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Doeflex Industries Limited

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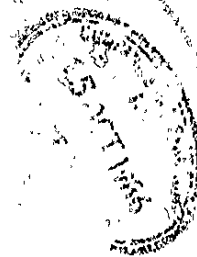
Report and Accounts
December 31, 1985



Arthur Young

A MEMBER OF ARTHUR YOUNG INTERNATIONAL

Chartered Accountants London



DOEFLEX INDUSTRIES LIMITED

1.

Directors

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

Secretary

J. Dent

Auditors

Arthur Young,
Rolls House,
7 Rolls Buildings,
Fetter Lane,
London, EC4A 1NH.

Bankers

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

Registered Office

42/44 Holmethorpe Avenue,
Redhill,
Surrey RH1 2NR.

DIRECTORS' REPORT

The directors submit their report and accounts for the year ended December 31, 1985.

Results and dividends

The trading profit for the year, after taxation, amounted to £284,000 (1984 - £183,000).

The directors do not recommend the payment of a dividend.

Review of the business and future developments

The company's principal activity during the year was the processing of thermoplastic material. Turnover has increased during the year and the directors look forward to the continued development and expansion of the business during the current year.

Fixed assets

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

Research and development

The company has undertaken significant expenditure in this area, a policy which will be continued in the future.

Directors and their interests

The directors at December 31, 1985 and their interests in the share capital of the company were as follows:

	<u>At December 31, 1985</u>	<u>At January 1, 1985</u>
R. H. C. Bickerton (Chairman)	1, 1p ordinary share	1, 1p ordinary share
C. Eccles	-	-
T. F. Durkin	-	-

Auditors

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

BY ORDER OF THE BOARD

J. DENT
Secretary

May 2, 1986



A MEMBER OF ARTHUR YOUNG INTERNATIONAL

3.

Arthur Young

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 4 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, 1985 and of its profit and source and application of funds for the year then ended and comply with the Companies Act 1985.

ARTHUR YOUNG

May 2, 1986

DOEFLEX INDUSTRIES LIMITED

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PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 1985

	<u>Notes</u>	£'000	<u>1985</u> <u>£'000</u>	<u>1984</u> <u>£'000</u>
Turnover	2		10,745	9,466
Cost of sales			7,827	6,993
Gross profit			<u>2,918</u>	<u>2,473</u>
Distribution costs		300		284
Administration expenses		<u>2,115</u>		<u>1,846</u>
			<u>2,415</u>	<u>2,130</u>
Operating profit	3		503	343
Income from investments	5		14	-
Profit on ordinary activities before taxation			<u>517</u>	<u>343</u>
Tax on profit on ordinary activities	6		<u>233</u>	<u>110</u>
Profit on ordinary activities after taxation			284	233
Dividends	7		-	50
			<u>284</u>	<u>183</u>
Retained profit brought forward			752	569
Retained profit carried forward			<u>1,036</u>	<u>752</u>

The notes on pages 7 to 14 form part of these accounts

DOEFLEX INDUSTRIES LIMITED

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BALANCE SHEET AT DECEMBER 31, 1985

	<u>Notes</u>	£'000	<u>1985</u> £'000	<u>1984</u> £'000
Fixed assets:				
Intangible assets	8		-	30
Tangible assets	9		1,722	1,498
Investments	10		-	-
			<u>1,722</u>	<u>1,528</u>
Current assets:				
Stocks	11	1,093		1,024
Debtors	12	2,522		2,290
Cash at bank and in hand		3		4
		<u>3,618</u>		<u>3,318</u>
Creditors: amounts falling due within one year	13	2,168		3,571
Net current assets/(liabilities)			<u>1,450</u>	<u>(253)</u>
Total assets less current liabilities			<u>3,172</u>	<u>1,275</u>
Creditors: amounts due after more than one year	14		1,647	7
Provision for liabilities and charges:				
Deferred taxation	15		404	431
			<u>1,121</u>	<u>837</u>
Capital and reserves:				
Called up share capital	16		44	44
Share premium account	17		41	41
Profit and loss account			1,036	752

R. H. C. BICKERTON)

C. ECCLES)

Directors

May 2, 1986

1,121837

The notes on pages 7 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, 1985

	£'000	1985 £'000	1984 £'000
SOURCE OF FUNDS:			
Profit on ordinary activities before taxation		517	343
Adjustment for items not involving the movement of funds:			
Depreciation		276	270
Loss on disposal of tangible fixed assets		1	-
Amortisation of intangible assets		30	-
		824	613
Other source of funds:			
Loan from holding company		1,528	-
		2,352	613
APPLICATION OF FUNDS:			
Capital expenditure:			
Purchase of intangible fixed assets			(30)
Purchase of tangible fixed assets	(415)		(247)
Proceeds of disposal of tangible fixed assets	42		25
Transfer of group tangible fixed assets	(128)		-
		(501)	(252)
		1,851	361
Increase/(decrease) in working capital:			
Stocks	(69)		(21)
Debtors	(249)		(15)
Creditors	(1,186)		66
		(1,504)	30
Dividends paid		-	(40)
Taxation repaid		17	(17)
Overall increase in liquid funds		364	334
Overall increase is made up of:			
Cash at bank and in hand		(1)	-
Bank overdraft		365	334
		364	334

The notes on pages 7 to 14 form part of these accounts

NOTES TO THE ACCOUNTS AT DECEMBER 31, 1985

1. Accounting policies

Accounting 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:

Freehold buildings	-	over 50 years
Leasehold land and buildings	-	over the lease term
Plant and machinery	-	over 5 to 10 years
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
Finished goods	-	cost of direct materials and labour plus 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, with the exception of differences on foreign currency borrowings to the extent that they are used to provide a hedge against foreign currency debtors, in which case the rate ruling at the date of the transaction is used.

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, 1985
(continued)

1. Accounting policies
(continued)

Research and development

Research and development expenditure is written off as incurred.

Intangible assets

Intangible assets are amortised at rates calculated to write off the cost of each asset evenly over its expected useful life.

Leasing and hire purchase commitments

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

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

2. Turnover

Turnover represents the invoiced amount of goods sold and services provided during the year, stated net of value added tax.

An analysis of turnover by geographical market is given below:

	1985		1984	
	£'000	%	£'000	%
United Kingdom	8,790	82	7,624	81
Europe	1,319	12	1,421	15
Other	636	6	421	4
	-----	----	-----	----
	10,745	100	9,466	100
	=====	=====	=====	=====

3. Operating profit

(a) This is stated after charging:

	1985	1984
	£'000	£'000
Directors' remuneration (see below)	41	23
Auditors' remuneration	10	9
Depreciation	276	269
Hire of plant and machinery	-	11
Operating lease rentals - land and buildings	84	84
	=====	=====

(b) Directors' remuneration:

Other emoluments (including pension contributions)	£41,078	£23,163
	=====	=====

DOEFLEX INDUSTRIES LIMITED

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NOTES TO THE ACCOUNTS AT DECEMBER 31, 1985
(continued)3. Operating profit
(continued)

Emoluments of the chairman were £N11 (1984 - £N11). Those of the highest paid director (excluding pension contributions) amounted to £39,098 (1984 - £21,235). The other director received no remuneration during the year (1984 - £N11).

4. Staff costs

	1985 £'000	1984 £'000
Wages and salaries	1,108	1,100
Social security costs	106	120
Other pension costs	37	56
	<u>1,251</u>	<u>1,276</u>
	=====	=====

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

	1985 No.	1984 No.
Office and management	23	27
Manufacturing	90	92
	<u>113</u>	<u>119</u>
	=====	=====

5. Income from investments

Dividends received from the subsidiary company, which is unlisted, amounted to £14,000.

6. Tax on profit on ordinary activities

	1985 £'000	1984 £'000
Based on the profit for the year:		
Corporation tax at an effective rate of 41.25%	258	27
Deferred taxation	(32)	83
	<u>226</u>	<u>110</u>
Taxation under provided in previous years	7	-
Corporation tax	<u>233</u>	<u>110</u>
	=====	=====

7. Dividends

Ordinary - final proposed

	1985	1984
	£ -	£50,000
	=====	=====

DOEFLEX INDUSTRIES LIMITED

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NOTES TO THE ACCOUNTS AT DECEMBER 31, 1985
(continued)8. Intangible fixed assets

£'000

Net book value at January 1, 1985
Provided during the year

30
30

Net book value at December 31, 1985

Intangible fixed assets represent the cost of technology purchased during 1984.

9. Tangible fixed assets

	<u>Land and buildings</u>		<u>Plant and machinery</u>	<u>Fixtures and fittings</u>	<u>Motor vehicles</u>	<u>Total</u>
	<u>Freehold</u>	<u>Short leasehold</u>				
	£'000	£'000	£'000	£'000	£'000	£'000
Cost:						
At January 1, 1985	-	69	2,514	61	159	2,803
Additions	70	24	252	5	64	415
Disposals	-	-	(33)	-	(62)	(95)
Transfers from group companies	160	-	-	-	(29)	131
At December 31, 1985	230	93	2,733	66	132	3,254
Depreciation:						
At January 1, 1985	-	18	1,168	48	71	1,305
Provided during the year	5	5	238	4	24	276
Disposals	-	-	(18)	-	(34)	(52)
Transfers from group companies	6	-	-	-	(3)	3
At December 31, 1985	11	23	1,388	52	58	1,532
Net book value:						
At December 31, 1985	219	70	1,345	14	74	1,722
Net book value:						
At January 1, 1985	-	51	1,346	13	88	1,498

DOEFLEX INDUSTRIES LIMITED

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NOTES TO THE ACCOUNTS AT DECEMBER 31, 1985
(continued)9. Tangible fixed assets
(continued)

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

	£'000
Cost:	
At January 1, 1985	129
	==
At December 31, 1985	129
	==
Depreciation:	
At January 1, 1985	39
Provided during the year	13

At December 31, 1985	52
	==
Net book amounts:	
At December 31, 1985	77
	==
At January 1, 1985	90
	==

10. Investments

	1985 £'000	1984 £'000
Shares at cost	90	90
Amounts written off	(90)	(90)
	-----	-----
	=====	=====

The company owns 100% of the issued ordinary share capital of Phonoplas Services Limited an unlisted company registered in England. Phonoplas Services Limited did not trade during the year and an application has been made to the registrar under the provisions of Section 652 of the Companies Act 1985 to have its name removed from the register.

11. Stocks

	1985 £'000	1984 £'000
Raw materials and consumables	578	566
Finished goods and goods for resale	515	458
	-----	-----
	1,093	1,024
	=====	=====

DOEFLEX INDUSTRIES LIMITEDNOTES TO THE ACCOUNTS AT DECEMBER 31, 1985
(continued)12. Debtors

	1985 £'000	1984 £'000
Amount owed by subsidiary company	14	-
Corporation tax recoverable	-	17
Trade debtors	2,465	2,170
Prepayments	35	55
Other debtors	8	48
	<u>2,522</u>	<u>2,290</u>

13. Creditors: amounts falling due within one year

	1985 £'000	1984 £'000
Bank overdraft (see below)	-	365
Amounts due to holding company	-	1,488
Amounts due to other subsidiaries	-	22
Trade creditors	1,685	1,394
Current corporation tax	9	-
Other taxes and social security costs	165	91
Other creditors and accruals	309	211
	<u>2,168</u>	<u>3,571</u>

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

14. Creditors: amounts falling due after more than one year

	1985 £'000	1984 £'000
Corporation tax on the profit for the year (due June 1, 1987)	119	7
Loan from holding company	1,528	-
	<u>1,647</u>	<u>7</u>

The long term loan from the holding company does not bear interest and is repayable in not less than one year.

NOTES TO THE ACCOUNTS AT DECEMBER 31, 1985
(continued)

15. 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>1985</u> £'000	<u>1984</u> £'000	<u>1985</u> £'000	<u>1984</u> £'000
Capital allowances in advance of depreciation	404	436	404	436
Less: Advance corporation tax	-	(5)	-	(5)
	<u>404</u>	<u>431</u>	<u>404</u>	<u>431</u>

16. Share capital

	<u>Authorised</u>		<u>Allotted, called up and fully paid</u>	
	<u>1985</u> No.	<u>1984</u> No.	<u>1985</u> £	<u>1984</u> £
6% cumulative redeemable preferred ordinary shares of 5p each	20,000	20,000	90	90
Ordinary shares of 1p each	64,875	64,875	648	648
Deferred shares of £1 each	43,250	43,250	43,250	43,250
Undesignated shares of 1p each	10,125	10,125	-	-
	<u>138,250</u>	<u>138,250</u>	<u>£ 43,988</u>	<u>£43,988</u>

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.

17. Share premium account

	<u>1985</u> £'000	<u>1984</u> £'000
At January 1, and December 31, 1985	41	41

18. Capital commitments

	<u>1985</u>	<u>1984</u>
Contracted for but not provided in the accounts	£311,063	£ -
Authorised by the directors but not contracted	£251,937	£32,000

DOEFLEX INDUSTRIES LIMITEDNOTES TO THE ACCOUNTS AT DECEMBER 31, 1985
(continued)

19. At December 31, 1985 the company's aggregate commitments under non-cancellable operating leases were as set out below:

	<u>1985</u>	<u>1984</u>
	<u>Land and</u> <u>buildings</u> <u>£'000</u>	<u>Land and</u> <u>buildings</u> <u>£'000</u>
Operating leases which expire in over 5 years	867	951

20. Contingent liabilities

At the end of the year the company was party to a joint banking arrangement whereby all group companies have given a joint and several guarantee for the total amount outstanding. At December 31, 1985 the total overdraft was £251,000.

The guarantee is supported by a debenture over the assets of the Doeflex Group.

21. Ultimate holding company

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