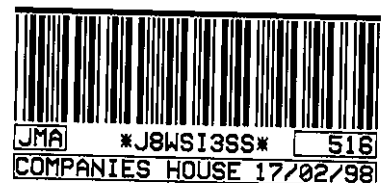


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BERWIN RUBBER COMPANY LIMITED

FINANCIAL STATEMENTS

31ST JULY 1997



BERWIN RUBBER COMPANY LIMITED

DIRECTORS' REPORT

The directors submit their report and accounts for the year ended 31st July 1997.

Review of the business

The principal activity of the company continued to be the compounding of rubber, PVC and other elastomeric alloys.

The profit for the year, after taxation, was £553,737. After paying an ordinary dividend of £150,000, the sum of £403,737 will be carried to reserves. No further dividend is proposed.

As was stated in the previous year's report the directors anticipated a 'significant' improvement in profits. This has, in fact, happened and they are delighted with the way that every employee has worked together to make both the capital investment and management restructure work to everyone's benefit.

The directors feel that the successful ground work done this year makes it far easier to move forward with their plans for the future investments that will be required in order to maintain a favourable outlook.

Donations

During the year contributions to charities amounted to £50. There were no political donations.

Directors

The directors throughout the year were G. Williams, D. Hukin, S. Hallas and S. Lawton.

The directors had no beneficial interest in the share capital of the company. Their interests in the share capital of the ultimate parent company, Berwin Group Limited, are shown in the parent company's own accounts.

Auditors

A resolution to re-appoint Nasmith Coutts & Co. will be put to the members at the Annual General Meeting.



On behalf of the Board
D. Hukin
Secretary

Broadway,
Globe Lane Industrial Estate,
Dukinfield,
Cheshire SK16 4UJ.

15th December 1997

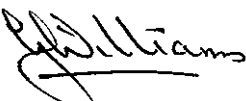
BERWIN RUBBER COMPANY LIMITED

BALANCE SHEET

31ST JULY 1997

	<u>Notes</u>	£	<u>1997</u> £	£	<u>1996</u> £
Net assets employed -					
Fixed assets					
Tangible assets	2	2,087,142		2,017,403	
Investments in subsidiaries	3	200	2,087,342	200	2,017,603
Current assets					
Stocks	4	1,125,763		1,152,045	
Debtors	5	4,273,869		4,127,139	
Bank and cash		684,333		1,632	
		6,083,965		5,280,816	
Creditors: Amounts falling due within one year	6	5,410,152		4,781,128	
Net current assets			673,813		499,688
Total assets less current liabilities			£2,761,155		£2,517,291
Financed by -					
Creditors: Amounts falling due after more than one year	6		1,181,032		1,340,905
Provisions for liabilities and charges	7		15,000		15,000
Capital and reserves					
Called up share capital	8	22,000		22,000	
Profit and loss account		1,543,123		1,139,386	
Shareholders' funds	8		1,565,123		1,161,386
			£2,761,155		£2,517,291

The financial statements on pages 2 to 10 were approved by the board of directors on 15th December 1997.


G. Williams - Chairman

BERWIN RUBBER COMPANY LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31ST JULY 1997

	<u>Notes</u>	£	<u>1997</u> £	£	<u>1996</u> £
Turnover			19,232,108		18,039,296
Change in stocks of finished goods and work in progress		(52,002)		(84,935)	
Raw materials and consumables		13,670,056		13,239,148	
Other external charges		1,479,834		1,493,251	
		15,097,888		14,647,464	
Staff costs	9	2,727,805		2,444,374	
Depreciation		450,546	18,276,239	504,811	17,596,649
Operating profit	10		955,869		442,647
Bank interest receivable			3,563		3,282
Interest payable	11		(100,695)		(122,252)
Profit before taxation			858,737		323,677
Tax on profit on ordinary activities	12		(305,000)		(120,000)
Profit after taxation			553,737		203,677
Retained profit brought forward			1,139,386		1,085,709
Accumulated profits			1,693,123		1,289,386
Appropriations -					
Dividend	13		(150,000)		(150,000)
Retained profit carried forward			£1,543,123		£1,139,386

Continuing operations

None of the company's activities were acquired or discontinued during these two financial years.

Total recognised gains and losses

The company had no recognised gains or losses other than the above profits.

BERWIN RUBBER COMPANY LIMITED

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

The principal accounting policies, which have been consistently applied, are set out below.

a) Basis of accounting

The company's accounts have been prepared under the historical cost convention and in accordance with applicable Accounting Standards.

b) Consolidation

Consolidated accounts have not been prepared because the subsidiary companies did not trade during the year. Consolidated accounts have been prepared by Berwin Group Limited, registered in England and Wales, which is regarded by the directors as the ultimate parent company.

c) Depreciation

Fixed assets are shown at cost less accumulated depreciation. Depreciation has been calculated to write off the cost over their estimated useful lives as follows:

Buildings	-	25 years	-	straight line
Plant and equipment	- owned	- 3 to 12 years	-	straight line
	- leased	- period of lease	-	straight line
Motor vehicles	-	25% on reducing balance		

d) Leased assets

Assets obtained under finance leases are included in the balance sheet at cost less depreciation and the obligations related to finance leases are included, as appropriate, under creditors due within or after one year. The interest element of the finance leases is charged to profit and loss account.

The cost of operating leases is charged as incurred.

e) Stocks

Stocks are valued at the lower of cost or net realisable value. Cost includes all relevant production overheads.

f) Pensions

The company operates a defined contribution scheme which is externally administered. Contributions are charged to profit and loss account as they become due.

g) Deferred tax

Provision is made on the liability method at current rates for taxation deferred in respect of all material timing differences to the extent that, in the opinion of the directors, there is reasonable probability that the liability will arise in the foreseeable future.

31ST JULY 1997

2. TANGIBLE FIXED ASSETS

	Land and Buildings Long Leasehold	Plant and Vehicles		Total
Cost -	£	Leased £	Owned £	£
At 1st August 1996	1,259,869	617,125	2,897,647	4,774,641
Additions	295,786	-	230,731	526,517
At 31st July 1997	1,555,655	617,125	3,128,378	5,301,158
Depreciation -				
At 1st August 1996	398,468	342,764	2,016,006	2,757,238
Charge for the year	54,059	76,667	326,052	456,778
At 31st July 1997	452,527	419,431	2,342,058	3,214,016
Net Book Value - At 31st July 1997	1,103,128	197,694	786,320	2,087,142
Net Book Value - At 1st August 1996	861,401	274,361	881,641	2,017,403

3. INVESTMENTS IN SUBSIDIARIES

	1997 £	1996 £
Wholly-owned subsidiaries -		
Shares at cost	200	200

The subsidiaries, which are incorporated in England and Wales, are:

Berwin Management Services Limited - Dormant
Berwin Plastics Limited - Dormant

4. STOCKS

	1997 £	1996 £
The main categories are:		
Raw materials and consumables	836,572	914,856
Finished goods and work-in-progress	289,191	237,189
	<u>1,125,763</u>	<u>1,152,045</u>

BERWIN RUBBER COMPANY LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

5. DEBTORS

	<u>1997</u> £	<u>1996</u> £
Trade debtors	4,193,473	4,044,209
Other debtors	14,146	19,616
Prepayments	66,250	63,314
	<u>4,273,869</u>	<u>4,127,139</u>

6. CREDITORS

	<u>1997</u> £	<u>1996</u> £
Amounts falling due within one year:		
Lease obligations	80,309	73,318
Bank loans and overdraft	73,333	330,457
Trade creditors	3,525,711	3,152,211
Amount due to parent company	936,833	690,386
Corporation tax	345,460	179,532
Social security and other taxes	303,487	199,021
Accruals and deferred income	145,019	156,203
	<u>5,410,152</u>	<u>4,781,128</u>

Amounts falling due after more than one year:

Lease obligations	100,632	180,940
Bank loans - within five years	168,330	218,330
- after five years	5,837	29,170
Director's loan	900,000	900,000
Deferred income	6,233	12,465
	<u>1,181,032</u>	<u>1,340,905</u>

The bank loans and overdraft are secured by charges on the company's fixed assets and by floating charges on its other assets.

Lease obligations are all due within five years.

The bank loans are repayable in instalments up to 2002 and are at variable rates. Loans repayable over more than five years amount to £122,500 (1996 £145,833).

£600,000 of the director's loan is not repayable until all group bank borrowings have been repaid. Interest on the loan is payable at Barclays Bank base rate and there are no fixed repayment terms.

31ST JULY 1997

7. PROVISIONS FOR LIABILITIES AND CHARGES

	<u>1997</u>	<u>1996</u>
	£	£
Deferred taxation:		
Accelerated capital allowances:		
At 1st August 1996	15,000	35,000
Transfer to profit and loss account	-	(20,000)
	<hr/>	<hr/>
At 31st July 1997	15,000	15,000
	<hr/>	<hr/>
Deferred taxation not provided for:		
Accelerated capital allowances	5,000	15,000
	<hr/>	<hr/>

8. CALLED UP SHARE CAPITAL AND SHAREHOLDERS' FUNDS

	<u>Authorised</u>		<u>Issued and fully paid</u>	
	<u>1997</u>	<u>1996</u>	<u>1997</u>	<u>1996</u>
	Number	Number	£	£
Shares of £1 each:				
Equity shares - 'A' Ordinary	100	100	100	100
- 'B' Ordinary	1,900	1,900	1,900	1,900
	<hr/>	<hr/>	<hr/>	<hr/>
	2,000	2,000	2,000	2,000
Non-equity shares - Deferred	20,000	20,000	20,000	20,000
	<hr/>	<hr/>	<hr/>	<hr/>
	22,000	22,000	22,000	22,000
	<hr/>	<hr/>	<hr/>	<hr/>

All voting rights lie with the 'A' ordinary shares. In all other respects the ordinary shares rank equally and are entitled to all the shareholders' funds.

The deferred shares have significantly restricted rights, to dividends and capital, which would amount to nil.

9. STAFF COSTS

	<u>1997</u>	<u>1996</u>
	£	£
The aggregate payroll costs were:		
Wages and salaries	2,441,926	2,195,414
Social security costs	233,869	204,325
Other pension costs	52,010	44,635
	<hr/>	<hr/>
	2,727,805	2,444,374
	<hr/>	<hr/>

The number of people employed by the company on average each week was:

	<u>1997</u>	<u>1996</u>
Office and management	19	17
Production and sales	112	101
	<hr/>	<hr/>
	131	118
	<hr/>	<hr/>

BERWIN RUBBER COMPANY LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

10. OPERATING PROFIT

	<u>1997</u> £	<u>1996</u> £
The operating profit is stated after charging:		
Directors' emoluments - Management remuneration	206,407	244,995
- Pension contributions	19,358	14,094
Auditors' remuneration	14,000	13,000
Hire of plant and machinery	56,936	54,463

11. INTEREST PAYABLE

	<u>1997</u> £	<u>1996</u> £
Bank loans and overdrafts wholly repayable:		
Within five years	15,237	26,425
Not within five years	10,765	13,000
Other loans	54,462	56,960
Finance leases	20,231	25,867
	<hr/> 100,695 <hr/>	<hr/> 122,252 <hr/>

12. TAXATION

	<u>1997</u> £	<u>1996</u> £
Based on the profit for the year:		
UK corporation tax @ 33% (1996 33%)	305,000	140,000
Deferred taxation	-	(20,000)
	<hr/> 305,000 <hr/>	<hr/> 120,000 <hr/>

13. **DIVIDEND**

An ordinary dividend of £150,000 (1996 £150,000) was paid in the year..

14. **DIRECTORS' EMOLUMENTS**

The directors are accruing pension benefits under a money purchase scheme.

The following amounts are included in respect of the highest paid director:

	<u>1997</u> £	<u>1996</u> £
Emoluments	55,551	58,035
Pension contributions	3,750	3,740

15. **CAPITAL COMMITMENTS**

Amounts contracted for but not provided in the accounts amounted to £110,000 (1996 £35,000).

Amounts authorised by the directors but not contracted for were £Nil (1996 £Nil).

16. **OPERATING LEASES**

	<u>1997</u>		<u>1996</u>	
	<u>Land and Buildings</u> £	<u>Other</u> £	<u>Land and Buildings</u> £	<u>Other</u> £
Annual commitments under operating leases expiring:				
Between one and five years	-	49,000	-	45,000
After five years	45,350	-	45,350	-

17. **CONTINGENT LIABILITIES**

All group companies have given cross guarantees and charged their assets to the group's bankers as security for facilities which at 31st July 1997 amounted to £697,500 (1996 £1,077,957).

18. **CASH FLOW STATEMENT AND PARENT COMPANY**

A cash flow statement has not been produced because a consolidated statement has been produced in the accounts of Berwin Group Limited which is the parent company and is incorporated in England and Wales.

BERWIN RUBBER COMPANY LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

31ST JULY 1997

18. STATEMENT OF DIRECTORS' RESPONSIBILITIES

The purpose of this statement is to distinguish the directors' responsibilities for the financial statements from those of the auditors as stated in their report.

The directors are responsible for preparing financial statements which comply with the provisions of the Companies Act 1985 and give a true and fair view of the state of affairs of the company at the end of each financial year and of the profit or loss of the company for the period to that date.

In preparing the financial statements the directors have adopted suitable accounting policies and applied them consistently, made judgements and estimates that are reasonable and prudent, followed applicable Accounting Standards, and prepared the accounts on the going concern basis.

The directors are also responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company, for safeguarding the assets of the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REPORT OF THE AUDITORS TO THE SHAREHOLDERS OF

BERWIN RUBBER COMPANY LIMITED

We have audited the financial statements on pages 2 to 10 which have been prepared under the historical cost convention and the accounting policies set out on page 4.

Respective responsibilities of directors and auditors

As described on page 10 the company's directors are responsible for the preparation of the 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.

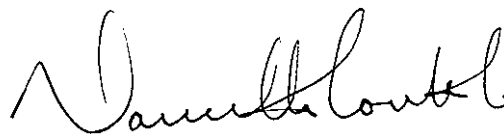
Basis of opinion

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 company's and the group's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 31st July 1997 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



NASMITH COUTTS & CO.

Chartered Accountants
and
Registered Auditors

Bernard House,
Piccadilly Plaza,
Manchester M1 4DE.

15th December 1997