	917
Auditors' remuneration	78
Auditors' remuneration for non audit services	13
Operating leases - plant and machinery	267
- land and buildings	455
Profit on disposal of fixed assets	(5)
Foreign exchange losses	22
	<hr/> 22 <hr/>

In addition the auditors received £47,000 for work connected with the acquisitions which has been included as part of the related cost of investment.

NOTES TO THE ACCOUNTS
Period ended 31 December 1996

6. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	1996 £000's
Directors' remuneration	
Salaries and taxable benefits	271
Remuneration of the Chairman	-
Remuneration of the highest paid director	90

Scale for other directors' remuneration excluding pension contributions:	1996 No.
£ 45,001 - £ 50,000	1
£ 55,001 - £ 60,000	1
£ 60,001 - £ 65,000	1

In addition £8,267 was paid to NatWest Ventures Limited in respect of A S Lewis' services as a director.

Average number of persons employed	No.
Management	37
Administration	45
Production and sales staff	509
	591

Staff costs during the year (including directors) were:	1996 £000's
Wages and salaries	7,503
Social security costs	1,300
Pension costs	390
	9,193

7. INTEREST PAYABLE AND SIMILAR CHARGES

	1996 £000's
On bank loans and overdrafts	
Repayable by instalments within 5 years	554
Repayable by instalments over more than 5 years	451
On other loans	137
	1,142

NOTES TO THE ACCOUNTS
Period ended 31 December 1996

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1996 £000's
United Kingdom corporation tax charge at 33% based on the profit for the period	179
Overseas taxation	252
Deferred tax	(19)
	<u>412</u>

9. DIVIDENDS PAID

	1996 £000's
Preference shares	
7% cumulative redeemable preference shares	<u>669</u>

10. PROFIT OF PARENT COMPANY

As permitted by Section 230 of the Companies Act, the profit and loss account of the parent company is not presented as part of these accounts. The parent company's retained profit for the financial period amounted to £99,390.

11. TANGIBLE FIXED ASSETS

	Freehold land and buildings £000's	Leasehold land and buildings £000's	Plant and equipment £000's	Total £000's
Group				
Cost				
Businesses acquired	4,287	2,699	18,372	25,358
Additions	7	19	1,048	1,074
Exchange rate adjustments	(449)	(1)	(905)	(1,355)
Disposals	-	-	(57)	(57)
As at 31 December 1996	<u>3,845</u>	<u>2,717</u>	<u>18,458</u>	<u>25,020</u>
Depreciation				
Businesses acquired	687	425	11,347	12,459
Charge for the period	81	40	796	917
Exchange rate adjustments	(88)	(1)	(718)	(807)
Disposals	-	-	(46)	(46)
As at 31 December 1996	<u>680</u>	<u>464</u>	<u>11,379</u>	<u>12,523</u>
Net book value				
As at 31 December 1996	<u>3,165</u>	<u>2,253</u>	<u>7,079</u>	<u>12,497</u>

Freehold land and buildings includes freehold land of £560,000.

NOTES TO THE ACCOUNTS
Period ended 31 December 1996

12. INVESTMENTS HELD AS FIXED ASSETS

	Shares in subsidiary undertakings £000's	Loans to subsidiary undertakings £000's	Total £000's
Company			
Cost			
Additions	15,645	16,372	32,017
As at 31 December 1996	15,645	16,372	32,017

The above investments are not listed.

ADDITIONAL INFORMATION ON SUBSIDIARIES

The subsidiaries principally involved in the consolidation of the group are:-

Company	Country of / registration and operation	Activity	Proportion of ordinary shares held %
Plascoat International Limited	England	Holding company for group subsidiaries	100
Plascoat Holdings Limited	England	Holding company for foreign investments	100*
Plascoat UK Limited	England	Plastic coating, moulding, extruding, compounding, grinding, and manufacture of plastic materials	100*
Sonabat Chantal S.A.	France	Roto and injection moulding and vacuum forming	100*
Plastic Coatings Holdings BV	Netherlands	Compounding, grinding, and manufacture of plastic materials	100*

* Held indirectly

13. STOCKS

	Group 1996 £000's
Raw materials and consumables	1,344
Work in progress	177
Finished goods	1,274
	2,795

NOTES TO THE ACCOUNTS
Period ended 31 December 1996

14. DEBTORS

	Group 1996 £000's	Company 1996 £000's
Trade debtors	6,120	-
Bills of exchange receivable	714	-
Amounts owed by subsidiary companies	-	949
Corporation tax	314	114
Other debtors	297	1
Prepayments and accrued income	243	-
	<u>7,688</u>	<u>1,064</u>

All the above amounts are due within one year.

15. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 1996 £000's	Company 1996 £000's
Bank overdrafts	152	1,809
Bank loans	729	729
Trade creditors	3,456	-
Other taxation and social security payable	661	-
Other creditors	897	-
Trade deposits	509	-
Accruals and deferred income	667	265
	<u>7,071</u>	<u>2,803</u>

16. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group 1996 £000's	Company 1996 £000's
Bank loans	<u>14,573</u>	<u>14,573</u>

NOTES TO THE ACCOUNTS
Period ended 31 December 1996

17. BORROWINGS

	Group 1996 £000's	Company 1996 £000's
Bank overdraft	152	1,809
Bank loans	15,302	15,302
	<u>15,454</u>	<u>17,111</u>
Due within one year or on demand	881	2,538
Due after more than one year	14,573	14,573
	<u>15,454</u>	<u>17,111</u>
Analysis of loans repayments:		
Bank loans and overdrafts		
Within one year or on demand	881	2,538
Between one and two years	1,214	1,214
Between two and five years	6,315	6,315
After five years	7,044	7,044
	<u>15,454</u>	<u>17,111</u>
Amounts repayable by instalments some of which fall due after five years		
	Group 1996 £000's	Company 1996 £000's
Bank loans		
Total amount	<u>15,302</u>	<u>15,302</u>
Instalments after five years	<u>7,044</u>	<u>7,044</u>

The bank loans and overdrafts are secured by fixed charge over the assets and undertakings of the Group.
Interest charged on the loans is approximately 8% per annum.

NOTES TO THE ACCOUNTS
Period ended 31 December 1996

18. PROVISIONS FOR LIABILITIES AND CHARGES

	1996 £000's
Group	
Deferred taxation	
Businesses acquired	224
Exchange movement	7
Credited to profit and loss account	(19)
Held over gains taken to corporation tax	(17)
	<hr/>
At 31 December 1996	195
	<hr/>

Deferred taxation provided in the financial statements, and the total potential liability including the amounts for which provision has been made, are as follows:

	Provided 1996 £000's	Full Potential 1996 £000's
Tax effect of timing differences because of:		
Capital allowances in excess of depreciation	-	1,213
Surplus on revaluation	-	200
Gains deferred by holdover relief	259	259
Overseas holiday pay provision	(56)	(56)
Pension contributions provisions	(13)	(13)
Overseas prepayments	5	5
	<hr/>	<hr/>
	195	1,608
	<hr/>	<hr/>

No deferred tax is provided in respect of the surplus on revaluations in subsidiary companies as there is no present intention to dispose of the assets concerned.

NOTES TO THE ACCOUNTS
Period ended 31 December 1996

19. CALLED UP SHARE CAPITAL

Group and company

Authorised:

		1996 £000's
Number		
9,333,333	Ordinary shares of £0.01 each	93
18,666,667	'A' Ordinary shares of £0.01 each	187
3,015,694	7% cumulative redeemable preference shares of £1 each	3,016
		<hr/> 3,296 <hr/>

Called up, allotted and fully paid:

		1996 £000's
Number		
8,000,000	Ordinary shares of £0.01 each	80
18,666,667	'A' Ordinary shares of £0.01 each	187
3,015,694	7% cumulative redeemable preference shares of £1 each	3,016
		<hr/> 3,283 <hr/>

The company was incorporated on 19 December 1995 with authorised and issued share capital of 100 £1 ordinary shares.

On 23 April 1996:

- the authorised ordinary share capital was increased to £93,333, by redesignating the existing share capital of 100 £1 ordinary shares as 10,000 1p ordinary shares and creating 9,323,333 1p ordinary shares,
- a new class of 'A' ordinary shares was created and a share capital of 18,666,667 1p shares authorised,
- a new class of preference shares was created and a share capital of 3,015,694 £1 shares authorised,
- 8,000,000 ordinary shares and 18,666,667 'A' ordinary shares were allotted for cash at par,
- 1,861,540 preference shares were allotted for cash at £5.31 per share.

On 24 July 1996

- a further 1,154,154 preference shares were allotted for cash at £5.31 per share.

The funds raised in the above issue were used in the acquisition of Plascoat International Limited and Plastic Coatings Holdings BV as detailed in notes 2 and 28. The expenses of the issue were £674,000 and have been charged to the share premium account (note 20).

NOTES TO THE ACCOUNTS
Period ended 31 December 1996

19. CALLED UP SHARE CAPITAL (continued)

The preference shares are due to be redeemed in 20 instalments at £5.31 per share. The first instalment of 150,779 shares will be redeemed on 30 June 2001, with subsequent instalments of 150,785 shares being redeemed at 6 monthly intervals thereafter, the last instalment being on 31 December 2010.

20. RESERVES

Group	Share premium account £000's	Goodwill reserve £000's	Profit and loss account £000's
Share premium on share capital issued	12,997	-	-
Issue costs	(674)	-	-
Purchased goodwill written off	-	(11,311)	-
Retained profit in the period	-	-	397
Exchange translation differences on net assets of overseas subsidiaries	-	-	(689)
Exchange differences on equity loans for overseas subsidiaries	-	-	(173)
	<hr/>	<hr/>	<hr/>
At 31 December 1996	<u>12,323</u>	<u>(11,311)</u>	<u>(465)</u>

Company	Share premium account £000's	Profit and loss account £000's
Share premium on share capital issued	12,997	-
Issue costs	(674)	-
Retained profit for the period	-	99
	<hr/>	<hr/>
At 31 December 1996	<u>12,323</u>	<u>99</u>

21. FINANCIAL COMMITMENTS

At 31 December 1996 the group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings £000's	Other £000's
Expiring within one year	13	90
Expiring between two and five years inclusive	138	170
Expiring after more than five years	412	-
	<hr/>	<hr/>
	<u>563</u>	<u>260</u>

The company had no annual commitments as at 31 December 1996.

NOTES TO THE ACCOUNTS
Period ended 31 December 1996

22. PENSION COSTS

The company contributes to two pension schemes in the UK providing benefits based on final pensionable pay, the BTR pension scheme and The Grosvenor Pension Fund. The assets of the schemes are held separately from those of the company in trustee administered funds.

The BTR Pension Scheme is valued by a qualified actuary at least every three years using the projected unit method which makes allowance for expected increases in earnings. The most recent valuation was at 6 April 1994 using the principal assumption that the investment return would be 2% greater than the rate of salary inflation.

At the last actuarial date the market value of the scheme's assets was £2,559 million and this actuarial valuation was sufficient to cover 125% of the benefits that had accrued to members, after allowing for the expected increases in earnings and improvements in benefits subsequently granted.

The Grosvenor Pension Fund is valued by a qualified actuary at least every three years, using the attained age method. The most recent valuation was at 1 April 1995 using the principal assumption that the investment return would be 1.5% greater than general salary increases and 3.5% greater than increase in future pension payments.

At the last actuarial date the market value of the scheme's assets was £22,470,000 and this actuarial valuation was sufficient to cover 104% of the benefits that had accrued to members, after allowing for future increases in earnings.

The net pension cost charged in the profit and loss account is as follows:

	1996 £000's
Regular cost	353

23. CONTINGENT LIABILITIES

	1996 £000's
Discounted bills of exchange	157
Capital expenditure, approved and contracted	782

24. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	1996 £000's
Operating profit	2,551
Depreciation	917
Profit on sale of fixed assets	(5)
Increase in stocks	(19)
Decrease in debtors	1,787
Increase in creditors	110
Net exchange differences	23
Net cash inflow from operating activities	5,364

NOTES TO THE ACCOUNTS
Period ended 31 December 1996

25. ANALYSIS OF CASH FLOWS FOR HEADINGS NOTED IN THE CASH FLOW STATEMENT

	£000's	£000's
Returns on investments and servicing of finance		
Interest received	69	
Interest paid	(878)	
Preference dividends paid	(669)	
	<u> </u>	(1,478)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(1,074)	
Proceeds from sale of fixed assets	16	
	<u> </u>	(1,058)
Acquisitions		
Purchase of subsidiary undertakings:		
- acquisition of shares	(16,644)	
- settlement of related intercompany liabilities	(14,571)	
Net overdraft acquired with subsidiaries	(1,040)	
	<u> </u>	(32,255)
Financing		
Issue of ordinary share capital	267	
Issue of preference share capital	16,013	
Costs of raising equity	(674)	
	<u> </u>	15,606
Debt due within one year:		
Increase in short term borrowing	2,881	
Repaid in the period	(2,131)	
Debt due after one year:		
Secured loan repayable in instalments	15,000	
Costs of raising debt	(455)	
	<u> </u>	15,295
		<u> </u>
		30,901
		<u> </u>

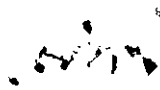
NOTES TO THE ACCOUNTS
Period ended 31 December 1996

26. ANALYSIS OF NET DEBT

	Acquisition £000's	Cashflow £000's	Other non-cash movements £000's	At 31 December 1996 £000's
Cash at bank	-	2,689	-	2,689
Overdraft	-	(152)	-	(152)
	-	2,537	-	2,537
Debt due within 1 year	-	(750)	21	(729)
Debt due after one year	-	(14,545)	(28)	(14,573)
	-	(15,295)	(7)	(15,302)
	-	(12,758)	(7)	(12,765)

27. RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET DEBT

	£000's	£000's
Increase in cash in the period	2,537	
Cash flow from reduction in debt	250	
		2,787
Loans to purchase subsidiary undertakings		(15,545)
Debt issue costs amortised in period		(7)
		(12,765)
Movement in net debt in the period		
Net debt at 17 December 1995		-
Net debt at 31 December 1996		(12,765)



NOTES TO THE ACCOUNTS
Period ended 31 December 1996

28. PURCHASE OF SUBSIDIARY UNDERTAKINGS

	£000's
Net assets acquired	
Tangible fixed assets	12,898
Stocks	2,925
Debtors	11,583
Cash	314
Bank overdraft	(1,354)
Creditors and provisions	(6,462)
	<hr/>
	19,904
Former parent group liabilities settled on acquisition	(14,571)
Goodwill	11,311
	<hr/>
	16,644
	<hr/>
Satisfied by	
Cash	16,644
	<hr/>