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Doeflex Industries Limited

Report and Accounts
December 31, 1983



Arthur Young McClelland Moores & Co.

A MEMBER OF ARTHUR YOUNG INTERNATIONAL

Chartered Accountants London



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DOEFLEX INDUSTRIES LIMITED

1.

Directors

R. H. C. Bickerton (Chairman)
C. Eccles (Managing)
T. F. Durkin

Secretary

J. Dent

Auditors

Arthur Young McClelland Moores & Co.
Rolls House,
7 Rolls Buildings,
Fetter Lane,
London, EC4A 1NH.

Bankers

Barclays Bank PLC,
138 Gooch Street,
Birmingham B5 7HF.

Solicitors

Heald Nickinson,
48 Bedford Square,
London, WC1B 3DS.

Registered office

42/44 Holmethorpe Avenue,
Redhill,
Surrey.



DIRECTORS' REPORT

The directors submit their report and accounts for the year ended December 31, 1983.

Results and dividends

The trading profit for the year, after taxation, amounted to £86,659.

The directors recommend a final ordinary dividend of £40,000 which leaves a profit of £46,659 to be retained.

Review of the business

The company's principal activity during the year was the processing of thermoplastic material.

Turnover has increased during the year and the directors believe that this trend will continue.

Fixed assets

The changes in fixed assets during the year are summarised in the notes to the accounts.

Future developments

The directors look forward to the continued development and expansion of the business during the current year.

Directors and their interests

The directors at December 31, 1983 and their interests in the share capital of the company were as follows:

	<u>At December 31, 1983</u>	<u>At January 1, 1983</u>
R. H. C. Bickerton (Chairman)	1, 1p ordinary share	1, 1p ordinary share
G. Eccles	-	-
T. F. Durkin (Appointed May 1, 1984)	-	-

Close company

The company is a close company within the provisions of the Income and Corporation Taxes Act, 1970.

DOEFLEX INDUSTRIES LIMITED

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DIRECTORS' REPORT
(continued)


Auditors

A resolution to reappoint Arthur Young McClelland Moores & Co. as auditors will be put to the members at the Annual General Meeting.

BY ORDER OF THE BOARD

J. DENT
Secretary

May 8, 1984





A MEMBER OF AMSA IN EUROPE AND ARTHUR YOUNG INTERNATIONAL

Arthur Young McClelland Moores & Co.

Chartered Accountants
Rolls House, 7 Rolls Buildings,
Fetter Lane, London EC4A 1NH

REPORT OF THE AUDITORS TO THE MEMBERS OF DOEFLEX INDUSTRIES LIMITED

We have audited the accounts on pages 5 to 14 in accordance with approved auditing standards.

In our opinion the accounts, which have been prepared under the historical cost convention, give a true and fair view of the state of the company's affairs at December 31, 1983 and of its results and source and application of funds for the year then ended and comply with the Companies Acts 1948 to 1981.

Arthur Young McClelland Moores & Co.

ARTHUR YOUNG McCLELLAND MOORES & CO.

May 8, 1984

DOEFLEX INDUSTRIES LIMITED

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PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 1983

	<u>Notes</u>	£	<u>1983</u> £	<u>1982</u> £
Turnover	2		8,360,110	6,877,281
Cost of sales			6,178,123	5,267,248
Gross profit			2,181,987	1,610,033
Distribution costs		273,771		235,917
Administration expenses		1,781,343		1,177,929
			2,055,114	1,413,846
Profit on ordinary activities before taxation			126,873	196,187
Tax on profit on ordinary activities	5		40,214	37,539
Profit on ordinary activities after taxation			86,659	158,648
Extraordinary item	6	274,597		
Transfer from reserves		274,597		
			-	-
Dividends	7		40,000	40,000
			46,659	118,648
Retained profit brought forward		796,650		678,002
Transfer to extraordinary item		274,597		-
			522,053	678,002
Retained profit carried forward			£ 568,712	£ 796,650

The notes on pages 8 to 14 form part of these accounts

DOEFLEX INDUSTRIES LIMITED

BALANCE SHEET AT DECEMBER 31, 1983

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	Notes	£	1983 £	1982 £
Tangible fixed assets	8		1,545,322	915,494
Investments	9		1	1
			<u>1,545,323</u>	<u>915,495</u>
Current assets:				919,717
Stocks	10	1,002,671		1,928,899
Debtors	11	2,258,126		-
Corporation tax recoverable		16,903		4,092
Cash at bank and in hand		3,692		
		<u>3,281,392</u>		<u>2,852,708</u>
Creditors: amounts falling due within one year	12	3,845,264		2,886,314
Net current liabilities			(563,872)	(33,606)
Total assets less current liabilities			981,451	881,889
Provision for liabilities and charges:				
Deferred taxation	13		327,500	-
			<u>£ 653,951</u>	<u>£ 881,889</u>
Capital and reserves:				
Called up share capital	14		43,989	43,989
Share premium account	15		41,250	41,250
Reserves			568,712	796,650

R. H. C. BICKERTON)
C. ECCLES) Directors

May 8, 1984

[Signature]
[Signature]

£ 653,951 £ 881,889

The notes on pages 8 to 14 form part of these accounts

DOEFLEX INDUSTRIES LIMITED

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STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED DECEMBER 31, 1983

	1983 £	1982 £
Source of funds:		
Profit on ordinary activities before taxation	126,873	196,187
Adjustment for items not involving the movement of funds:		
Depreciation	211,427	177,615
Loss on disposal of tangible fixed assets	3,814	367
	<u>342,114</u>	<u>374,169</u>
Funds from other sources:		
Proceeds of disposal of tangible fixed assets	17,900	3,650
Transfer of group fixed assets	25,158	3,664
	<u>385,172</u>	<u>381,483</u>
Application of funds:		
Dividends paid	-	(40,000)
Purchase of tangible fixed assets	(837,811)	(127,481)
Tax paid	(50,315)	(24,850)
	<u>(888,126)</u>	<u>(192,331)</u>
Working capital - increase/(decrease)	<u>£(502,954)</u>	<u>£189,152</u>
Components of increase/(decrease) in working capital:		
Stocks	82,954	137,929
Debtors	344,250	488,727
Amounts due from fellow subsidiaries	(26,686)	14,613
Creditors	(540,745)	2,660
Amounts due to holding company	(291,798)	(262,268)
	<u>(432,025)</u>	<u>381,661</u>
Movement in net liquid funds:		
Cash at bank and in hand	(400)	1,418
Bank overdraft	(70,529)	(193,927)
	<u>(70,929)</u>	<u>(192,509)</u>
	<u>£(502,954)</u>	<u>£189,152</u>

The notes on pages 8 to 14 form part of these accounts

NOTES TO THE ACCOUNTS AT DECEMBER 31, 19831. Accounting policiesAccounting convention

The accounts are prepared under the historical cost convention.

Consolidated accounts

Consolidated accounts are not prepared as the company is a wholly owned subsidiary of a company incorporated in the United Kingdom.

Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Leasehold land and buildings	-	over the lease term
Plant and machinery and		
Fixtures and fittings	-	over 10 years
Motor vehicles	-	over 5 years

Stocks

Stocks are stated at the lower of cost and net realisable value as follows:

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

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

Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

Deferred taxation

Deferred taxation is provided on the liability method on all short term timing differences. Provision is also made for long term timing differences, except for those which are not expected to reverse in the future.

Foreign currencies

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 rate ruling at the date of the transaction.

All differences are taken to the profit and loss account.

NOTES TO THE ACCOUNTS AT DECEMBER 31, 1983
(continued)1. Accounting policies
(continued)Leases

Leases which transfer substantially all risks and rewards of ownership of an asset to the company are capitalised. The amount capitalised is the fair value of the asset concerned. The finance charges are expensed over the life of the lease. The asset is depreciated evenly over its expected useful life.

2. Turnover

Turnover represents the invoiced amount of goods sold and services provided. (stated net of value added tax).

An analysis of turnover by geographical market is given below:

	<u>1983</u>		<u>1982</u>	
	£	%	£	%
United Kingdom	6,509,762	78	5,443,592	79
Europe	1,538,116	18	1,265,141	18
Other	312,232	4	168,548	3
	<u>£8,360,110</u>	<u>100</u>	<u>£6,877,281</u>	<u>100</u>
	=====	===	=====	===

3. Operating profit

(a) This is stated after charging or crediting:

	<u>1983</u>	<u>1982</u>
	£	£
Directors' remuneration (see below)	-	-
Auditors' remuneration	6,300	5,250
Depreciation	211,427	177,615
Hire of plant and machinery	12,434	9,237
	<u>=====</u>	<u>=====</u>

(b) Directors' remuneration:

Neither director received any remuneration during the year (1982 - £Nil).

4. Staff costs

	<u>1983</u>	<u>1982</u>
	£	£
Wages and salaries	1,066,074	923,867
Social security costs	116,830	104,317
Other pension costs	38,906	32,809
	<u>£1,221,810</u>	<u>£1,060,993</u>
	=====	=====

DOEFLEX INDUSTRIES LIMITED

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NOTES TO THE ACCOUNTS AT DECEMBER 31, 1983
(continued)

4. Staff costs
(continued)

The average weekly number of employees during the year was made up as follows:

	<u>1983</u> No.	<u>1982</u> No.
Office and management	25	23
Manufacturing	92	83
	<u>117</u>	<u>106</u>

5. Tax on profit on ordinary activities

	<u>1983</u> £	<u>1982</u> £
Based on the profit for the year:		
Corporation tax	-	37,539
Deferred taxation	78,825	-
Taxation credit	(42,825)	-
	<u>36,000</u>	<u>-</u>
Taxation under provided in previous years		
Corporation tax	4,214	-
	<u>£40,214</u>	<u>£37,539</u>

The company taxation affairs are determined on the assumption that the proposed changes in corporation tax rates, first year and initial allowances and stock relief contained in the Finance (No. 2) Bill 1984 will be enacted.

6. Extraordinary item

The extraordinary item of £274,597 represents the company's deferred tax liability at December 31, 1982 calculated in accordance with proposed taxation changes included in the Finance (No. 2) Bill 1984.

7. Dividends

	<u>1983</u> £	<u>1982</u> £
Ordinary - interim paid	-	40,000
- final proposed	40,000	-
	<u>£ 40,000</u>	<u>£40,000</u>

DOEFLEX INDUSTRIES LIMITEDNOTES TO THE ACCOUNTS AT DECEMBER 31, 1983
(continued)8. Tangible fixed assets

	Land and buildings (short leasehold) £	Plant and machinery £	Fixtures and fittings £	Motor vehicles £	Total £
Cost or valuation:					
At January 1, 1983	46,604	1,557,001	52,168	116,794	1,772,567
Additions	6,179	776,962	1,788	52,882	837,811
Intercompany transfers	-	52,684	5,642	-	58,326
Disposals	-	(13,937)	-	(30,580)	(44,517)
At December 31, 1983	52,783	2,372,710	59,598	139,096	2,624,187
Depreciation:					
At January 1, 1983	10,223	761,127	35,816	49,907	857,073
Provided during the year	3,232	178,586	4,401	25,208	211,427
Intercompany transfers	-	29,385	3,783	-	33,168
Disposals	-	(6,025)	-	(16,778)	(22,803)
At December 31, 1983	13,455	963,073	44,000	58,337	1,078,865
Net book value:					
At December 31, 1983	£39,328	£1,409,637	£15,598	£ 80,759	£1,545,322
Net book value:					
At January 1, 1983	£36,381	£ 795,874	£16,352	£ 66,887	£ 915,494

Included in the amounts for plant and machinery above are the following amounts relating to leased assets:

	Finance lease
Cost:	
At January 1, 1983	£ 128,625
At December 31, 1983	£ 128,625
Depreciation:	
At January 1, 1983	12,863
Provided during the year	12,863
At December 31, 1983	25,726
Net book amounts:	
At December 31, 1983	£ 102,899
At January 1, 1983	£ 115,762

DOEFLEX INDUSTRIES LIMITED

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NOTES TO THE ACCOUNTS AT DECEMBER 31, 1983
(continued)9. Investments

	<u>1983</u> £	<u>1982</u> £
Share at cost	90,597	90,597
Amounts written off	90,596	90,596
	=====	=====
	£ 1	£ 1
	=====	=====

The company owns 100% of the issued ordinary share capital of Phonoplas Services Limited an unlisted company registered in England.

10. Stocks

	<u>1983</u> £	<u>1982</u> £
Raw materials and consumables	563,443	671,144
Work-in-progress	9,293	2,505
Finished goods and goods for resale	429,935	246,068
	=====	=====
	£1,002,671	£ 919,717
	=====	=====

11. Debtors

	<u>1983</u> £	<u>1982</u> £
Trade debtors	2,150,984	1,781,422
Amounts due from other subsidiaries	-	15,023
Prepayments	50,527	29,539
Other debtors	56,615	102,915
	=====	=====
	£2,258,126	£1,928,899
	=====	=====

12. Creditors: amounts falling due within one year

	<u>1983</u> £	<u>1982</u> £
Bank overdraft (see below)	698,492	627,963
Amounts due to holding company	1,054,856	723,058
Amounts due from other subsidiaries	11,663	-
Trade creditors	1,595,312	1,340,713
Current corporation tax	16,903	12,689
Other taxes and social security costs	96,162	45,206
Other creditors and accruals	371,876	136,685
	=====	=====
	£3,845,264	£2,886,314
	=====	=====

The bank has a guarantee and debenture over the assets of the Doeflex Group.

NOTES TO THE ACCOUNTS AT DECEMBER 31, 1983
(continued)

13. Deferred taxation

Deferred taxation provided in the accounts and the potential amounts, including the amounts for which provision has been made, are as follows:

	<u>Provision</u>		<u>Potential</u>	
	<u>1983</u>	<u>1982</u>	<u>1983</u>	<u>1982</u>
	£	£	£	£
Capital allowances in advance of depreciation	468,000	-	468,000	358,807
Less: Taxation losses	(114,578)	-	(114,578)	-
	353,422	-	353,422	358,807
Less: Advance corporation tax	(25,922)	-	(25,922)	-
	£327,500	£ -	£327,500	£358,807

Deferred tax provided in the accounts and the potential amounts have been computed on the assumption that the proposed changes in the corporation tax rates and first year and initial allowances contained in the Finance (No. 2) Bill 1984 will be enacted.

14. Share capital

	<u>Authorised</u>		<u>Allotted, called up and fully paid</u>	
	<u>1983</u>	<u>1982</u>	<u>1983</u>	<u>1982</u>
	£	£	£	£
6% cumulative redeemable preferred ordinary shares of 5p each	1,000.00	1,000.00	90.00	90.00
Ordinary shares of 1p each	648.75	648.75	648.75	648.75
Deferred shares of 1l each	43,250.00	43,250.00	43,250.00	43,250.00
Undesignated shares of 1p each	101.25	101.25	-	-
'A' ordinary shares of 1p each	-	-	-	-
'B' ordinary shares of 1p each	-	-	-	-
	£45,000.00	£45,000.00	£43,988.75	£43,988.75

The cumulative redeemable preferred ordinary shares can be redeemed at any time at the company's option and have no priority rights compared with the ordinary shares other than payment of fixed dividends.

DOEFLEX INDUSTRIES LIMITEDNOTES TO THE ACCOUNTS AT DECEMBER 31, 1983
(continued)15. Share premium account

At January 1, 1983
On issue of shares during the year
Expenses of issue

At December 31, 1983

<u>1983</u>	<u>1982</u>
£	£
41,250	41,250
-	-
-	-
£41,250	£ 41,250
=====	=====

16. Capital commitments

Contracted

Authorized by the directors but not contracted

<u>1983</u>	<u>1982</u>
£	£
2,000	382,241
=====	=====
£88,061	£ Nil
=====	=====

17. Contingent liabilities

At the end of the year, the company together with its subsidiary in the Doeflex Group was party to an agreement with its bankers whereby all banking transactions were dealt with through a joint account. The balance on the joint account at December 31, 1983 was £147,428 overdrawn, of which £698,492 overdrawn was dealt with in the accounts of this company.

The bank has a Guarantee and Debenture over the assets of the Doeflex Group.

18. Ultimate holding company

The ultimate holding company is Doeflex Limited a company incorporated in the United Kingdom.