

**International Process Technologies Limited
and subsidiary companies**

Report and Financial Statements

31 December 1997

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



REPORT AND FINANCIAL STATEMENTS 1997

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REPORT AND FINANCIAL STATEMENTS 1997

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

M R Hoffman (Chairman)
P R Benson
C F Dunnett
G F Elkin
A S Lewis

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 2BZ

CHAIRMAN'S STATEMENT
Year ended 31 December 1997

This the first full year of International Process Technologies Limited (IPT) following the acquisition from BTR Nylex Limited of Plascoat International Limited (PI) in April 1996. For comparison purposes, the results of the continuing operations have been compared with the full twelve months' figures of PI for 1996.

The Group performed well producing both sales and profit growth in spite of the strength of sterling which impacted our overseas earnings and export sales,. In particular, productivity gains and reorganisation initiatives delivered very substantial benefits to the Group which more than offset the £600,000 impact from exchange rate issues.

In October, we sold Sonobat Chantal SA for £4 million in order to concentrate our resources on UK domiciled businesses and continue the international development of coating technology.

Financial Results

Turnover from continuing operations rose by 7.1% to £31.5M and operating profit increased 6% to £3.8M in spite of the £600,000 impact from the strength of sterling.

Financial Position

The Group generated strong operational cash flow in 1997 and, as a result, made significant capital expenditure taking the total spend since IPT was formed in April 1996 to over £3.5M. In addition, £4 million was raised from the disposal of Sonobat Chantal.

Group Trading

1997 has seen continuing improvements in manufacturing efficiencies and customer service. Investment has been made in new equipment to both increase capacity and reduce operating costs. Significant expenditure has also been made on health and safety.

Current Trading and Prospects

During the first quarter of 1998, sales are running ahead of last year, although sterling remains strong and continues to impact on sales volumes, especially to the Far East. Margins are showing improvement as the full effect of 1997 capital expenditure and productivity programmes come through.

During 1997, employees throughout the Group were invited to buy shares in the company. All the members of the Board were delighted with the response as the overwhelming majority of employees took up the share offer.

I would like to end by thanking all our employees for the loyalty and hard work they have shown during the last year.

International Process Technologies Limited
and subsidiary companies

DIRECTORS REPORT

Year ended 31 December 1997

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

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

A review of operations is contained in the Chairman's statement.

The results for the group for the year are set out on page 7 and the financial position of the group and company on pages 8 and 9 respectively.

DIVIDENDS

The directors do not recommend payment of a dividend on either the "A" ordinary or ordinary shares. After dividends of £1,120,933 (1996 £668,844) in respect of the 7% preferences shares, retained profit for the period was £1,253,805 (1996 £396,922).

DIRECTORS

The current list of directors is shown on page 1. The following directors served during the year and their interests in the ordinary shares of the company at 31 December 1997 and at 31 December 1996 were:

	31 December 1997 No.	31 December 1996 No.
M R Hoffman (appointed 25 March 1997)	250,000	-
A S Lewis	-	-
C F Dunnett	4,000,000	4,000,000
G F Elkin	2,666,667	2,666,667
P R Benson	533,333	533,333

D Flahault served as a director during the year and resigned as a director on 9 October 1997. A S Lewis is a director of NatWest Ventures (Nominees) Limited and as such has a non-beneficial interest in the 1,861,540 (1996 : 1,861,540) 7% cumulative redeemable preference shares and 11,500,376 (1996 : 11,500,376) 'A' ordinary shares owned by that company. A S Lewis also has a beneficial interest in 22,528 (1996 : 22,258) 'A' ordinary shares. The directors had no interests in any other group companies at 31 December 1996 or 31 December 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)
Year ended 31 December 1997**

AUDITORS

Deloitte & Touche have expressed their willingness to continue in office as auditors and 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

A handwritten signature in dark ink, appearing to be 'G F Elkin', with a long horizontal stroke extending to the right.

Secretary

31 March 1998

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
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Southampton SO15 2BZ

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AUDITORS' REPORT TO THE MEMBERS OF INTERNATIONAL PROCESS TECHNOLOGIES LIMITED AND SUBSIDIARY COMPANIES

We have audited the financial statements on pages 7 to 29 which have been prepared under the accounting policies set out on pages 12 and 13.

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 1997 and of the profit of the group for the year ended 31 December 1997 and have been properly prepared in accordance with the Companies Act 1985.

DELOITTE & TOUCHE

31 March 1998

Chartered Accountants and Registered Auditors
Mountbatten House
1 Grosvenor Square
Southampton
SO15 2BZ

International Process Technologies Limited
and subsidiary companies

CONSOLIDATED PROFIT AND LOSS ACCOUNT
Year ended 31 December 1997

	Note	Discontinued operations 1997 £000s	Continuing operations 1997 £000s	Total 1997 £000s	Continuing operations 9 months ended 31 December 1996 £000s
Turnover	3	5,663	31,480	37,143	29,038
Cost of sales		(4,594)	(23,852)	(28,446)	(22,640)
Gross profit		1,069	7,628	8,697	6,398
Distribution costs		(257)	(1,500)	(1,757)	(1,408)
Administrative expenses - ordinary		(510)	(2,290)	(2,800)	(2,125)
- exceptional	4	-	(76)	(76)	(314)
		(510)	(2,366)	(2,876)	(2,439)
Operating profit	5	302	3,762	4,064	2,551
Profit on disposal of business segment	2			410	-
Interest receivable				94	69
Interest payable and similar charges	7			(1,496)	(1,142)
Profit on ordinary activities before taxation				3,072	1,478
Tax on profit on ordinary activities	8			(697)	(412)
Profit for the financial period				2,375	1,066
Dividends paid	9			(1,121)	(669)
Profit for the period	21			1,254	397

International Process Technologies Limited
and subsidiary companies

CONSOLIDATED BALANCE SHEET
31 December 1997

	Note	1997 £000's	1996 £000's
FIXED ASSETS			
Tangible assets	11	10,747	12,431
Intangible assets	12	52	66
		<u>10,799</u>	<u>12,497</u>
CURRENT ASSETS			
Stocks	14	2,018	2,795
Debtors	15	6,148	7,688
Cash		5,200	2,689
		<u>13,366</u>	<u>13,172</u>
CREDITORS: amounts falling due within one year	16	(6,578)	(7,071)
NET CURRENT ASSETS		<u>6,788</u>	<u>6,101</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>17,587</u>	<u>18,598</u>
CREDITORS: amounts falling due after more than one year	17	(13,359)	(14,573)
PROVISIONS FOR LIABILITIES AND CHARGES	19	(157)	(195)
NET ASSETS		<u>4,071</u>	<u>3,830</u>
CAPITAL AND RESERVES			
Called up share capital	20	3,296	3,283
Share premium account	21	12,334	12,323
Goodwill reserve	21	(11,845)	(11,311)
Profit and loss account	21	286	(465)
TOTAL SHAREHOLDERS' FUNDS		<u>4,071</u>	<u>3,830</u>
Attributable to equity shareholders		(11,942)	(12,183)
Attributable to non-equity shareholders		16,013	16,013
		<u>4,071</u>	<u>3,830</u>

These financial statements were approved by the Board of Directors on 31 March 1998

Signed on behalf of the Board of Directors


C.F. Dunnett

Director

International Process Technologies Limited
and subsidiary companies

COMPANY BALANCE SHEET
31 December 1997

	Note	1997 £000's	1996 £000's
FIXED ASSETS			
Investments	13	33,328	32,017
CURRENT ASSETS			
Debtors	15	2,585	1,064
CREDITORS: amounts falling due within one year	16	(6,799)	(2,803)
NET CURRENT LIABILITIES		(4,214)	(1,739)
TOTAL ASSETS LESS CURRENT LIABILITIES		29,114	30,278
CREDITORS: amounts falling due after more than one year	17	(13,359)	(14,573)
PROVISIONS FOR LIABILITIES AND CHARGES	19	(106)	-
NET ASSETS		15,649	15,705
CAPITAL AND RESERVES			
Called up share capital	20	3,296	3,283
Share premium account	21	12,334	12,323
Profit and loss account	21	19	99
TOTAL SHAREHOLDERS' FUNDS		15,649	15,705
Attributable to equity shareholders		(364)	(308)
Attributable to non-equity shareholders		16,013	16,013
		15,649	15,705

These financial statements were approved by the Board of Directors on 31 March 1998

Signed on behalf of the Board of Directors



C F Dunnett

Director

International Process Technologies Limited
and subsidiary company

CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 December 1997

	Note	1997 £'000	1997 £'000	9 months ended 31 December 1996 £'000	9 months ended 31 December 1996 £'000
Net cash inflow from operating activities	25		4,416		5,364
Returns on investments and servicing of finance	26		(2,442)		(1,478)
Net taxation received			161		1,063
Capital expenditure and financial investment	26		(2,389)		(1,058)
Acquisitions and disposals	26		3,704		(32,255)
Net cash inflow/(outflow) before financing			3,450		(28,364)
Financing					
Issue of shares	26	24		15,606	
(Decrease)/increase in debt	26	(750)		15,295	
			(726)		30,901
Increase in cash in the period	28		2,724		2,537

International Process Technologies Limited
and subsidiary companies

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

Year ended 31 December 1997

	1997 £000's	9 months ended 31 December 1996 £000's
Profit for the financial year	2,375	1,066
Dividends paid	(1,121)	(669)
Exchange translation differences on net assets of overseas subsidiaries	(503)	(862)
Fair value adjustment (see note 32)	(534)	-
Purchased goodwill written off in the period	-	(11,311)
Share capital issued in the period	13	3,283
Share premium arising in the period	11	12,323
Net increase to shareholders' funds	<u>241</u>	<u>3,830</u>
Opening shareholders' funds	3,830	-
Closing shareholders' funds	<u><u>4,071</u></u>	<u><u>3,830</u></u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Year ended 31 December 1997

	1997 £000's	9 months ended 31 December 1996 £000's
Profit for the financial year	2,375	1,066
Exchange translation differences on net assets of overseas subsidiaries	(503)	(862)
Total recognised gains and losses relating to the period	<u><u>1,872</u></u>	<u><u>204</u></u>

NOTES TO THE ACCOUNTS
Year ended 31 December 1997

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 year ended 31 December 1997.

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.

The profit or loss on the disposal of a previously acquired business includes the attributable amount of any purchased goodwill relating to that business.

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

Amortisation of intangible fixed assets

Amortisation of capitalised development costs is provided on a straight line basis over 3 years. In 1997 intangible assets have been separately analysed, whereas in the 1996 accounts they were included within tangible fixed assets. Comparative figures have been restated.

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
Year ended 31 December 1997

1. ACCOUNTING POLICIES (continued)

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. DISPOSALS

On 10 October 1997 the group sold its 100% investment in the issued share capital of Sonabat Chantal S.A. The proceeds of the sale were £4,039,000. The impact of this disposal on the 1996 comparative results is as follows:

	Discontinued operations £000s	Continuing operations £000s	Total £000s
Turnover	6,746	22,292	29,038
Cost of sales	(5,720)	(16,920)	(22,640)
Gross profit	1,026	5,372	6,398
Distribution costs	(269)	(1,139)	(1,408)
Administrative expenses - ordinary	(616)	(1,509)	(2,125)
- exceptional	-	(314)	(314)
	(616)	(1,823)	(2,439)
Operating profit	141	2,410	2,551

The profit on disposal, which was determined including attributable goodwill of £nil, was £410,000. The cash effects of the disposal are given in note 29.

NOTES TO THE ACCOUNTS
Year ended 31 December 1997

3. TURNOVER

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

	1997	9 months ended 31 December 1996
	£000's	£000's
United Kingdom	22,036	15,376
Other European countries	12,419	11,437
North America	1,182	838
Rest of the World	1,506	1,387
	<u>37,143</u>	<u>29,038</u>

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

4. EXCEPTIONAL ITEM

Following the acquisition in 1996, the Group rationalised parts of its existing activities, at a cost of £314,000. During the year further rationalisation has taken place at a cost of £76,000.

5. OPERATING PROFIT

	1997	9 months ended 31 December 1996
	£000's	£000's
Operating profit is stated after charging/(crediting):		
Depreciation - owned assets	1,125	917
Amortisation of development costs	16	10
Auditors' remuneration - audit services	60	78
- non audit services	27	13
Operating leases - other operating leases	341	267
- land and buildings	568	455
Profit on disposal of fixed assets	(66)	(5)
Foreign exchange (gains)/losses	(46)	22
	<u>(46)</u>	<u>22</u>

In addition the auditors received £nil (1996: £47,000) for work connected with the acquisition which has been included as part of the related cost of investment and £20,000 (1996 : nil) for work connected with the disposal of a business segment.

NOTES TO THE ACCOUNTS
Year ended 31 December 1997

6. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	1997 £000's	9 months ended 31 December 1996 £000's
Directors' remuneration		
Emoluments (excluding pension contributions)	332	247
	No.	No.
Number of directors who:		
• are members of the company's defined benefit scheme	3	3
	1997 £000's	9 months ended 31 December 1996 £000's
Highest paid director's remuneration:		
Aggregate of emoluments (excluding pension contributions)	105	79

The amount of the accrued pension of the highest paid director at 31 December 1997 is £16,111 p.a. (see also note 19)

The aggregate consideration to 3rd parties for services as a director is £14,446 (1996: £8,267) and was paid to Natwest Equity Partners Limited in respect of A S Lewis.

	No.	No.
Average number of persons employed		
Management	33	37
Administration	40	45
Production and sales staff	470	509
	543	591
	1997 £000's	9 months ended 31 December 1996 £000's
Staff costs during the year (including directors) were:		
Wages and salaries	9,246	7,503
Social security costs	1,270	1,300
Pension costs	643	390
	11,159	9,193

International Process Technologies Limited
and subsidiary companies

NOTES TO THE ACCOUNTS
Year ended 31 December 1997

7. INTEREST PAYABLE AND SIMILAR CHARGES

	1997	9 months ended 31 December 1996
	£000's	£000's
On bank loans and overdrafts:		
Repayable by instalments within 5 years	1,056	554
Repayable by instalments over more than 5 years	416	451
On other loans	24	137
	<u>1,496</u>	<u>1,142</u>

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1997	9 months ended 31 December 1996
	£000's	£000's
United Kingdom corporation tax charge at 31.5% (1996 : 33%) based on the profit for the period	486	179
Overseas taxation	282	252
Deferred tax	(71)	(19)
	<u>697</u>	<u>412</u>

The tax charge is low due to the non provision of deferred tax on certain timing differences and the tax free profit arising on the sale of a business segment in the year.

9. DIVIDENDS PAID

	1997	9 months ended 31 December 1996
	£000's	£000's
Preference shares		
7% cumulative redeemable preference shares	<u>1,121</u>	<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 loss for the financial period amounted to £80,078 (1996 profit of £99,390).

International Process Technologies Limited
and subsidiary companies

NOTES TO THE ACCOUNTS
Year ended 31 December 1997

11. TANGIBLE FIXED ASSETS

	Freehold land and buildings £000's	Leasehold land and buildings £000's	Plant and machinery £000's	Fixtures, fittings and equipment £000's	Total £000's
Group					
Cost					
As at 1 January 1997	3,845	2,717	16,286	2,096	24,944
Additions	518	-	1,851	116	2,485
Exchange rate adjustments	(218)	-	(469)	(32)	(719)
Disposals	-	(19)	(150)	(55)	(224)
Disposal of business segment	(2,330)	-	(3,059)	-	(5,389)
As at 31 December 1997	<u>1,815</u>	<u>2,698</u>	<u>14,459</u>	<u>2,125</u>	<u>21,097</u>
Depreciation					
As at 1 January 1997	680	464	9,554	1,815	12,513
Charge for the period	105	52	865	103	1,125
Exchange rate adjustments	(43)	-	(369)	(32)	(444)
Disposals	-	-	(139)	(55)	(194)
Disposal of business segment	(616)	-	(2,208)	-	(2,824)
Fair value adjustments	52	-	122	-	174
As at 31 December 1997	<u>178</u>	<u>516</u>	<u>7,825</u>	<u>1,831</u>	<u>10,350</u>
Net book value					
As at 31 December 1997	<u>1,637</u>	<u>2,182</u>	<u>6,634</u>	<u>294</u>	<u>10,747</u>
As at 31 December 1996	<u>3,165</u>	<u>2,253</u>	<u>6,732</u>	<u>281</u>	<u>12,431</u>

Freehold land and buildings includes freehold land of £421,000 (1996: £560,000).

NOTES TO THE ACCOUNTS
Year ended 31 December 1997

12. INTANGIBLE ASSETS

Group	Capitalised development costs £'000
Cost	
As at 1 January 1997	76
Additions	2
	<hr/>
As at 31 December 1997	78
	<hr/>
Amortisation	
As at 1 January 1997	10
Charge for period	16
	<hr/>
As at 31 December 1997	26
	<hr/>
Net book value	
As at 31 December 1997	52
	<hr/>
As at 31 December 1996	66
	<hr/>

13. INVESTMENTS HELD AS FIXED ASSETS

Company	Shares in subsidiary undertakings £000's	Loans to subsidiary undertakings £000's	Total £000's
Cost			
As at 1 January 1997	15,645	16,372	32,017
Additions	-	1,311	1,311
	<hr/>	<hr/>	<hr/>
As at 31 December 1997	15,645	17,683	33,328
	<hr/>	<hr/>	<hr/>

The above investments are not listed.

International Process Technologies Limited
and subsidiary companies

NOTES TO THE ACCOUNTS
Year ended 31 December 1997

13. INVESTMENTS HELD AS FIXED ASSETS (continued)

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*
Plastic Coatings Holdings BV	Netherlands	Compounding, grinding, and manufacture of plastic materials	100*

* Held indirectly

14. STOCKS

	Group 1997 £000's	Group 1996 £000's
Raw materials and consumables	1,144	1,344
Work in progress	150	177
Finished goods	724	1,274
	<u>2,018</u>	<u>2,795</u>

15. DEBTORS

	Group 1997 £000's	Group 1996 £000's	Company 1997 £000's	Company 1996 £000's
Trade debtors	5,057	6,120	-	-
Bills of exchange receivable	-	714	-	-
Amounts owed by subsidiary companies	-	-	2,343	949
Advance corporation tax recoverable	68	314	168	-
Group relief receivable	-	-	70	114
Other debtors	570	297	-	1
Prepayments and accrued income	453	243	4	-
	<u>6,148</u>	<u>7,688</u>	<u>2,585</u>	<u>1,064</u>

All the above amounts are due within one year with the exception of advance corporation tax recoverable, which includes £68,000 to the group, and £162,000 to the company, due after more than one year.

NOTES TO THE ACCOUNTS
Year ended 31 December 1997

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 1997 £000's	Group 1996 £000's	Company 1997 £000's	Company 1996 £000's
Bank overdrafts	2	152	5,220	1,809
Bank loans	1,214	729	1,214	729
Trade creditors	3,092	3,456	-	-
Corporation tax	301	-	-	-
Overseas tax	106	-	-	-
Other taxation and social security payable	604	661	-	-
Other creditors	827	897	-	-
Trade deposits	-	509	-	-
Accruals and deferred income	432	667	365	265
	<u>6,578</u>	<u>7,071</u>	<u>6,799</u>	<u>2,803</u>

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

	Group 1997 £000's	Group 1996 £000's	Company 1997 £000's	Company 1996 £000's
Bank loans	<u>13,359</u>	<u>14,573</u>	<u>13,359</u>	<u>14,573</u>

18. BORROWINGS

	Group 1997 £000's	Group 1996 £000's	Company 1997 £000's	Company 1996 £000's
Bank overdraft	2	152	5,220	1,809
Bank loans	<u>14,573</u>	<u>15,302</u>	<u>14,573</u>	<u>15,302</u>
	<u>14,575</u>	<u>15,454</u>	<u>19,793</u>	<u>17,111</u>
Due within one year or on demand	1,216	881	6,434	2,538
Due after more than one year	<u>13,359</u>	<u>14,573</u>	<u>13,359</u>	<u>14,573</u>
	<u>14,575</u>	<u>15,454</u>	<u>19,793</u>	<u>17,111</u>
Analysis of loans repayments:				
Bank loans and overdrafts				
Within one year or on demand	1,216	881	6,434	2,538
Between one and two years	1,700	1,214	1,700	1,214
Between two and five years	7,287	6,315	7,287	6,315
After five years	<u>4,372</u>	<u>7,044</u>	<u>4,372</u>	<u>7,044</u>
	<u>14,575</u>	<u>15,454</u>	<u>19,793</u>	<u>17,111</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 1997

18. BORROWINGS (continued)

Amounts repayable by instalments some of which
fall due after five years

	Group 1997 £000's	Group 1996 £000's	Company 1997 £000's	Company 1996 £000's
Bank loans				
Total amount	14,575	15,302	14,573	15,302
Instalments after five years	4,372	7,044	4,372	7,044

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 8.5% per annum.

19. PROVISIONS FOR LIABILITIES AND CHARGES

	Group 1997 £000's	Group 1996 £000's	Company 1997 £000's	Company 1996 £000's
Deferred taxation	51	195	-	-
Pension costs	106	-	106	-
	157	195	106	-

£000's

Group

Deferred taxation

At 1 January 1997	195
Exchange movement	5
Credited to profit and loss account	(71)
Disposal of business segment	43
Held over gains taken to corporation tax	(28)
Advance corporation tax offset	(93)
At 31 December 1997	51

NOTES TO THE ACCOUNTS
Year ended 31 December 1997

19. PROVISIONS FOR LIABILITIES AND CHARGES (continued)

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 1997 £000's	Provided 1996 £000's	Full Potential 1997 £000's	Full Potential 1996 £000's
Tax effect of timing differences because of:				
Capital allowances in excess of depreciation	-	-	1,044	1,213
Surplus on revaluation	-	-	200	200
Gains deferred by holdover relief	162	259	162	259
Overseas holiday pay provision	-	(56)	-	(56)
Pension contributions provisions	(18)	(13)	(18)	(13)
Overseas prepayments	-	5	-	5
Advance corporation tax offset	(93)	-	(93)	-
	<u>51</u>	<u>195</u>	<u>1,295</u>	<u>1,608</u>

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.

Group and Company

Under the terms of his service contract, one of the directors is entitled to additional pension benefits to the extent that those received from the company's pension scheme do not meet minimum, prescribed levels. The provision represents the directors' estimate of the potential liability arising.

20. CALLED UP SHARE CAPITAL

Group and company

Authorised:

Number		1997 £000's	1996 £000's
9,333,333	Ordinary shares of £0.01 each	93	93
18,666,667	'A' Ordinary shares of £0.01 each	187	187
3,015,694	7% cumulative redeemable preference shares of £1 each	3,016	3,016
		<u>3,296</u>	<u>3,296</u>

Called up, allotted and fully paid:

Number		1997 £000's	1996 £000's
9,333,333	Ordinary shares of £0.01 each	93	80
18,666,667	'A' Ordinary shares of £0.01 each	187	187
3,015,694	7% cumulative redeemable preference shares of £1 each	3,016	3,016
		<u>3,296</u>	<u>3,283</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 1997

20. 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.

1,333,333 Ordinary shares of £0.01 each were issued during the year for cash at a premium of £0.01 per share as part of the IPT Employee Share Ownership plan.

21. RESERVES

Group	Share premium account £000's	Goodwill reserve £000's	Profit and loss account £000's
At 1 January 1997	12,323	(11,311)	(465)
Share premium on share capital issued	11	-	-
Fair value adjustments (note 32)	-	(534)	-
Retained profit in the period	-	-	1,254
Exchange translation differences on net assets of overseas subsidiaries	-	-	(413)
Exchange difference on equity loans for overseas subsidiaries	-	-	(90)
At 31 December 1997	<u>12,334</u>	<u>(11,845)</u>	<u>286</u>
Company		Share premium account £000's	Profit and loss account £000's
At 1 January 1997		12,323	99
Share premium on share capital issued		11	-
Retained loss for the period		-	(80)
At 31 December 1997		<u>12,334</u>	<u>19</u>

22. FINANCIAL COMMITMENTS

At 31 December 1997 the group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	1997 £000's	1996 £000's	1997 £000's	1996 £000's
Expiring within one year	14	13	30	90
Expiring between two and five years inclusive	208	138	262	170
Expiring after more than five years	346	412	-	-
	<u>568</u>	<u>563</u>	<u>292</u>	<u>260</u>

The company had no annual commitments as at 31 December 1997.

NOTES TO THE ACCOUNTS
Year ended 31 December 1997

23. PENSION COSTS

The company contributed 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.

On 6 April 1997, employees were offered the opportunity to transfer from the BTR pension scheme to the Grosvenor Pension Fund. At this date, contributions from International Process Technologies Limited ceased being paid to the BTR pension scheme.

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:

	1997	9 months ended 31 December 1996
	£000's	£000's
Regular cost	643	353

24. CONTINGENT LIABILITIES

	1997	1996
	£000's	£000's
Discounted bills of exchange	-	157
Capital expenditure, approved and contracted	647	782

A corporate cross guarantee exists between International Process Technologies Limited, Plascoat UK Limited, Plascoat International Limited, Plascoat Holdings Limited, Plastic Coatings Limited, Plascoat Systems Limited, United Moulders Limited, and Creators Europe Limited.

A guarantee in favour of Barclays Bank Plc for £5,000, and a HM Customs & Excise Duty Deferment Guarantee for £5,000 (maximum liability £10,000) is held by the Bank of Scotland.

NOTES TO THE ACCOUNTS
Year ended 31 December 1997

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

		9 months ended 31 December
	1997 £000's	1996 £000's
Operating profit	4,064	2,551
Depreciation and amortisation	1,141	917
Profit on sale of fixed assets	(66)	(5)
Increase in stocks	(60)	(19)
(Increase)/decrease in debtors	(862)	1,787
Increase in creditors	210	110
Net exchange differences	(11)	23
Net cash inflow from operating activities	<u>4,416</u>	<u>5,364</u>

**NOTES TO THE ACCOUNTS
Year ended 31 December 1997**

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

	1997 £000's	1997 £000's	9 months ended 31 December 1996 £000's	9 months ended 31 December 1996 £000's
Returns on investments and servicing of finance				
Interest received	81		69	
Interest paid	(1,402)		(878)	
Preference dividends paid	(1,121)		(669)	
	<u> </u>	(2,442)	<u> </u>	(1,478)
Capital expenditure and financial investment				
Purchase of fixed assets	(2,485)		(1,074)	
Proceeds from sale of fixed assets	96		16	
	<u> </u>	(2,389)	<u> </u>	(1,058)
Acquisitions and disposals				
Purchase of subsidiary undertakings:				
- acquisition of shares	-		(16,644)	
- settlement of related intercompany liabilities	-		(14,571)	
Net overdraft acquired with subsidiaries	-		(1,040)	
Disposal proceeds from sale of business segment	3,704		-	
	<u> </u>	3,704	<u> </u>	(32,255)
Financing				
Issue of ordinary share capital	24		267	
Issue of preference share capital	-		16,013	
Costs of raising equity	-		(674)	
	<u> </u>	24	<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)	
Repaid in period	(750)		-	
	<u> </u>	(750)	<u> </u>	15,295
		(726)		30,901

**International Process Technologies Limited
and subsidiary companies**

**NOTES TO THE ACCOUNTS
Year ended 31 December 1997**

27. ANALYSIS OF NET DEBT

	At 1 January 1997 £000's	Cashflow £000's	Other non-cash movements £000's	At 31 December 1997 £000's
Cash at bank	2,689	2,585	(74)	5,200
Overdraft	(152)	139	11	(2)
	<u>2,537</u>	<u>2,724</u>	<u>(63)</u>	<u>5,198</u>
Debt due within 1 year	(729)	(499)	14	(1,214)
Debt due after one year	(14,573)	1,249	(35)	(13,359)
	<u>(15,302)</u>	<u>750</u>	<u>(21)</u>	<u>(14,573)</u>
	<u>(12,765)</u>	<u>3,474</u>	<u>(84)</u>	<u>(9,375)</u>

28. RECONCILIATION OF NET CASHFLOW TO MOVEMENT IN NET DEBT

	£000's	£000's
Increase in cash in the period	2,726	
Cash flow from reduction in debt	<u>750</u>	
		3,474
Debt issue costs amortised in period		(21)
Translation difference		<u>(63)</u>
Movement in net debt in the period		3,390
Net debt at 1 January 1997		(12,765)
Net debt at 31 December 1997		<u>(9,375)</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 1997

29. SALE OF SUBSIDIARY UNDERTAKING

	£000's
Tangible fixed assets	2,565
Stocks	713
Debtors	1,929
Cash	122
Creditors and provisions	(1,700)
	<hr/> 3,629
Profit on disposal	410
	<hr/> 4,039
Satisfied by	
Net cash proceeds	3,826
Net deferred consideration	213
	<hr/> 4,039
	<hr/>

30. ANALYSIS OF THE NET INFLOW OF CASH IN RESPECT OF THE SALE OF SUBSIDIARY UNDERTAKING

	£000's
Net cash consideration received	3,826
Cash sold with subsidiary undertakings	(122)
	<hr/> 3,704
	<hr/>

31. RELATED PARTY TRANSACTIONS

All intercompany trading has been eliminated upon consolidation of the group accounts.

NOTES TO THE ACCOUNTS
Year ended 31 December 1997

32. FAIR VALUE ADJUSTMENT

Following the acquisition of Plascoat International Limited and Plastic Coatings Holdings BV in 1996, in accordance with the provisions set out in FRS 7, the directors have recorded the following fair value adjustments:

Plascoat International Limited	Fair value adjustment identified in			Fair value to the group £'000
	1996 book amount £'000	1996 £'000	1997 £'000	
Tangible fixed assets	12,427	(157)	(174)	12,096
Current assets	14,707	(870)	(12)	13,825
Creditors and provisions	(7,664)	367	(341)	(7,638)
	<u>19,470</u>	<u>(660)</u>	<u>(527)</u>	<u>18,283</u>
Former parent group liabilities settled on acquisition	(14,571)	-	-	(14,571)
	<u>4,899</u>	<u>(660)</u>	<u>(527)</u>	<u>3,712</u>

Following these adjustments, the goodwill arising as a result of the transaction is £11,932,000

Plastic Coatings Holdings BV

Tangible fixed assets	628	-	-	628
Current assets	988	(3)	(7)	978
Creditors and provisions	(519)	-	-	(519)
	<u>1,097</u>	<u>(3)</u>	<u>(7)</u>	<u>1,087</u>

Following these adjustments, the fair value of the assets acquired exceeded the consideration paid by £87,000