

COURTAULDS COATINGS AND SEALANTS LIMITED
(Trading as COURTAULDS AEROSPACE)

DIRECTORS' REPORT & ACCOUNTS
31 MARCH 1996

REGISTERED NUMBER: 2895435



COURTAULDS COATINGS AND SEALANTS LIMITED
(Trading as COURTAULDS AEROSPACE)

DIRECTORS' REPORT

The Directors submit their report and accounts for the year ended 31 March 1996.

PRINCIPAL ACTIVITIES

The company's principal activity is the manufacture and supply of sealants, encapsulates and elastomeric coating materials for industrial applications.

REVIEW OF THE BUSINESS

On 4 March 1996 the company acquired Semco International Limited, a fellow subsidiary undertaking for a consideration of £1.

The Directors consider that the position of the company at year end was satisfactory.

The company's profit for the period was £1,073,000 (1995 - £1,749,000). The directors do not recommend the payment of a dividend (1995 - £Nil).

FUTURE DEVELOPMENTS

The Directors intend to maintain the management policies which have resulted in the company's satisfactory performance.

FIXED ASSETS

Movements in fixed assets are shown in note 9 to the accounts.

RESEARCH AND DEVELOPMENT

The company is committed to the area of research and development. There are 23 employees engaged in research and development activities. The company is to maintain investment in this area in order to retain a leading position in technological developments in its operating areas.

COURTAULDS COATINGS AND SEALANTS LIMITED
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DIRECTORS' REPORT (continued)

DIRECTORS

The Directors who served during the period were as follows:

R D Edwards	(appointed 26 February 1996)
P L Emerson (Chairman)	(resigned 31 January 1996)
C Bolland	(resigned 26 February 1996)
A Young	
J Sutherland	
G J Breen	(appointed 26 February 1996)

Directors' and officers' liability insurance has been purchased by the parent undertaking.

DIRECTORS' INTERESTS

The Directors at the end of the year (and their immediate families) had the following beneficial interests in the share capital of the ultimate parent company, Courtaulds plc:

	<u>Courtaulds plc Ordinary shares of 25p</u>	
	<u>1 April 1995</u>	<u>31 March 1996</u>
G J Breen (appointed 26 February 1996)	-	-
R D Edwards (appointed 26 February 1996)	1,992	1,992
J Sutherland	-	2,125
A Young	-	-

	<u>Executive share option scheme</u>			
	<u>1 April 1995</u>	<u>Granted</u>	<u>Exercised</u>	<u>31 March 1996</u>
G J Breen (appointed 26 February 1996)	-	-	-	-
R D Edwards (appointed 26 February 1996)	5,000	-	-	5,000
J Sutherland	-	-	-	-
A Young	-	-	-	-

The option was granted in June 1994 at 511p per share and is exercisable, in general, not earlier than three nor later than ten years after the date of grant. Since 1994 no further options can be granted under this scheme.

COURTAULDS COATINGS AND SEALANTS LIMITED
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DIRECTORS' REPORT (continued)

DIRECTORS' INTERESTS (CONTINUED)

	<u>Savings-related share option scheme</u>			
	<u>1 April 1995</u>	<u>Granted</u>	<u>Exercised</u>	<u>31 March 1996</u>
G J Breen (appointed 26 February 1996)	-	-	-	-
R D Edwards (appointed 26 February 1996)	2,827	-	-	2,827
J Sutherland	3,786	-	2,125	1,661
A Young	3,217	-	-	3,217

Options were granted between April 1990 and June 1995 at prices per share between 271p and 444p and are exercisable on completion of five years' saving under a related SAYE contract.

EMPLOYEE COMMUNICATIONS

The company arranges monthly team briefing meetings for all employees who are informed and advised on the trading and future plans of the company and relevant group activities.

EMPLOYMENT OF DISABLED PERSONS

It is the policy of the company to give careful attention to the employment of disabled persons. Applications for employment from disabled persons are given full consideration and are assessed on their particular aptitudes and abilities.

Any employee who develops a disability during employment is given the opportunity of retraining for alternative employment where practicable.

STATEMENT OF DIRECTORS' RESPONSIBILITY

The Directors are required by the Companies Act 1985 to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company at the end of the financial period and of the profit or loss for the financial period.

The Directors confirm that appropriate accounting policies have been used and applied consistently and reasonable and prudent judgements have been made in the preparation of the financial statements for the year ended 31 March 1996. The Directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The Directors have responsibility for ensuring that the company keeps accounting records which disclose with reasonable accuracy the financial position of the company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The Directors are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

COURTAULDS COATINGS AND SEALANTS LIMITED
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DIRECTORS' REPORT (continued)

AUDITORS

The auditors, Price Waterhouse, have indicated their willingness to continue in office and resolutions as to the reappointment and to authorise the directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board

A handwritten signature in black ink, appearing to read 'D A Stevens', with a horizontal line drawn underneath it.

D A Stevens
Secretary
50 George Street
London
W1A 2BB

10 September 1996

Price Waterhouse



**AUDITORS' REPORT TO THE MEMBERS OF
COURTAULDS COATINGS AND SEALANTS LIMITED
(Trading as COURTAULDS AEROSPACE)**

We have audited the financial statements on pages 6 to 18 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described on page 3 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 company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

PRICE WATERHOUSE
Chartered Accountants
and Registered Auditors

10 September 1996

COURTAULDS COATINGS AND SEALANTS LIMITED
(Trading as COURTAULDS AEROSPACE)

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 MARCH 1996

	<u>1996</u> £'000	<u>1995</u> £'000
TURNOVER (Note 2)	20,047	19,537
COST OF SALES	<u>(13,681)</u>	<u>(13,477)</u>
GROSS PROFIT	6,366	6,060
Distribution costs	(2,077)	(2,496)
Administrative expenses	<u>(3,282)</u>	<u>(1,985)</u>
OPERATING PROFIT (Note 3)	1,007	1,579
Interest receivable (Note 6)	<u>307</u>	<u>170</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	1,314	1,749
Tax on profit on ordinary activities (Note 7)	<u>(241)</u>	<u>-</u>
PROFIT FOR THE PERIOD TRANSFERRED TO RESERVES (Note 18)	<u>1,073</u>	<u>1,749</u>

All results refer entirely to continuing operations.

The company has no recognised gains or losses as defined in Financial Reporting Standard 3 ("FRS3"), Reporting Financial Performance which are not included in the above profit and loss account.

There is no difference between the reported profits and the historical cost profits.

COURTAULDS COATINGS AND SEALANTS LIMITED
(Trading as COURTAULDS AEROSPACE)

BALANCE SHEET AS AT 31 MARCH 1996

	1996	1995
	£'000	£'000
FIXED ASSETS		
Tangible assets (Note 9)	4,937	5,874
Investments (Note 10)	<u>728</u>	<u>728</u>
CURRENT ASSETS	5,665	6,602
Stocks (Note 11)	2,361	2,866
Debtors (Note 12)	3,540	4,082
Cash in hand	<u>5,683</u>	<u>2,714</u>
	11,584	9,662
CREDITORS: amounts falling due within one year (Note 13)	<u>(3,158)</u>	<u>(3,081)</u>
NET CURRENT ASSETS	<u>8,426</u>	<u>6,581</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	14,091	13,183
CREDITORS : amounts falling due after more than one year (Note 14)	(8,310)	(8,331)
Provisions for liabilities and charges (Note 15)	<u>(242)</u>	<u>(386)</u>
	<u>5,539</u>	<u>4,466</u>
CAPITAL AND RESERVES		
Called up share capital (Note 17, 18)	10,000	10,000
Profit and loss account (Note 18)	<u>(4,461)</u>	<u>(5,534)</u>
SHAREHOLDERS' FUNDS	<u>5,539</u>	<u>4,466</u>

The financial statements on pages 6 to 18 were approved by the Directors on 10 September 1996.

R D Edwards
Director



COURTAULDS COATINGS AND SEALANTS LIMITED
(Trading as COURTAULDS AEROSPACE)

NOTES TO THE ACCOUNTS - 31 MARCH 1996

1 ACCOUNTING POLICIES

(a) Basis of accounting

The accounts have been prepared under the historical cost convention as modified by the revaluation of fixed assets, and in accordance with applicable accounting standards.

(b) Depreciation

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost or valuation of each asset evenly over its expected useful life, as follows:

Freehold buildings	- over 50 years
Leasehold land and buildings	- over the lease term
Plant and machinery	- over 3 to 20 years
Fixtures and fittings	- over 3 to 20 years

(c) 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 comprises:

Raw materials	- purchase cost on a first-in, first-out basis
Work in progress and finished goods	- cost of direct materials and labour plus attributable overheads based on normal level of activity

(d) Research and development

Research and development expenditure is written off as incurred.

(e) Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the date of the transaction. All differences are taken to the profit and loss account.

(f) Deferred Taxation

Deferred taxation is provided on the liability method on all timing differences to the extent that they are expected to reverse in the foreseeable future, calculated at the rate at which it is estimated that tax will be payable.

COURTAULDS COATINGS AND SEALANTS LIMITED
(Trading as COURTAULDS AEROSPACE)

NOTES TO THE ACCOUNTS - 31 MARCH 1996 (continued)

1 ACCOUNTING POLICIES (continued)

(g) Leasing commitments

Assets obtained under finance lease contracts are capitalised in the balance sheet and are depreciated over their useful lives.

The interest element of the rental obligations is charged to the profit and loss account over the period of the contract and represents a constant proportion of the balance of capital repayments outstanding.

Operating lease costs are charged to the profit and loss account during the period incurred.

(h) Pension costs

The expected cost of pensions in respect of the company's defined benefit scheme is charged so as to spread the cost of pensions over the average service lives of employees in the scheme. The pension cost is assessed in accordance with the advice of qualified actuaries.

(i) Goodwill

Goodwill is written off directly against reserves in the year of acquisition.

(j) Grants receivable

Government grants in respect of capital expenditure are treated as deferred credits which are transferred to the profit and loss account annually over the estimated useful life of the related asset.

(k) Cash flow

The Company has taken advantage of the exemptions provided by FRS 1 not to include a cash flow statement in the financial statements.

COURTAULDS COATINGS AND SEALANTS LIMITED
(Trading as COURTAULDS AEROSPACE)

NOTES TO THE ACCOUNTS - 31 MARCH 1996 (continued)

2 TURNOVER

Turnover represents the net invoiced sales, excluding VAT, of goods sold and services provided during the period.

An analysis of turnover by geographical market is given below:

	<u>1996</u>	<u>1995</u>
	£'000	£'000
United Kingdom	16,326	15,859
Rest of world	<u>3,721</u>	<u>3,678</u>
	20,047	19,537
	<hr/>	<hr/>

3 OPERATING PROFIT

Operating profit is stated after charging/(crediting) the following amounts:

	<u>1996</u>	<u>1995</u>
	£'000	£'000
Staff costs (including directors' emoluments)		
Wages and salaries	3,620	3,885
Social security costs	324	327
Other pension costs	-	-
Auditors' remuneration	31	29
Depreciation of owned fixed assets	561	347
Deficit on revaluation of land and buildings	633	-
Research and development expenditure	728	772
Hire of plant and machinery	247	246
Release of regional development grant	(10)	(10)
	<hr/>	<hr/>

COURTAULDS COATINGS AND SEALANTS LIMITED
(Trading as COURTAULDS AEROSPACE)

NOTES TO THE ACCOUNTS - 31 MARCH 1996 (continued)

4 DIRECTORS' EMOLUMENTS

	<u>1996</u> £'000	<u>1995</u> £'000
Management remuneration	181	173
Pension contributions	—	9
	181	182
	<u> </u>	<u> </u>

The emoluments, excluding pension contributions of the Chairman was £4,833 and of the highest paid director £67,275.

Directors' emoluments, excluding pension contributions, fell within the following ranges:

	<u>1996</u> Number	<u>1995</u> Number
£Nil - £5,000	1	5
£5,001 - £10,000	2	1
£45,001 - £50,000	2	2
£65,001 - £70,000	1	1
	<u> </u>	<u> </u>

5 EMPLOYEES

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

	<u>1996</u> Number	<u>1995</u> Number
Office and management	58	64
Manufacturing	128	144
	186	208
	<u> </u>	<u> </u>

COURTAULDS COATINGS AND SEALANTS LIMITED
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NOTES TO THE ACCOUNTS - 31 MARCH 1996 (continued)

6 INTEREST

Interest receivable relates to interest on money market transactions.

7 TAX ON PROFIT ON ORDINARY ACTIVITIES

	<u>1996</u>	<u>1995</u>
	£'000	£'000
Taxation on profit for the year at 33%	234	-
Transfer to deferred taxation (note 15)	<u>7</u>	<u>-</u>
	241	-
	<u> </u>	<u> </u>

8 PENSION COMMITMENTS

The majority of company employees are members of the Courtaulds plc group defined benefit pension scheme which is available for all eligible employees. The scheme is financed through separate trustee-administered funds.

The pension costs relating to the scheme are assessed in accordance with the advice of an in-house qualified actuary using the projected unit method. Information on the results of the latest actuarial valuation is contained in the financial statements of Courtaulds plc. Contributions are based on pension costs across the group as a whole.

COURTAULDS COATINGS AND SEALANTS LIMITED
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NOTES TO THE ACCOUNTS - 31 MARCH 1996 (continued)

9 TANGIBLE FIXED ASSETS

	Land and buildings £'000	Plant and machinery £'000	Fixtures and fittings £'000	Total £'000
<u>Cost</u>				
At 1 April 1995	2,906	2,879	455	6,240
Additions	86	36	135	257
Deficit on revaluation during the year	<u>(787)</u>	<u>-</u>	<u>-</u>	<u>(787)</u>
At 31 March 1996	<u>2,205</u>	<u>2,915</u>	<u>590</u>	<u>5,710</u>
<u>Depreciation</u>				
At 1 April 1995	126	240	-	366
Charge for the period	56	283	222	561
Transfer against deficit on revaluation during the year	<u>(154)</u>	<u>-</u>	<u>-</u>	<u>(154)</u>
At 31 March 1996	<u>28</u>	<u>523</u>	<u>222</u>	<u>773</u>
<u>Net book amount</u>				
At 31 March 1996	<u>2,177</u>	<u>2,392</u>	<u>368</u>	<u>4,937</u>
At 31 March 1995	<u>2,780</u>	<u>2,639</u>	<u>455</u>	<u>5,874</u>
The net book amount of land and buildings comprises:				
			<u>1996</u>	<u>1995</u>
			£'000	£'000
Freehold			2,084	2,692
Long leasehold			<u>93</u>	<u>88</u>
			<u>2,177</u>	<u>2,780</u>

The land and buildings were revalued on 1 October 1995 by Hillier Parker, chartered surveyors on an open market value in current use basis.

COURTAULDS COATINGS AND SEALANTS LIMITED
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NOTES TO THE ACCOUNTS - 31 MARCH 1996 (continued)

10 INVESTMENTS

Investment in subsidiary undertakings £'000

At 1 April 1995 and 31 March 1996 728

Details of the subsidiary undertaking are as follows:

<u>Name of Company</u>	<u>Country of registration</u>	<u>Holding</u>	<u>Proportions held</u>	<u>Nature of business</u>
SIH Limited	England	Ordinary shares	98.8%	Dormant
Semco International Ltd	England	Ordinary shares	100.0%	Distribution of air- controlled systems

Consolidated accounts have not been prepared as the company is a subsidiary undertaking of a company registered in England for which consolidated accounts are prepared. In the opinion of the Directors, the subsidiary undertakings are worth at least the amount at which they are stated.

11 STOCKS

	<u>1996</u> £'000	<u>1995</u> £'000
Raw materials and consumables	627	1,101
Work in progress	943	955
Finished goods and goods for resale	<u>791</u>	<u>810</u>
	2,361	2,866

COURTAULDS COATINGS AND SEALANTS LIMITED
(Trading as COURTAULDS AEROSPACE)

NOTES TO THE ACCOUNTS - 31 MARCH 1996 (continued)

12 DEBTORS

	<u>1996</u>	<u>1995</u>
	£'000	£'000
Trade debtors	3,278	3,736
Amounts due from fellow subsidiary undertakings	196	266
Prepayments and accrued income	<u>66</u>	<u>80</u>
	3,540	4,082
	<u> </u>	<u> </u>

13 CREDITORS : amounts falling due within one year

	<u>1996</u>	<u>1995</u>
	£'000	£'000
Trade creditors	1,505	1,922
Amounts due to ultimate parent undertaking	67	47
Amounts due to fellow subsidiary undertakings	427	361
Other creditors	117	119
Corporation tax	234	-
Other tax and social security	254	166
Accruals and deferred income	<u>554</u>	<u>466</u>
	3,158	3,081
	<u> </u>	<u> </u>

There is a letter of cross undertakings which provides for a right of set-off of Courtaulds group companies' bank accounts with the Midland Bank plc.

14 CREDITORS : amounts falling due after more than one year

	<u>1996</u>	<u>1995</u>
	£'000	£'000
Amounts due to ultimate parent undertaking	8,268	8,279
Accruals and deferred income	<u>42</u>	<u>52</u>
	8,310	8,331
	<u> </u>	<u> </u>

There are no fixed repayment terms for the amounts due to the ultimate parent undertaking but the undertaking has indicated that it will not seek repayment within twelve months of the balance sheet date.

COURTAULDS COATINGS AND SEALANTS LIMITED
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NOTES TO THE ACCOUNTS - 31 MARCH 1996 (continued)

15 PROVISIONS FOR LIABILITIES AND CHARGES

	<u>1996</u> £'000	<u>1995</u> £'000
Relocation of PRC operation	259	410
Attributable deferred taxation	(17)	(24)
	<u>242</u>	<u>386</u>

The movement on the provision for the relocation of the PRC operation can be reconciled as follows:

	<u>£'000</u>
At 1 April 1995	410
Utilised	(151)
At 31 March 1996	<u>259</u>

16 DEFERRED TAXATION

The potential liability for deferred tax not provided for in the accounts is as follows:

	<u>1996</u> £'000	<u>1995</u> £'000
Accelerated capital allowances	643	818
Short term timing differences	(103)	(157)
	<u>540</u>	<u>661</u>

The directors do not consider that the timing differences between capital allowances and depreciation will reverse in the foreseeable future; accordingly no provision has been made in respect of these.

COURTAULDS COATINGS AND SEALANTS LIMITED
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NOTES TO THE ACCOUNTS - 31 MARCH 1996 (continued)

17 SHARE CAPITAL

	<u>1996</u> £'000	<u>1995</u> £'000
<u>Authorised</u>		
Ordinary shares of £1 each	12,000	12,000
	<hr/>	<hr/>
<u>Allotted and fully paid</u>		
Ordinary shares of £1 each	10,000	10,000
	<hr/>	<hr/>

18 MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>Share capital</u> £'000	<u>Profit and loss</u> £'000	<u>Total</u> £'000
At 31 March 1995	10,000	(5,534)	4,466
Profit for the period	<hr/>	<u>1,073</u>	<u>1,073</u>
At 31 March 1996	10,000	(4,461)	5,539
	<hr/>	<hr/>	<hr/>

19 OPERATING LEASE COMMITMENTS

Commitments under operating leases for the hire of plant and machinery are as follows:

	<u>1996</u> £'000	<u>1995</u> £'000
Within 1 year	89	92
Within 2 - 5 years	<u>96</u>	<u>108</u>
	185	200
	<hr/>	<hr/>

COURTAULDS COATINGS AND SEALANTS LIMITED
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NOTES TO THE ACCOUNTS - 31 MARCH 1996 (continued)

20 CAPITAL COMMITMENTS

	<u>1996</u>	<u>1995</u>
	£'000	£'000
Contracted for but not provided	71	27
	<u> </u>	<u> </u>
Authorised but not contracted for	308	30
	<u> </u>	<u> </u>

21 ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking is Courtaulds plc, which is registered in England. Copies of group accounts may be obtained from Courtaulds plc, 50 George Street, London, W1A 2BB.