

3189091

**Duralay International
Holdings Limited**
Report and Accounts

31 May 1997

 ERNST & YOUNG



Duralay International Holdings Limited

Registered No. 3189091

DIRECTORS

N Jervis (Chairman)
G B Davison
G C B Harrison
D J Carter

SECRETARY

D J Carter

AUDITORS

Ernst & Young
100 Barbirolli Square
Manchester
M2 3EY

BANKERS

National Westminster Bank Plc
Deansgate
Bolton

SOLICITORS

Ashurst Morris Crisp
Broadwalk House
5 Appold Street
London
EC2A 2HA

REGISTERED OFFICE

Broadway
Haslingden
Rossendale
Lancashire
BB4 4LS

Duralay International Holdings Limited

DIRECTORS' REPORT

The directors present their report and accounts for the period ended 31 May 1997.

RESULTS AND DIVIDENDS

The group profit for the period, after taxation, amounted to £911,000. The directors do not recommend the payment of any dividend.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The company was incorporated on 22 April 1996 as Breaktoday Limited and changed its name to Duralay International Holdings Limited on 6 September 1996. The company acquired 100% of the share capital of Duralay Limited on 24 May 1996. The group results include the trading of Duralay Limited from that date.

The principal activities of the group are the manufacture of carpet underlay, the backing of carpets and compounds.

FIXED ASSETS

Information relating to changes in tangible fixed assets is given in the notes to the accounts.

DIRECTORS AND THEIR INTERESTS

The directors at 31 May 1997 and their interests in the share capital of the company were as follows:

		<i>At 31 May 1997</i>	<i>At date of appointment</i>
		<i>Ordinary shares</i>	<i>Ordinary shares</i>
N Jervis	(appointed 7 November 1996)	-	-
G B Davison	(appointed 23 May 1996)	-	-
G C B Harrison	(appointed 22 May 1996)	56,000	56,000
D J Carter	(appointed 22 May 1996)	30,000	30,000

In addition F J Caldini and N A Carter served as directors until their resignation on 22 May 1996.

G B Davison has a beneficial interest in 1,412 'A' Ordinary shares held via Cinven.

DISABLED EMPLOYEES

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the group continues and that appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

EMPLOYEE CONSULTATION

The group places considerable value on the involvement of its employees and has an on-going practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the group. This is achieved through formal and informal meetings. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Duralay International Holdings Limited

DIRECTORS' REPORT

AUDITORS

The directors appointed Ernst & Young as the first auditors of the company. A resolution to reappoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

By order of the Board



D J Carter
Secretary

Duralay International Holdings Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the group 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 to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

CORPORATE GOVERNANCE

The Directors welcome the Code of Best Practice introduced by the Cadbury Report in 1992 and the recommendations of the Greenbury Report in 1995 relating to directors' remuneration.

The Cadbury Report recommends the appointment of three non-executive directors. However, given the size of the Group, and in accordance with the City Group for Smaller Companies code: "The Financial Aspects of Corporate Governance: Guidance for Smaller companies", the Directors envisage having only two non-executive Directors for the time being. Save in this respect the Directors intend to comply with the recommendations of the Cadbury Report.

The Board has established audit and remuneration committees which comprise the two non-executive Directors. Each committee has formally delegated duties and responsibilities. The audit committee, chaired by G B Davison, will be responsible for making recommendations to the Board on the appointment of the auditors and the audit fee and will receive and review reports from management and the Company's auditors relating to the annual accounts and the internal control systems in use throughout the Group. It will meet twice a year. The role of the remuneration committee, chaired by N Jervis, is to review the performance of the executive Directors and to set the scale and structure of their remuneration, including any bonus arrangements. It will meet on an *ad hoc* basis.

INTERNAL FINANCIAL CONTROL

The Directors acknowledge that they are responsible for the Company's system of internal financial control, and place strong emphasis upon creating a strong control environment. The Company maintains a system of internal financial control designed to provide reasonable, but no absolute assurance regarding the reliability of financial information used within the business, and that assets are safeguarded. The main features of the control environment are:-

- a) A simple organisational structure with close involvement of the Executive Directors in the Company's operations and thus creating a clear direction from the Board.
- b) The Company operates a comprehensive annual planning and budgeting systems with an annual budget approved by the Board.

Duralay International Holdings Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

- c) Detailed management accounts are submitted monthly to the Board which measure actual performance against budget and the previous year together with forecasts of sales, profits and cash for the next three months.
- d) Defined authorisation limits for expenditure authorisation, cheque signing and investment.
- e) Capital expenditure is controlled by means of budgets, authorisation levels requiring the approval of major projects, and by post investment appraisals.

The effectiveness of the Company's system of control has been reviewed by the Audit Committee on behalf of the Directors.

REPORT OF THE AUDITORS
to the members of Duralay International Holdings Limited

We have audited the accounts on pages 8 to 23 which have been prepared under the historical cost convention, and on the basis of 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 the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

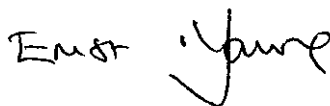
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by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

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

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group as at 31 May 1997 and of the profit of the group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young
Chartered Accountants
Registered Auditor
Manchester

A handwritten signature in dark ink, appearing to read 'Ernst & Young', written in a cursive style.

18 March 1998

Duralay International Holdings Limited

GROUP PROFIT AND LOSS ACCOUNT for the period ended 31 May 1997

	<i>Notes</i>	<i>1997 £000</i>
TURNOVER	2	55,731
Cost of sales		(37,838)
GROSS PROFIT		17,893
Distribution costs		(10,496)
Administrative expenses		(3,297)
OPERATING PROFIT	3	4,100
Interest receivable		162
Interest payable	6	(2,825)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,437
Tax on profit on ordinary activities	7	(526)
PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY	8,19	911

The group had no recognised gains or losses other than the profit for the period.

Duralay International Holdings Limited

GROUP BALANCE SHEET

at 31 May 1997

	Notes	1997 £000
FIXED ASSETS		
Tangible assets	9	8,625
CURRENT ASSETS		
Stocks	11	2,955
Debtors	12	6,740
Cash at bank and in hand	13	3,832
		<u>13,527</u>
CREDITORS: amounts falling due within one year	14	(14,682)
NET CURRENT LIABILITIES		<u>(1,155)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>7,470</u>
		<u><u>7,470</u></u>
CREDITORS: amounts falling due after more than one year	15	31,174
PROVISIONS FOR LIABILITIES AND CHARGES		
Deferred taxation	17	330
		<u>31,504</u>
CAPITAL AND RESERVES		
Share capital	18	100
Share premium	19	900
Goodwill write off reserve	19	(25,945)
Profit and loss account	19	911
SHAREHOLDERS' FUNDS		<u>(24,034)</u>
		<u>7,470</u>
		<u><u>7,470</u></u>

Approved by the Board on

18th March 1998

D J Carter

Director

Duralay International Holdings Limited

BALANCE SHEET

at 31 May 1997

	Notes	1997 £000
FIXED ASSETS		
Investments	10	27,597
CURRENT ASSETS		
Debtors	12	7,166
Cash at bank and in hand		80
		<u>7,246</u>
CREDITORS: amounts falling due within one year	14	(2,834)
NET CURRENT ASSETS		<u>4,412</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>32,009</u>
CREDITORS: amounts falling due after more than one year	15	31,174
PROVISIONS FOR LIABILITIES AND CHARGES		
Deferred taxation	17	-
		<u>31,174</u>
CAPITAL AND RESERVES		
Share capital	18	100
Share premium	19	900
Profit and loss account	19	(165)
SHAREHOLDERS' FUNDS		<u>835</u>
		<u>32,009</u>

Approved by the Board on

18th March 1998

D J Carter

Director



Duralay International Holdings Limited

GROUP STATEMENT OF CASH FLOWS

for the year ended 31 May 1997

	Notes	1997 £000
NET CASH INFLOW FROM OPERATING ACTIVITIES	3(b)	7,111
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest paid		(1,630)
Interest received		162
		(1,468)
TAXATION		
Corporation tax paid		(133)
		(133)
CAPITAL EXPENDITURE		
Payments to acquire tangible fixed assets		(941)
Receipts from sales of tangible fixed assets		71
		(870)
ACQUISITION AND DISPOSALS		
Net outflow from acquisition		(27,247)
Repayment of group funding		(7,312)
		(34,559)
FINANCING		
Issue of ordinary share capital		1,000
Repayment of borrowings	16	(1,350)
Net proceeds from borrowings	16	34,101
		33,751
INCREASE IN CASH AND CASH EQUIVALENTS	13	3,832

Duralay International Holdings Limited

NOTES TO THE ACCOUNTS

at 31 May 1997

1. ACCOUNTING POLICIES

Accounting convention

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

Basis of consolidation

The group accounts consolidate the accounts of Duralay International Holdings Limited and all its subsidiary undertakings drawn up to 31 May each year. No profit and loss account is presented for Duralay International Holdings Limited as provided by section 230 of the Companies Act 1985.

Goodwill

Goodwill arising on consolidation is set off directly against reserves.

Research and development

Research and development expenditure is written off in the year of expenditure.

Tangible fixed assets

Tangible fixed assets are shown at original historical cost or subsequent valuation.

Depreciation is provided at rates calculated to write off the cost or valuation, less estimated residual value, of each asset, other than freehold land, on a straight-line basis over its expected useful life as follows:

Freehold buildings	40 years
Plant and machinery	5 to 15 years
Office machinery	5 years
Office furniture	10 years
Motor vehicles	3 to 4 years

Stocks

Stocks are stated at the lower of cost and net realisable value.

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

- | | |
|-------------------------------------|--|
| Raw materials | - purchase cost on a first-in, first-out basis, including transport. |
| Work-in-progress and finished goods | - cost of direct materials and labour, plus a reasonable proportion of manufacturing overheads based on normal levels of activity. |

Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

Deferred taxation

Deferred taxation is provided using the liability method on all timing differences which are expected to reverse in the future without being replaced, calculated at the rate at which it is anticipated the timing differences will reverse.

Deferred tax assets are only recognised if recovery without replacement by equivalent debit balances is reasonably certain.

Duralay International Holdings Limited

NOTES TO THE ACCOUNTS

at 31 May 1997

1. ACCOUNTING POLICIES (continued)

Finance costs

The cost associated with raising non-equity finance is charged to income over the term of the facility at a constant rate on the carrying amount.

Leasing commitments

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

Pension costs

The group operates a defined benefit pension scheme. Contributions are charged to the profit and loss account so as to spread the cost of pension over employees' working lives within the group. The contribution levels are determined by valuations undertaken by independent qualified actuaries.

Foreign currency

Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates as of the date of the transaction (or, where appropriate, at the rate of exchange in a related forward exchange contract). Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end (or, where appropriate, at the rate of exchange in a related forward exchange contract). Any gain or loss arising from a change in exchange rates subsequent to the date of transaction is included as an exchange gain or loss in the profit and loss account.

2. TURNOVER

The group's turnover is derived from the manufacture and sale of carpet underlay and allied products.

Geographical analysis of turnover:

	1997 £000
United Kingdom	50,599
Continental Europe	2,903
Other	2,229
	<u>55,731</u>

3. OPERATING PROFIT

(a) This is stated after charging/(crediting):

	1997 £000
Auditors' remuneration - audit services	28
- non audit services	44
Depreciation of fixed assets	1,132
Operating lease rentals - land and buildings	168
- plant and machinery	310
(Profit)/loss on disposal of tangible fixed assets	(52)

Duralay International Holdings Limited

NOTES TO THE ACCOUNTS

at 31 May 1997

3. OPERATING PROFIT (continued)

(b) Reconciliation of operating profit to net cash inflow from operating activities:

	1997 £000
Operating profit	4,100
Depreciation	1,132
(Profit)/loss on disposal of tangible fixed assets	(52)
(Increase)/decrease in debtors	1,455
(Increase)/decrease in stocks	324
Increase/(decrease) in creditors	152
Net cash inflow from operating activities	<u>7,111</u>

4. DIRECTORS' REMUNERATION

	1997 £000
Fees	29
Other emoluments	248
	<u>277</u>

The numbers of directors who were eligible for pension schemes during the period were as follows:

	1997 No.
Defined benefit scheme	1
Defined contribution scheme	1

The emoluments, excluding pension contributions of the highest paid director were £124,000. In addition £32,000 was paid into a defined contribution pension scheme in respect of that director.

Duralay International Holdings Limited

NOTES TO THE ACCOUNTS

at 31 May 1997

5. STAFF COSTS

	1997 £000
Wages and salaries	6,918
Social security costs	590
Other pension costs	599
	<u>8,107</u>

The average weekly number of employees during the period was as follows:

	1997 No.
Production	217
Management	7
Other	108
	<u>332</u>

6. INTEREST PAYABLE

	1997 £000
Bank loans and overdrafts and other loans	1,630
Loan notes	1,103
Amortisation of finance costs	92
	<u>2,825</u>

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1997 £000
Based on the profit for the period:	
Corporation tax at 33%	484
Deferred taxation	60
Effect of change in tax rates:	
Deferred taxation	(18)
	<u>526</u>

8. PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The loss dealt with in the accounts of the parent company was £165,000.

Duralay International Holdings Limited

NOTES TO THE ACCOUNTS

at 31 May 1997

9. TANGIBLE FIXED ASSETS

Group

	<i>Freehold land and buildings £000</i>	<i>Plant, equipment and vehicles £000</i>	<i>Total £000</i>
Cost:			
Acquisition of subsidiary undertaking	4,327	10,235	14,562
Additions	-	941	941
Disposals	-	(230)	(230)
At 31 May 1997	4,327	10,946	15,273
Depreciation:			
Acquisition of subsidiary undertaking	420	5,307	5,727
Provided during the period	97	1,035	1,132
Disposals	-	(211)	(211)
At 31 May 1997	517	6,131	6,648
Net book value at:			
At 31 May 1997	3,810	4,815	8,625

Plant, equipment and vehicles include plant and machinery, office machinery, office furniture and motor vehicles.

Freehold land amounting to £795,000 has not been depreciated.

10. INVESTMENTS

	<i>Subsidiary undertakings £000</i>
Acquired in the period	27,597
At 31 May 1997	27,597

Details of the subsidiary undertakings are as follows:

<i>Name of company</i>	<i>Country of registration</i>	<i>Holding</i>	<i>Proportion held</i>	<i>Nature of business</i>
Duralay Limited	England	Ordinary shares	100%	Manufacture of carpet underlay
Tacktrim Limited	Scotland	Ordinary shares	100%	Dormant

Duralay International Holdings Limited

NOTES TO THE ACCOUNTS

at 31 May 1997

10. INVESTMENTS (continued)

On 24 May 1996 the group acquired 6,000,300 ordinary shares of £1 each in Duralay Limited, being 100% of its nominal share capital for a consideration of £26,982,000.

Analysis of the acquisition of Duralay Limited:

	£000
Tangible fixed assets	8,835
Stocks	3,279
Debtors	8,062
Cash at bank and in hand	483
Corporation tax	(133)
Inter-group funding	(7,521)
Other creditors	(11,065)
Deferred taxation	(288)
	<u>1,652</u>
Goodwill arising on acquisition	25,945
	<u>27,597</u>
	<u><u>27,597</u></u>
Discharged by:	
Cash	26,849
Costs associated with the acquisition	748
	<u>27,597</u>
	<u><u>27,597</u></u>

In addition Duralay International Holdings Limited repaid £7,312,000 of inter-group funding on behalf of Duralay Limited.

11. STOCKS

	Group 1997 £
Raw materials and consumables	807
Work in progress	11
Finished goods and goods for resale	2,137
	<u>2,955</u>
	<u><u>2,955</u></u>

Duralay International Holdings Limited

NOTES TO THE ACCOUNTS

at 31 May 1997

12. DEBTORS

	<i>Group</i> 1997 £000	<i>Company</i> 1997 £000
Trade debtors	6,202	-
Amounts owed by subsidiary undertakings	-	7,024
Other debtors	212	142
Prepayments and accrued income	326	-
	<u>6,740</u>	<u>7,166</u>

13. ANALYSIS OF NET DEBT

<i>Group</i>	<i>Cash</i> <i>flow</i> £000	<i>Other</i> <i>non-cash</i> <i>charges</i> £000	<i>At</i> <i>31 May</i> 1997 £000
Cash at bank and in hand	3,832	-	3,832
Debt due within one year	(1,669)	-	(1,669)
Debt due after more than one year	(31,082)	(92)	(31,174)
	<u>(32,751)</u>	<u>(92)</u>	<u>(32,843)</u>
	<u>(28,919)</u>	<u>(92)</u>	<u>(29,011)</u>

Reconciliation of net cash flow to movement in net debt:

	£000
Increase in cash in period	3,832
Cash inflow from debt finance	(32,751)
Change in net debt resulting from cash flows	(28,919)
Amortised finance costs	(92)
Net debt at 31 May 1997	<u>(29,011)</u>

Duralay International Holdings Limited

NOTES TO THE ACCOUNTS

at 31 May 1997

14. CREDITORS: amounts falling due in less than one year

	<i>Group</i>	<i>Company</i>
	<i>1997</i>	<i>1997</i>
	<i>£000</i>	<i>£000</i>
Current instalments due on loans (note 16)	1,669	1,669
Trade creditors	9,327	-
Corporation tax	484	-
Other taxes and social security costs	510	-
Other creditors	253	-
Accruals and deferred income	2,439	1,165
	<u>14,682</u>	<u>2,834</u>

15. CREDITORS: amounts falling due after more than one year

	<i>Group</i>	<i>Company</i>
	<i>1997</i>	<i>1997</i>
	<i>£000</i>	<i>£000</i>
Bank loans (note 16)	15,424	15,424
7% unsecured loan notes (note 16)	15,750	15,750
	<u>31,174</u>	<u>31,174</u>

16. BANK LOANS AND LOAN NOTES

	<i>Group and company 1997 £000</i>
Not wholly repayable within five years:	
By instalment	32,843
Less: amount due within one year	(1,669)
	<u>31,174</u>
Instalments not due within five years	<u>19,486</u>
Amounts repayable by instalment	33,150
Less: unamortised finance costs	(307)
	<u>32,843</u>

Duralay International Holdings Limited

NOTES TO THE ACCOUNTS

at 31 May 1997

16. BANK LOANS AND LOAN NOTES (continued)

	<i>Bank loans £000</i>	<i>Group and company Loan notes £000</i>	<i>Total £000</i>
Details of loans not wholly repayable within five years and repayments due at 31 May 1997 are as follows:			
After five years	3,750	15,750	19,500
Between two and five years	9,500	-	9,500
Between one and two years	2,400	-	2,400
	<u>15,650</u>	<u>15,750</u>	<u>31,400</u>
Within one year	1,750	-	1,750
	<u>17,400</u>	<u>15,750</u>	<u>33,150</u>
Less: unamortised finance costs	(307)	-	(307)
	<u>17,093</u>	<u>15,750</u>	<u>32,843</u>

The bank loan is secured by a charge over the assets of the company and carries interest at rates of between 8.7% and 9.19% per annum.

The loan notes are repayable in instalments of £3,937,500 on 30 June in the years 2003 to 2006 or earlier at the option of the group.

Analysis of loan finance during the period is as follows:

	<i>£000</i>
Bank loans raised	18,750
Loan notes issued	15,750
	<u>34,500</u>
Finance costs	(399)
Loan instalments paid	(1,350)
Amortisation of finance costs	92
	<u>32,843</u>

Duralay International Holdings Limited

NOTES TO THE ACCOUNTS

at 31 May 1997

17. DEFERRED TAXATION

Deferred taxation provided in the accounts and the amounts not provided are as follows:

<i>Group</i>	<i>Provided 1997 £000</i>	<i>Not provided 1997 £000</i>
Capital allowances in advance of depreciation	470	294
Other differences	(140)	-
	<u>330</u>	<u>294</u>

In addition taxation of £143,000 has not been provided on revalued assets held by a subsidiary undertaking as there is no intention to sell them.

<i>Company</i>	<i>Provided 1997 £000</i>	<i>Not provided 1997 £000</i>
Capital allowances in advance of depreciation	-	-
Other differences	-	-
	<u>-</u>	<u>-</u>

18. SHARE CAPITAL

	<i>Authorised 1997 No.</i>	<i>Allotted, called up and fully paid 1997 £000</i>
'A' ordinary shares of 10p each	775,000	78
Ordinary shares of 10p each	225,000	22
	<u>1,000,000</u>	<u>100</u>

The holders of the 'A' ordinary shares rank ahead of the other shareholders in the event of any return on assets. In all other respects the two classes rank pari passu.

On incorporation 2 shares were issued at £1 per share.

On 24 May 1996 775,000 'A' ordinary shares and 211,000 ordinary shares were issued at £1 per share. A further 11,000 ordinary shares were issued at £1 per share on 15 October 1996 and a further 3,000 ordinary shares were issued at £1 per share on 1 May 1997.

Duralay International Holdings Limited

NOTES TO THE ACCOUNTS

at 31 May 1997

19. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

<i>Group</i>	<i>Share capital £000</i>	<i>Share premium £000</i>	<i>Goodwill write off reserve £000</i>	<i>Profit and loss account £000</i>	<i>Total £000</i>
On incorporation	-	-	-	-	-
Issue of shares	100	900	-	-	1,000
Profit for the period	-	-	-	911	911
Goodwill arising on consolidation	-	-	(25,945)	-	(25,945)
At 31 May 1997	100	900	(25,945)	911	24,034
-	-	-	-	-	-
<i>Company</i>	<i>Share capital £000</i>	<i>Share premium £000</i>	<i>Share premium £000</i>	<i>Profit and loss account £000</i>	<i>Total £000</i>
On incorporation	-	-	-	-	-
Issue of shares	100	900	-	-	1,000
Loss for the period	-	-	-	(165)	(165)
At 31 May 1997	100	900	-	(165)	835
-	-	-	-	-	-

20. GUARANTEES AND OTHER FINANCIAL COMMITMENTS

a) Capital commitments

	<i>Group 1997 £000</i>	<i>Company 1997 £000</i>
Contracted for but not provided for	150	-

b) Lease commitments

The group has entered into non-cancellable operating leases in respect of plant and machinery, the payments for which extend over a period of up to 5 years. The total rental for the period was £310,000. The lease agreements provide that the company will pay all insurance, maintenance and repairs.

In addition, the group leases certain land and buildings on short and long-term operating leases. The rental on these leases was £168,000. The rents payable under these leases are subject to renegotiation at various intervals specified in the leases. The group pays all insurance maintenance and repairs of these properties.

Duralay International Holdings Limited

NOTES TO THE ACCOUNTS

at 31 May 1997

20. GUARANTEES AND OTHER FINANCIAL COMMITMENTS (continued)

The minimum annual rentals under the foregoing leases are as follows:

	<i>Group</i> 1997		<i>Company</i> 1997	
	<i>Property</i>	<i>Plant and</i>	<i>Property</i>	<i>Plant and</i>
	<i>£000</i>	<i>machinery</i>	<i>£000</i>	<i>machinery</i>
		<i>£000</i>		<i>£000</i>
Operating leases which expire:				
within one year	-	35	-	-
within 2 - 5 years	-	242	-	-
after 5 years	190	13	-	-
	<u>190</u>	<u>290</u>	<u>-</u>	<u>-</u>
	<u><u>190</u></u>	<u><u>290</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

c) Pension arrangements

Prior to 1 August 1996 employees participated in a group pension scheme operated by BBA Group Plc.

From 1 August 1996 the group has operated their own pension scheme and agreed values have been transferred from the BBA scheme in respect of the group's employees. The group's scheme is a defined benefit scheme with similar terms offered by the BBA scheme.

The scheme's assets are held in a separate trustee administered fund. Contributions to the scheme are being paid in accordance with the advice of a professionally qualified independent actuary.

The total pension cost of the company was £599,000.