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Report & Accounts

1996

Delyn Group PLC

Directors and Advisers

Executive Directors

Paul A. Norman *Chairman*
Malcolm Braun

Non-Executive Directors

John Norris B.Sc.(Eng.), Ph.D.
John A. Fooks J.P., M.A., F.C.A.

Secretary

Malcolm Braun F.C.I.S., F.C.M.A.

Delyn Group PLC
14 Cathedral Road
Cardiff CF1 9LJ
Telephone 01222 660100
Facsimile 01222 660120

Registered Office

Registered No 837205
St Alphage House, Fore Street, London EC2Y 5DH

Registered Auditors

Coopers & Lybrand
Churchill House
Churchill Way, Cardiff CF1 4XQ

Stockbrokers

Albert E. Sharp & Co
Temple Court,
35 Bull Street, Birmingham B4 6ES

Bankers

National Westminster Bank Plc
117 St Mary Street, Cardiff CF1 1LG

Registrars

Connaught St Michaels Limited
CSM House
Victoria Street, Luton, Bedfordshire LU1 2PZ

Chairman's Statement

Dear Shareholder

In December 1995 we announced the sale of our packaging and plastics interests to Packaging Corporation of America, a wholly owned subsidiary of Tenneco Inc. The pre-tax profits for the year ended 31 January 1996 are £5,931,000 (£853,000 1995) which includes the gain on this transaction.

Prior to the disposal of the packaging business your Board has been carefully considering the future strategic direction of Delyn. The UK packaging industry had been undergoing a period of consolidation with substantial merger and acquisition activity taking place. Your Board came to the conclusion that in the long term an exit from packaging would be more appropriate. The offer from Packaging Corporation of America represented a substantial multiple of the historic earnings of the packaging business and also a large premium to the net asset value.

At the time of the sale to Packaging Corporation of America we agreed to construct for them an additional warehouse in Wales. This building is now nearing completion and taken together with other buildings let to Packaging Corporation of America will provide rental income of approximately £300,000 per annum.

Our housebuilding activities are currently trading satisfactorily. We are presently concentrating on the Scottish market and in particular on Edinburgh and the central belt of Scotland. In addition to constructing homes for the first time buyer market we are also acquiring sites for luxury housing in exclusive locations. We believe that this approach will improve margins in an increasingly competitive market place.

With the disposal of the packaging business the Group has improved its balance sheet position and currently has cash balances of £8 million. As stated in the circular to shareholders dated 7 December 1995 we were informed by the Stock Exchange that it may require the Company's shares to be suspended if our cash balances continue to remain substantial.

At the time of the sale to Packaging Corporation of America your Board proposed a special dividend of 8 pence per share to shareholders which was paid in February 1996. We are now proposing a final dividend of 1.5 pence per share which will make a total for the year of 10 pence per share. The final dividend will be paid on 1 August 1996 to shareholders on the register as at 9 July 1996.

Our strategy for the future development of the Group is to re-invest in asset backed businesses and venues which would typically include elements of leisure, entertainment and retail. We believe we can enhance value for our shareholders through proactive management of such properties. We are currently involved in a number of negotiations in the property and leisure sectors and hope to be able to announce an acquisition in the near future.

Paul Norman

Report of the Directors

The directors present their report and accounts for the year ended 31 January 1996.

Activities and Business Review

The principal activities of the group during the year were the manufacture of plastic materials, consumer packaging and housebuilding. On 29 December 1995 the plastic packaging business (Delyn Packaging Limited, Calendered Plastics Limited and Alpha Products (Bristol) Limited) was sold to Packaging Corporation of America, a wholly owned subsidiary of Tenneco Inc. The group will, in the future, continue activities in housebuilding and other property based businesses.

Details of the companies within the group are shown in note 14 to the accounts.

A review of the group's business activities is contained in the chairman's statement on page 1.

Results

The consolidated profit and loss account for the year is set out on page 6.

Dividends

The directors have declared or now recommend the following dividends in respect of the year ended 31 January 1996:

	Pence per share	£000
Interim paid	0.50	43
Special paid	8.00	686
Final proposed	1.50	128
	10.00	857

Statement of Directors' Responsibilities

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company and the group as at the end of the financial year and of the profit or loss of the group for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 January 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 are responsible for keeping proper accounting records, for safeguarding the assets of the company and of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Corporate Governance

The application of the Cadbury Report on the Financial Aspects of Corporate Governance has been considered by the company and progress is being made in applying its requirements as appropriate and practical to a company of our size. The board is pleased to confirm that the company has complied throughout the period with the Committee's Code of Best Practice except as noted below.

The composition of the board at present is of two executive directors and two non-executive with Mr. John Fooks having been appointed as a non-executive director on 3 March 1995. Although the Code suggests that three non-executive directors are required, the board believes that in common with many companies of a similar size two non-executive directors are appropriate to the group's circumstances. The non-executive directors have not been appointed for a fixed period and do not have service contracts.

The company has not yet established an Audit Committee as recommended, but the full board consider the group's financial statements and matters arising from the audit.

Mr. Paul Norman holds the joint role of Chairman and Chief Executive and is supported by Mr. Malcolm Braun as Financial Director/Secretary, together with Dr. John Norris and Mr. John Fooks who are non-executive directors. No executive director has a Service Agreement in excess of 3 years. Remuneration of all directors within the group is considered by the Remuneration Committee which during the year comprised of the Chairman and the two non-executive directors.

Report of the Directors

Internal Financial Controls

The directors acknowledge that they are responsible for the group's system of internal financial control.

It should be recognised that such a system can provide only reasonable and not absolute assurance against material misstatement or loss.

The board meets at regular and frequent intervals throughout the year and is responsible for the overall direction, financial planning, capital expenditure and strategy of all companies within the group.

Prior to the sale of the packaging businesses the key procedures established by the board included maintenance of budgetary controls, preparation of monthly management accounts, cash flows and capital project appraisals. Currently the group is engaged in individual projects that are appraised, monitored and reviewed by the board.

During the year a review of the effectiveness of the system of internal financial control in respect of all companies in the group was commenced. However, as a result of the negotiations that were taking place relating to the disposal of the plastics and packaging activities of the group this review was not completed. A review will be undertaken this year in respect of the continuing operations of the group.

Going Concern

After making appropriate enquiries the directors have a reasonable expectation that the group and the company have adequate resources to continue in operational existence for the foreseeable future.

For this reason they continue to adopt the going concern basis in preparing the group and company financial statements.

Directors

The directors of the company at 31 January 1996 are listed at the front of these accounts. With the exception of Mr. J. A. Fooks, who was appointed on 3 March 1995, all other directors served for the whole of the year.

Mr. D. W. Lowthe, who was a director on 30 January 1995, resigned on 29 December 1995 coinciding with the sale of the discontinued operations to Packaging Corporation of America by whom he is now employed.

Details of the independent non-executive directors are shown below:

John Norris, B.Sc(Eng), Ph.D. Chemical Engineer, appointed December 1977. He has wide experience in the fields of paper, packaging, plastics and building products and in addition spent 7 years as Investment Director with the Welsh Development Agency.

John Anthony Fooks, J.P., M.A., F.C.A., appointed March 1995 – Chairman East Surrey Holdings plc, and is also a director of Bradford Property Trust PLC, Cheam Group Plc., Pittards PLC and other companies.

Mr. John Fooks retires by rotation and, being eligible, offers himself for re-election.

Substantial Shareholdings

At 13 June 1996 interests in 3% or more of the company's shares were as follows:

	Ordinary Shares	%
Honor Establishment Limited*	2,435,000	28.41
Henderson Administration Group plc	1,405,000	16.39
Mercury Asset Management plc	1,051,500	12.27
Framlington Group plc – Throgmorton 1000 Smaller Companies Trust	750,000	8.75
Rathbone Investment Management	262,000	3.06

* Honor Establishment Ltd, as trustee of a settlement formed by Mr. Paul A. Norman, has a non-beneficial interest in shares of the company. The shares forming part of the trust property of this settlement are shown above as shares in which Mr. Norman is beneficially interested.

Report of the Directors continued

CREST

"CREST" is a new electronic shares settlement system designed by the Bank of England to replace the existing Talisman system operated by the London Stock Exchange and will enable shareholders to hold and trade shares electronically.

Your board has decided to allow the company's ordinary shares to be settled in "CREST". Accordingly a Board Resolution was passed on 12 June 1996 in accordance with the Uncertificated Securities Regulations 1995 ('The Regulations'), whereby the company resolved that title to the ordinary shares of 5 pence each in the capital of the company, in issue or to be issued, may be transferred by means of a relevant system (as defined in The Regulations). The Resolution became effective on 12 June 1996 and it is expected that trading of the company's ordinary shares within "CREST" will commence in January 1997.

CREST is voluntary and those shareholders wishing to retain their holdings in the form of share certificates will still be able to do so. This may be preferable to shareholders who do not trade frequently.

Fixed Assets

Changes in the group's fixed assets are detailed in notes 13 and 14 to the accounts.

Directors' and Officers' Liability Insurance

The company has maintained liability insurance during the year for its directors and officers and those of its subsidiary companies.

Charitable and Political Contributions

The total amount of charitable contributions made by the group during the period was £475. No political donations were made.


Employees

Employees of the group and its subsidiaries are regularly consulted by management and kept informed of matters affecting them and the overall development of the group.

The group's policy is to provide, wherever possible, employment opportunities and training for disabled people, to care for employees who become disabled and to make the best possible use of their skills and potential. It also operates an equal opportunities policy.

Income and Corporation Taxes Act 1988

The directors are advised that the company is not a 'close company' within the meaning of the Act.


By order of the board
Malcolm Braun Secretary

5 July 1996

Report of the Directors continued

Report of the Remuneration Committee

The remuneration committee during the year comprised of the chairman and the two non-executive directors. During the year it has decided upon the remuneration policy applicable to executive directors and the group's other senior management. In setting the policy it considers a number of factors including salaries and benefits of comparable companies, the need to attract and retain directors of an appropriate calibre together with the need to ensure executive directors' commitment to the continued success of the group.

The basic salary levels were increased by 3% in April 1995 for all directors, staff and hourly paid employees. Following the sale of the packaging business the composition of the committee has been changed to be comprised wholly of non-executive directors.

Contracts of service

The executive directors have contracts of service which can be terminated by either party with a notice period of one year. There are no service agreements between the company and the non-executive directors – Dr. Norris and Mr. Fooks.

Non-executive directors

Dr. John Norris served as a director for the whole of the year and Mr. John Fooks was appointed as a director on 3 March 1995.

Directors' detailed emoluments

	1996			1995				
	Salary/Fees	Benefits	Pension	Total	Salary/Fees	Benefits	Pension	Total
	£	£	£	£	£	£	£	£
Executive								
Mr. P. A. Norman	95,150	9,015	9,594	113,759	91,731	6,647	8,137	106,515
Mr. M. Braun	59,680	7,899	7,258	74,837	56,606	7,815	6,057	70,478
Mr. D. W. Lowthe	50,598	7,638	5,371	63,607	53,573	8,186	5,732	67,491
Non-executive								
J. Norris	15,300	–	–	15,300	15,000	–	–	15,000
J. A. Fooks	9,685	–	–	9,685	–	–	–	–
	230,413	24,552	22,223	277,188	216,910	22,648	19,926	259,484

Under the terms of his service agreement Mr. P. A. Norman could have had an entitlement to a bonus on the pre tax profits of the group for the year amounting to £473,000. Mr. Norman has waived his entitlement to this sum.

Directors' interests

Interests in Shares

The directors' interests in the shares of the company on 31 January 1996 together with their interests on 29 January 1995 were as follows:

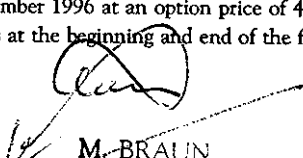
Beneficial and family interests in 5p ordinary shares	1996	1995
Paul A. Norman	2,435,000	2,435,000
Malcolm Braun	66,800	66,800
John Norris	–	–
John Fooks	–	–

Interests in Share Options

Options have been granted to executive directors of the company for the purchase of 264,000 shares in aggregate at a price of 47.75p exercisable between December 1989 and December 1996. During the year no options were exercised. Options in respect of 169,000 ordinary shares remain.

5p ordinary shares over which options are outstanding	1996	1995
Malcolm Braun	72,000	72,000
Derek W. Lowthe (Resigned 29 December 1995)	97,000	97,000

The exercise period for the above options expires in December 1996 at an option price of 47.75p per 5p Ordinary Share. The market price of the company's shares at the beginning and end of the financial year was 72p and 86p respectively.


M. BRAUN
Director/Secretary

Consolidated Profit and Loss Account

For the year ended 31 January 1996		1996 £000	1995 £000
Notes			
2	Turnover — continuing operations	320	970
	— discontinued operations	<u>18,793</u>	<u>16,592</u>
	Total	<u>19,113</u>	<u>17,562</u>
	Cost of Sales — continuing operations	218	764
	— discontinued operations	<u>14,456</u>	<u>12,273</u>
	Total	<u>(14,674)</u>	<u>(13,037)</u>
	Gross Profit — continuing operations	102	206
	— discontinued operations	<u>4,337</u>	<u>4,319</u>
	Total	<u>4,439</u>	<u>4,525</u>
4	Net Operating Expenses — continuing operations	474	402
	— discontinued operations	<u>3,027</u>	<u>3,099</u>
	Total	<u>(3,501)</u>	<u>(3,501)</u>
	Operating Profit — continuing operations	(372)	(196)
	— discontinued operations	<u>1,310</u>	<u>1,220</u>
	Total	<u>938</u>	<u>1,024</u>
5	Profit on Sale of Operations — discontinued operations	5,050	—
	Income from interest in associated undertaking	25	—
	Profit on Ordinary Activities before Interest	6,013	1,024
6	Interest payable less receivable	(82)	(171)
7	Profit on Ordinary Activities before Taxation	5,931	853
9	Tax on profit on ordinary activities	(1,420)	(291)
	Profit on Ordinary Activities after Taxation	4,511	562
10	Dividends Paid and Proposed	(857)	(150)
	Retained Profit for Year	<u>3,654</u>	<u>412</u>
	Earnings per Ordinary Share of 5p	1996 pence	1995 pence
	— excluding profit after taxation on sale of discontinued operations	6.55	6.57
	— effect of profit on sale of discontinued operations	46.08	—
11	Earnings per share on profit attributable to shareholders	<u>52.63</u>	<u>6.57</u>
	Historical Cost Profits and Losses	1996 £000	1995 £000
	Reported profit on ordinary activities before taxation	5,931	853
	Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	21	14
	Historical cost profit on ordinary activities before taxation	<u>5,952</u>	<u>867</u>
	Historical cost profit for the year retained after taxation and dividends	<u>3,675</u>	<u>426</u>

The notes on pages 11 to 23 form part of these accounts.

Consolidated Balance Sheet

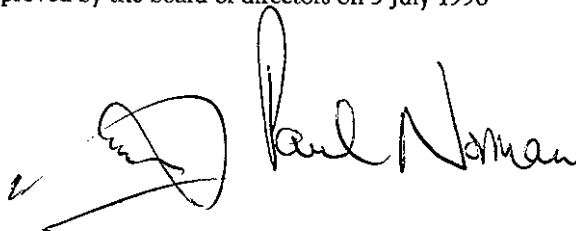
Notes	As at 31 January 1996	1996 £000	1996 £000	1995 £000
	Fixed Assets			
13	Tangible assets		2,408	6,470
14	Investments		17	—
			2,425	6,470
	Current Assets			
15	Stock	2,116		4,051
16	Debtors	1,517		3,592
	Cash at bank and in hand	8,079		22
		11,712		7,665
17	Creditors: amounts falling due within one year	3,902		5,392
	Net Current Assets		7,810	2,273
	Total Assets Less Current Liabilities		10,235	8,743
18	Creditors: amounts falling due after more than one year	123		1,470
20	Provisions for liabilities and charges	124		911
21	Accruals and deferred income	117		120
			364	2,501
	Net Assets		9,871	6,242
	Capital and Reserves			
22	Called-up share capital		429	429
23	Share premium account		108	108
23	Revaluation reserve		883	883
23	Other reserves		—	25
23	Profit and loss account		8,451	4,797
24	Equity Shareholders' Funds		9,871	6,242

The accounts were approved by the board of directors on 5 July 1996

PAUL A. NORMAN

MALCOLM BRAUN

Directors



The notes on pages 11 to 23 form part of these accounts

Balance Sheet

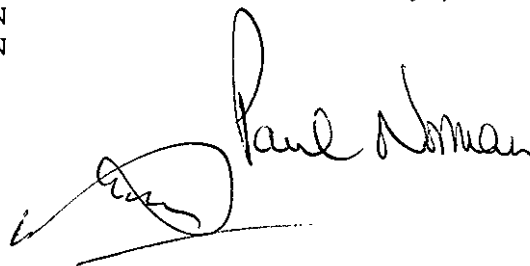
	1996 £000	1996 £000	1995 £000
Notes			
	As at 31 January 1996		
	Fixed Assets		
13	2,408		2,242
14	—		302
		2,408	2,544
	Current Assets		
16	2,524		2,759
	7,950		1
	10,474		2,760
17	2,724		1,269
		7,750	1,491
		10,158	4,035
18	8		23
20	74		293
21	117		120
		199	436
		9,959	3,599
	Net Assets		
	Capital and Reserves		
22		429	429
23		108	108
23		883	883
23		8,539	2,179
		9,959	3,599
	Equity Shareholders' Funds		

The accounts were approved by the board of directors on 5 July 1996

PAUL A. NORMAN

MALCOLM BRAUN

Directors



The notes on pages 11 to 23 form part of these accounts

Consolidated Cash Flow Statement

For the year ended 31 January 1996	1996 £000	1995 £000
Net Cash Inflow/(Outflow) from Operating Activities	(380)	741
Returns on Investments and Servicing of Finance		
Interest received/(paid)	6	(87)
Interest paid on hire purchase contracts	(88)	(84)
Dividends paid	(150)	(143)
Net cash outflow from returns on investments and servicing of finance	(232)	(314)
Taxation		
U.K. corporation tax paid	(284)	(401)
Investing Activities		
Sale of discontinued activities	10,006	—
Purchase of tangible fixed assets	(505)	(384)
Sale of tangible fixed assets	63	54
Net cash inflow/(outflow) from investing activities	9,564	(330)
Net cash inflow/(outflow) before financing	8,668	(304)
Financing		
Issue of shares	—	15
Loans received	703	907
Repayment of loans	(250)	(652)
Payments of principal under hire purchase contracts	(473)	(465)
Net cash inflow/(outflow) from financing	(20)	(195)
Increase/(decrease) in cash and cash equivalents	8,648	(499)
Cashflow movements arising from businesses disposed of during the year		
Net cash inflow from operating activities	694	—
Returns on investments and servicing of finance	(142)	—
Taxation paid	(276)	—
Investing activities	(194)	—
Financing	82	—
	(450)	—
	(368)	—

The notes on pages 11 to 23 form part of these accounts

Notes to the Cash Flow Statement

Reconciliation of operating profit to net cash inflow/(outflow) from operating activities	1996 £000	1995 £000
Operating profit	938	1,024
Depreciation of tangible fixed assets	945	930
Profit on sale of tangible fixed assets	(33)	(10)
(Increase)/decrease in stocks	(311)	(819)
Increase in debtors and prepayments	(1,730)	(1,151)
Increase/(decrease) in trade and other creditors	(28)	640
Increase/(decrease) in other taxation and social security	(137)	44
Increase/(decrease) in accruals and deferred income	(4)	97
Amortisation of government grants	(3)	(4)
Decrease in pensions provision	(17)	(10)
Net Cash Inflow/(Outflow) from Operating Activities	(380)	741

Analysis of cash and cash equivalents	1996 £000	1995 £000
Balance at beginning of year	(978)	(479)
Net cash inflow/(outflow)	8,648	(499)
Balance at end of Year	7,670	(978)

Analysis of balances	1996 £000	1995 £000	Change in year £000
Cash at bank and in hand	8,079	22	8,057
Bank overdrafts	(409)	(1,000)	591
	7,670	(978)	8,648

Analysis of changes in Financing during the year	1996 Share Capital and premium £000	1996 Loans and hire purchase obligations £000	1995 Share Capital and premium £000	1995 Loans and hire purchase obligations £000
Opening balance	537	2,140	522	1,419
Shares issued	—	—	2	—
Share premium	—	—	13	—
Loans	—	703	—	907
Inception of hire purchase contracts	—	595	—	931
Repayment of loans	—	(250)	—	(652)
Repayment of principal under hire purchase contracts	—	(473)	—	(465)
Transfer of hire purchase contracts on discontinued operations	—	(1,355)	—	—
	537	1,360	537	2,140

Accounting Policies

Financial Year

The accounting year will in future be from 1 February to 31 January and will now replace the previous policy of 52 or 53 week periods.

Accounting Convention

These accounts have been prepared under the historical cost basis as adjusted for the revaluation of land and buildings and are in accordance with applicable accounting standards.

Consolidation

The group accounts include the accounts of the company and all subsidiaries. Intragroup sales and profits are eliminated fully on consolidation.

The results of subsidiaries sold are included in the consolidated profit and loss account up to the date control passes.

Associated Undertaking

The group's share of profits less losses of associated undertakings is included in the consolidated profit and loss account, and the group's share of their net assets is included in the balance sheet.

Fixed Assets

The cost of fixed assets is their purchase cost together with any incidental costs of acquisition as modified by the revaluation of certain land and buildings.

Fixed assets are depreciated on a straight line basis over their estimated useful lives as follows:
Freehold and leasehold buildings — 50 years Plant and equipment between 3 and 10 years

As noted in the directors' report, during the year the group has disposed of its manufacturing interests, and will in future concentrate its activities in property related businesses. For most of the year ended 31 January 1996, the group's land and buildings were utilised for its former manufacturing activities, and consequently buildings were depreciated over a period of 50 years. As from 1 January 1996 these assets have been reclassified as investment properties and in the future the following policy will be adopted:

In accordance with SSAP19, (i) investment properties are revalued annually and the aggregate surplus or deficit is transferred to a revaluation reserve, and (ii) no depreciation or amortisation is provided in respect of freehold investment properties. The requirement of the Companies Act 1985 is to depreciate all properties, but that requirement conflicts with the generally accepted accounting principle set out in SSAP19. The directors consider that as these properties are not held for consumption but for investment, to depreciate them would not give a true and fair view, and that it is necessary to adopt SSAP19 in order to give a true and fair view.

Full valuations are made by independent professionally qualified valuers every five years and in the intervening years these valuations are updated by directors with the assistance of independent professional advice as required.

The directors intend to obtain an independent valuation of the group's properties as at 31 January 1997, and any resulting appropriate surplus or deficit will be accounted for in the revaluation reserve.

Accounting Policies

Government Grants

Government and local authority grants receivable are credited to a deferred income account. A proportion equivalent to the rate of depreciation is credited to profit and loss account annually.

Hire Purchase and Operating Leases

Assets held under hire purchase contracts are recorded in the balance sheet at the fair value of the assets at the inception of the contracts. The excess of hire payments over recorded obligations are treated as finance charges. Rental costs under operating leases are charged to the profit and loss account by equal amounts over the periods of the leases.

Stocks

Stocks and work in progress have been valued at the lower of cost and net realisable value. Cost comprises purchase price and other directly attributable costs. Net realisable value is the estimated selling price less appropriate selling and distribution costs.

Housebuilding work in progress comprises land acquisition, construction and other development costs and interest on finance raised specifically for the relevant site and an appropriate proportion of overheads relating to the construction. Estimated net realisable value is calculated based upon projected future sale proceeds less costs to complete each project including future interest costs.

Foreign Currencies

Trading transactions denominated in foreign currencies are translated into sterling at the exchange rate ruling when the transaction was entered into. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rate ruling at the balance sheet date. Exchange gains or losses are included in operating profit.

Turnover

Group turnover comprises the net invoiced value of sales to third parties (excluding VAT and trade discounts) of goods and services in the normal course of business.

Deferred Taxation

Provision is made for timing differences between the treatment of items for taxation and accounting purposes to the extent that it is probable that a liability will crystallise in the foreseeable future.

Pensions

Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the period during which the company benefits from the employees' services. The effects of variation from regular costs are spread over the expected average remaining service lives of members of the scheme — see note 28.

Notes to the Accounts

1 Holding Company Profit and Loss Account

The company has taken advantage of the exemption in the Companies Act 1985 not to present its own profit and loss account.

The company's retained profit for the financial year was £6,360,000 (1995 – Loss £205,000).

2 Segmental Analysis by Class of Business

	Continuing Operations £'000	Discontinued Operations £'000	1996 Total £'000	Continuing Operations £'000	Discontinued Operations £'000	1995 Total £'000
Turnover	320	18,793	19,113	970	16,592	17,562
Cost of sales	218	14,456	14,674	764	12,273	13,037
Gross profit	102	4,337	4,439	206	4,319	4,525
Other operating expenses — see note 4	474	3,027	3,501	402	3,099	3,501
Operating profit	(372)	1,310	938	(196)	1,220	1,024
Interest payable less receivable	60	(142)	(82)	(60)	(111)	(171)
	(312)	1,168	856	(256)	1,109	853
Profit on sale of discontinued operations			5,050			—
Income from associated undertakings			25			—
Profit on ordinary activities before taxation			5,931			853
Net Assets			1996 £000			1995 £000
Property and housebuilding			9,871			1,143
Consumer packaging and materials			—			6,225
Net operating assets			9,871			7,368
Unallocated borrowings			—			(1,126)
			9,871			6,242

The group's net assets are held within the United Kingdom.

3 Analysis of turnover by Geographical Area

	1996 £000	1995 £000
United Kingdom — continuing operations	320	970
— discontinued operations	17,631	15,347
	17,951	16,317
Europe — discontinued operations	1,149	1,234
Rest of World — discontinued operations	13	11
	19,113	17,562

All sales originate from the United Kingdom and the group's profit before taxation arises from these sales.

Notes to the Accounts continued

	1996 £000	1995 £000
4 Net Operating Expenses		
Selling and distribution costs		
— continuing operations	85	67
— discontinued operations	1,448	1,528
	<hr/> 1,533	<hr/> 1,595
Administrative expenses		
— continuing operations	657	599
— less rental income	(268)	(264)
	<hr/> 389	<hr/> 335
— discontinued operations	1,579	1,571
	<hr/> 1,968	<hr/> 1,906
Total of other operating expenses	<hr/> 3,501	<hr/> 3,501

5 Profit on Sale of Operations — Discontinued Operations

During the year the group sold its plastics and packaging business carried out through its wholly owned subsidiaries, Delyn Packaging Limited, Calendered Plastics Limited and Alpha Products (Bristol) Limited.

	£000
Net assets disposed of:	
Tangible fixed assets	4,187
Stocks	2,245
Debtors	4,557
	<hr/> 10,989
Net bank borrowings settled on disposal	1,425
Creditors and provisions	5,385
Group balances settled on disposal	4,183
	<hr/> 10,993
Net liabilities	4
Net proceeds of sale	5,251
Expenses of sale	(205)
Profit on sale of operations before taxation	5,050
Taxation on profit on sale of operations	1,100
Profit on sale of operations after taxation	<hr/> 3,950

The net cash receipts as a result of the disposal are summarised below:

	£000
Net bank borrowings settled by acquirer	1,425
Group balances settled on disposal	4,183
Net proceeds of sale	5,251
	<hr/> 10,859
Expenses of sale	(205)
	<hr/> 10,654

Of the sum of £10,654,000, £10,006,000 was received during the year ended 31 January 1996, the remaining £648,000 was received in May 1996.

Notes to the Accounts continued

6	Interest Payable less Receivable	1996 £000	1995 £000
	Bank loans and overdrafts repayable within 5 years not by instalments	214	171
	Hire purchase contracts	103	84
	Interest receivable	(92)	—
		225	255
	Less interest capitalised	(143)	(84)
		82	171
<hr/>			
7	Profit on Ordinary Activities before Taxation	1996 £000	1995 £000
	Profit on ordinary activities before taxation is stated after charging/(crediting)		
	Depreciation and amounts written-off tangible fixed assets	945	930
	— Less: deferred income release	(3)	(4)
		942	926
	Included in the above is depreciation on assets held under hire purchase contracts	221	178
	Rental of land and buildings	189	213
	Hire of other assets — operating leases	48	62
	Auditors' remuneration — Audit (Company £11,000)	32	26
	— Other (Company £49,000)	58	12
	Profit on disposal of tangible fixed assets	(33)	(10)
	Profit on exchange rate differences	(4)	(4)
<hr/>			
8	Employees	1996 £000	1995 £000
	Particulars of employees (including executive directors) are as shown below:		
	Employee costs during the year amounted to:		
	Wages and salaries	4,911	4,574
	Social security costs	401	399
	Other pension costs	326	304
		5,638	5,277
<hr/>			
	The average number employed during the year was:	1996 Number	1995 Number
	Production	180	176
	Sales and distribution	23	22
	Administration	39	36
		242	234
<hr/>			
9	Tax on Profit on Ordinary Activities	1996 £000	1995 £000
	Tax on profit on ordinary activities for the year was:		
	UK corporation tax at 33% — current year	1,385	313
	Deferred tax	92	1
	Adjustments in respect of prior years — current	(55)	(28)
	— deferred	(11)	5
	Associated undertaking	9	—
		1,420	291
<hr/>			

Notes to the Accounts continued

10 Dividends on Equity Shares	1996 £000	1995 £000
Interim paid — 0.50p per share (1995 – 0.50p)	43	43
Special paid — 8.00p (1995 – Nil)	686	—
Final proposed — 1.50p per share (1995 – 1.25p)	128	107
	<hr/> 857	<hr/> 150

11 Earnings Per Share

The calculation of the earnings per share is based on profit after tax of £4,511,000 (1995 – £562,000) and 8,571,124 (1995 – 8,556,700) ordinary shares of 5p each in issue during the year. No material dilution of earnings per share would arise if outstanding share options were exercised.

In addition to the earnings per share based on the profit for the year the directors consider it appropriate to show the above calculation based on the profit for the year excluding the profit after taxation on the sale of the discontinued operations.

12 Directors' Remuneration	1996 £000	1995 £000
Details of directors' remuneration are shown below:		
Fees	25	15
Salary payments (including benefits in kind)	230	224
Pension costs	22	20
	<hr/> 277	<hr/> 259

Directors' remuneration

Chairman — Salary payments (including benefits in kind)	104	98
— Pension Costs	10	8
Highest paid director — Salary payments (including benefits in kind)	68	64
— Pension Costs	7	6

Other directors:	1996 Number	1995 Number
£5,000 – £10,000	1	—
£10,001 – £15,000	—	1
£15,001 – £20,000	1	—
£60,001 – £65,000	1	—
£65,001 – £70,000	—	1

The Report of the Remuneration Committee contains details of remuneration waived in the year – see page 5.

Notes to the Accounts continued

13 Tangible Fixed Assets	Investment properties £000	Leasehold buildings (long term) £000	Plant and equipment £000	Total £000
Group				
Cost or valuation at beginning of year	—	2,514	9,477	11,991
Additions at cost	229	16	855	1,100
Cost of disposals	—	—	(210)	(210)
Disposals on sale of discontinued operations	—	(10)	(9,990)	(10,000)
Transfer	2,520	(2,520)	—	—
At end of year	2,749	—	132	2,881
Aggregate depreciation at beginning of year				
Amount provided	—	340	5,181	5,521
Eliminated on disposals	—	—	(180)	(180)
Eliminated on disposal of discontinued operations	—	(10)	(5,803)	(5,813)
Transfer	388	(388)	—	—
At end of year	388	—	85	473
Net Book Value				
At 31 January 1996	2,361	—	47	2,408
At 30 January 1995	—	2,174	4,296	6,470
Company				
Cost or valuation				
At beginning of year	—	2,504	129	2,633
Additions at cost	229	16	3	248
Transfer	2,520	(2,520)	—	—
At end of year	2,749	—	132	2,881
Aggregate depreciation:				
At beginning of year	—	330	61	391
Amount provided	—	58	24	82
Transfer	388	(388)	—	—
At end of year	388	—	85	473
Net Book Value				
At 31 January 1996	2,361	—	47	2,408
At 30 January 1995	—	2,174	68	2,242
Investment properties comprise:				
Freehold land and buildings				229
Long leasehold buildings				2,132
				2,361

Plant and equipment includes fixed assets held under hire purchase contracts at a net book value of £31,000 (1995 – £1,727,000).

Notes to the Accounts continued

13 Tangible Fixed Assets continued

The group's leasehold buildings were revalued on 27 January 1989 by Pyle Owen & Partners, an independent firm of surveyors, at open market value. The surplus arising of £883,000 has been credited to revaluation reserve. The directors are of the opinion that there has been no significant change in the open market valuation of the group's leasehold buildings since 27 January 1989.

	Group 1996 £000	Group 1995 £000	Company 1996 £000	Company 1995 £000
Leasehold buildings are stated at:				
Open Market value 1989	2,300	2,300	2,300	2,300
Cost	220	214	220	204
	2,520	2,514	2,520	2,504
The historical cost of leasehold buildings is:				
Cost	2,487	2,480	2,487	2,470
Accumulated depreciation based on historic cost	1,098	1,071	1,098	1,061
Historic cost net book value	1,389	1,409	1,389	1,409

All other tangible fixed assets are stated at historic cost.

	Group 1996 £000	Group 1995 £000	Company 1996 £000	Company 1995 £000
14 Fixed Asset Investments				
At beginning of year	—	—	302	302
Sale of discontinued operations	—	—	(302)	—
Share of associated undertakings net assets	17	—	—	—
At end of year	17	—	—	302

Interest in group undertakings

Subsidiary companies	Nature of business	Country of Registration or Incorporation
Panorama Homes Limited	Housebuilding	England
Spencer Noble International Limited	Dormant	England
Plastella Limited	Dormant	England
Associated undertaking	Nature of business	Country of Registration or Incorporation
Braemar Homes Limited (formerly Menbury Limited)	Housebuilding	England

Details of the net assets of the associated undertaking are as set out below:

	1996 £000	1995 £000
Development work in progress	1,372	887
Cash	202	9
Other debtors	6	151
Creditors	(265)	—
Amounts due to shareholders	(1,281)	(1,047)
Net assets of associated undertaking	34	—

Notes to the Accounts continued

15 Stocks	Group 1996 £000	Group 1995 £000
The following are included in the net book value of stocks:		
Raw materials and consumables	—	1,416
Work in progress	—	27
Finished goods and goods for resale	—	1,152
		<hr/>
		2,595
Housebuilding — work in progress	2,116	1,456
	<hr/>	
	2,116	4,051
Housebuilding — work in progress		
— Land	777	833
— Construction and other costs	1,074	482
— Interest	265	141
	<hr/>	
	2,116	1,456

No stocks were held by the company at either the beginning or end of the year.

16 Debtors	Group 1996 £000	Group 1995 £000	Company 1996 £000	Company 1995 £000
Amounts falling due within one year:				
Trade debtors	673	2,926	673	—
Other debtors	71	23	69	1
Prepayments and accrued income	26	118	12	19
Amounts due from subsidiaries	—	—	1,660	2,739
Amounts due from associated undertaking	643	525	6	—
Advance corporation tax	104	—	104	—
	<hr/>			
	1,517	3,592	2,524	2,759

Notes to the Accounts continued

17 Creditors

Amounts falling due within one year:

Bank loans and overdrafts — see note 18	1,654	1,281	539	992
Trade creditors	48	2,137	48	—
Amounts due to subsidiaries	—	—	3	3
Other creditors	11	14	11	—
Advance corporation tax	214	41	214	41
Social security and other taxes	1	514	—	—
Proposed dividends	814	107	814	107
Corporation tax	980	329	980	5
Accruals and deferred income	165	560	100	99
Obligations under hire purchase contracts	15	409	15	22
	3,902	5,392	2,724	1,269

18 Creditors amounts falling due after more than one year:

Obligations under hire purchase contracts — see note 19

Bank loans	8	846	8	23
Trade Creditor	92	604	—	—
	23	20	—	—
	123	1,470	8	23

The group's bank borrowings are secured by a fixed charge over its property assets and the land and development components of the housebuilding work in progress along with a floating charge over the group's other assets.

The bank loans bear interest at 1.5% above National Westminster Bank Plc base rate and are repayable on a pro rata basis to the sale of development units. The projected sales of units result in the loans being repayable as follows:

Within one year or less	£000
Between one and two years	1,245
	92
	1,337

19 Obligations under hire purchase contracts are due as follows:

	Group 1996 £000	Group 1995 £000	Company 1996 £000	Company 1995 £000
Within 1 year or less	15	409	15	22
Within 1–2 years	8	290	8	15
Within 2–5 years	—	556	—	8
	23	1,255	23	45

Notes to the Accounts continued

20 Provisions for Liabilities and Charges

Group	Pensions & similar obligations (see note 28) £000	Deferred taxation (see below) £000	Total £000
At beginning of year	234	677	911
Profit and loss account	324	81	405
Contributions paid to pension scheme	(340)	—	(340)
Movement in advance corporation tax recoverable	—	(73)	(73)
Release on disposal of discontinued operations	(218)	(561)	(779)
At end of year	—	124	124
Company			
At beginning of year	234	59	293
Profit and loss account	324	88	412
Contributions paid to pension scheme	(340)	—	(340)
Movement in advance corporation tax recoverable	—	(73)	(73)
Release on disposal of discontinued operations	(218)	—	(218)
At end of year	—	74	74

Deferred Taxation

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

Group	Amount provided		Amount unprovided	
	1996 £000	1995 £000	1996 £000	1995 £000
Tax effect of timing differences because of:				
Excess tax allowances over depreciation	154	746	—	—
Advance corporation tax	(100)	(27)	—	—
Sundry timing differences	70	(42)	—	—
	124	677	—	—
Company				
Tax effect of timing differences because of:				
Excess tax allowances over depreciation	154	157	—	—
Advance corporation tax	(100)	(27)	—	—
Sundry timing differences	20	(71)	—	—
	74	59	—	—

21 Accruals and Deferred Income

Government grants	Group 1996 £000	Group 1995 £000	Company 1996 £000	Company 1995 £000
At beginning of year	120	124	120	124
Amortisation in year	(3)	(4)	(3)	(4)
At end of year	117	120	117	120

Notes to the Accounts continued

	1996 £000	1995 £000		
22 Called-up Share Capital				
Ordinary shares of 5p each:				
Authorised	1,000	1,000		
Allotted and fully paid 8,571,124 ordinary shares of 5p (1995 – 8,571,124)	429	429		
23 Reserves				
Group	Share premium account £000	Revaluation reserve £000	Other reserves £000	Profit and loss account £000
At beginning of year	108	883	25	4,797
Release on disposal of discontinued operations	—	—	(25)	—
Profit for the year	—	—	—	3,654
At end of year	108	883	—	8,451
Company	Share premium account £000	Revaluation reserve £000	Profit and loss account £000	
At beginning of year	108	883	2,179	
Profit for the year	—	—	6,360	
At end of year	108	883	8,539	
24 Reconciliation of Movements in Shareholders' Funds				
	1996 £000	1995 £000		
Profit for the financial year	4,511	562		
Dividends	(857)	(150)		
	3,654	412		
New share capital issued	—	15		
Release of reserves on disposal of discontinued operations	(25)	—		
Net addition to shareholders' funds	3,629	427		
Opening shareholders' funds	6,242	5,815		
Closing shareholders' funds	9,871	6,242		
25 Capital Expenditure	1996 £000	1995 £000		
Amounts approved by the directors in respect of capital expenditure not provided for in these accounts is as follows:				
Contracted	—	383		
Authorised but not contracted for	367	246		
	367	629		

Notes to the Accounts continued

26 Contingent Liabilities

The company is subject to unlimited guarantees in respect of the bank borrowings of other group companies which, at the year end, amounted to £1,079,000 (1995 – £953,000).

The company has guaranteed the hire purchase commitments of other group companies which at the year end amounted to £Nil (1995 – £1,117,000).

The company has guaranteed payments due from Panorama Homes Limited to the associated undertaking, Braemar Homes Limited (formerly Menbury Limited). As at the year end amounts outstanding in respect of this guarantee was Nil (1995 – Nil).

The company has guaranteed the annual rental payments of £26,250 under the terms of the lease that expires on 29 September 2002 in respect of its former subsidiary Alpha Products (Bristol) Limited. Under the terms of the disposal of this company Packaging Corporation of America (U.K.) Limited has undertaken to assume this guarantee. At the date of approval of these accounts the transfer of the guarantee has not been completed.

27 Operating Lease Commitments

At 31 January 1996 the group was committed to make the following payments during the next year in respect of operating leases which expire:

	Land and buildings 1996 £000	Other 1996 £000	Land and buildings 1995 £000	Other 1995 £000
Within 1 year	13	—	76	—
Within 2–5 years	—	—	25	25
After 5 years	—	—	26	—
	13	—	127	25

28 Pensions

The company operated a pension scheme for group employees until 29 December 1995 providing benefits based on final pensionable salary. The scheme, known formally as the Delyn Group Retirement Benefits Scheme, is set up under trust and the assets of the scheme are held separately from the company. As the majority of the members of the scheme were employed in the packaging business a formal transfer of the scheme and its assets to Packaging Corporation of America (U.K.) Limited was undertaken on 29 December 1995. The scheme has now been renamed Tenneco Packaging (U.K.) Pension Scheme.

Following the disposal referred to above the group's remaining employees who are members of the scheme will continue their membership for a maximum period of one year from the transfer date pending alternative pensions arrangements being concluded.

The total assets of the scheme as at 1 July 1993, the date of the last actuarial valuation, based on market values, amounted to £2,770,000 and the level of funding (i.e. the total value of the assets expressed as a percentage of the past service liabilities) was 92%.

The accounting policy is to provide for pension liabilities on a systematic basis over the period of employment of scheme members with surpluses/deficiencies being accounted for over the average future membership of the scheme's members. The funding policy is similar, although the incidence of contributions and pension costs may not necessarily be the same.

The pension cost and provision have been assessed in accordance with advice received from the actuary to the scheme on the basis of an actuarial valuation carried out as at 1 July 1993. Pension costs were assessed using the projected unit actuarial method based on assumptions including a long-term rate of investment return on assets of 9% per annum, increases in members' pensionable salaries 2% less than this figure, pension increases at 3% on members' Guaranteed Minimum Pensions (4½% on excess over G.M.P.) and allowances for mortality, withdrawals from service and early retirements.

Following the results of the 1993 actuarial valuation the company increased its contribution to the scheme in order to re-establish a 100% past funding position.

A pension cost of £324,000 arises in relation to the scheme for the period to 29 December 1995. The company's contribution over the same period amounted to £340,000 which reduced the provision in the balance sheet by £16,000 to £218,000 as at 29 December 1995. The amount of £218,000 representing the excess of the accumulated pension cost over the payment of contributions to the pension fund has now been transferred to profit and loss account upon the disposal of the discontinued operations.

Report of the Auditors

Coopers
& Lybrand

To the Members of Delyn Group PLC

We have audited the financial statements on pages 6 to 23.

Respective responsibilities of directors and auditors

As described on page 2 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.

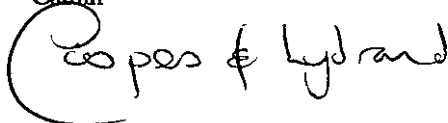
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity 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 affairs of the company and the group at 31 January 1996 and of the profit and cash flows of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand
Chartered Accountants and Registered Auditors
Cardiff

5 July 1996



Report of the Auditors

Coopers
& Lybrand

Report by the Auditors to Delyn Group PLC on corporate governance matters

In addition to our audit of the financial statements, we have reviewed the directors' statement on page 2 on the company's compliance with the paragraphs of the Code of Best Practice specified for our review by the London Stock Exchange. The objective of our review is to draw attention to non-compliance with those paragraphs of the Code which is not disclosed.

Basis of opinion

We carried out our review in accordance with Bulletin 1995/1 "Disclosures relating to corporate governance" issued by the Auditing Practices Board. That bulletin does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of the group's corporate governance procedures, nor on the ability of the group or company to continue in operational existence.

Opinion

With respect to the directors' statement on internal financial control and going concern on page 3 in our opinion the directors have provided the going concern disclosures required by paragraph 4.6 of the Code and have explained the extent of their compliance with the disclosures on internal financial control required by paragraph 4.5 of the Code (both as supplemented by the related guidance for directors) and such statements are not inconsistent with the information of which we are aware from our audit work on the financial statements.

Based on enquiry of certain directors and officers of the company, and examination of relevant documents, in our opinion the directors' statement on pages 2 and 3 appropriately reflects the company's compliance with the other paragraphs of the Code specified for our review.

Coopers & Lybrand
Chartered Accountants
Cardiff

5 July 1996

Coopers & Lybrand

Notice of Meeting

Notice is hereby given that the annual general meeting of the company will be held at 22, Mount Row, Mayfair, London W1 on Thursday, 25 July 1996 at 10.30 a.m. for the following purposes:

1. To receive and, if approved, adopt the report of the directors and accounts for the year ended 31 January 1996 and the report of the auditors.
2. To declare a dividend.
3. To elect a director: Mr. John Fooks retires and will be proposed for re-election.
4. To re-appoint Coopers & Lybrand as auditors from the conclusion of this meeting until the conclusion of the next annual general meeting.
5. To authorise the board of directors to fix the remuneration of the auditors.

By order of the board
Malcolm Braun Secretary
Date 5 July 1996

REGISTERED OFFICE
St. Alphage House
Fore Street
London EC2Y 5DH

Notes

A member entitled to attend and vote at the above meeting may appoint one or more proxies to attend and to vote on his behalf. A proxy need not be a member of the company.

Members who are unable to attend the meeting are invited to sign and return the enclosed form of proxy to reach the company not less than 48 hours before the time of the meeting.

There will be available at the company's registered office during normal business hours on any weekday (Saturdays excepted) from 5 July 1996 until 25 July 1996 and at the meeting from 15 minutes prior thereto, the register of the directors' interests in the shares of the company and its subsidiaries and their service contracts.