

## DOEFLEX

Doeflex manufactures specialist plastic materials on 5 separate sites in the UK and in Continental Europe and employs about 350 people.

These materials are made on complex equipment to demanding technical specifications for a wide variety of markets.

Doeflex participates in those markets where it has, or can obtain, a clear competitive advantage and where there are attractive growth opportunities.

The company's objective is to produce a consistent and well above average growth in dividends and earnings per share, primarily through organic growth but also by means of strategic acquisitions.

The envelope and binder for these accounts utilise "Doeflex Polypro" - a typical example of a material developed for a specialist application. It is a very durable product with excellent printing characteristics.

The photographs incorporated in these accounts illustrate some of the many products produced by our customers from Doeflex materials.



# CONTENTS

	Page
Financial Calendar, Secretary and Advisors	3
10 Year Record	4
Summary	5
Chairman's Statement	6
Operating and Financial Review	8
Board of Directors	10
Corporate Governance	11
Internal Financial Control	11
Report of the Auditors	12
Remuneration Committee	13
Report of the Directors	15
Statement of Directors' Responsibilities in Respect of the Accounts	17
Report of the Auditors	17
Group Profit and Loss Account	18
Group Balance Sheet	19
Group Cash Flow Statement	20
Accounting Policies	21
Notes to the Accounts	23
Holding Company Balance Sheet and Notes	29
Notice of Meeting	31

## **FINANCIAL CALENDAR, SECRETARY AND ADVISORS**

### **Announcement of results**

Half Year	25 September 1995
Year	18 March 1996
Accounts posted	26 April 1996
Annual General Meeting	23 May 1996

### **Dividend payments**

Interim	22 November 1995
Final	31 May 1996

### **Secretary and Registered Office**

W A Trendell FCCA, BSc  
56 Holmethorpe Avenue, Redhill, Surrey RH1 2NR

### **Advisors**

Brokers:	Panmure Gordon & Co Ltd New Broad Street House 35 New Broad Street London EC2M 1NH
Merchant Bank:	Lazard Brothers 21 Moorfields London EC2P 2HT
Auditors:	Ernst & Young, Chartered Accountants Rolls House, 7 Rolls Buildings Fetter Lane, London EC4A 1NH
Legal Advisors:	Lawrence Graham 190 Strand, London WC2R 1JN
Principal Bankers:	Barclays Bank PLC Birmingham Colmore Row Group P O Box 34, 15 Colmore Row Birmingham B3 2BY
Registrars:	Northern Registrars Ltd Northern House Penistone Road, Fenay Bridge Huddersfield HD8 0LA
Taxation Advisors:	Chiltern Financial Services PLC 90 Tottenham Court Road London W1P 0AA

# SUMMARY

## FINANCIAL HIGHLIGHTS

	1995	1994	Annual Growth %
Turnover (£'000)	57,362	37,975	+51%
Operating Profit (£'000)	3,827	2,396	+60%
Profit before Tax (£'000)	3,050	1,819	+68%
Earnings per Share (pence)	17.7	12.5	+42%
Dividends per Share (pence)	6.7	5.3	+26%
Debt/Equity	57%	72%	

## OPERATIONAL HIGHLIGHTS

\* Another Record Year in all respects

Second successive year

\* Successful integration of Plastech Extrusions

\* Target Return on Sales achieved at Iridon within 3 years of acquisition

\* Horizon profitable

\* 20% real growth maintained in Compounds division

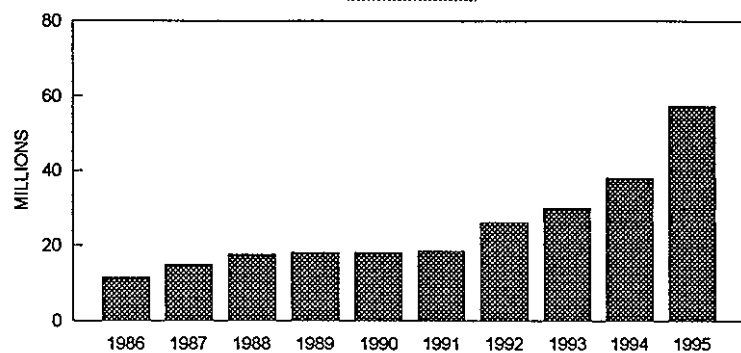
\* Further Capacity increases

40% at Compounds

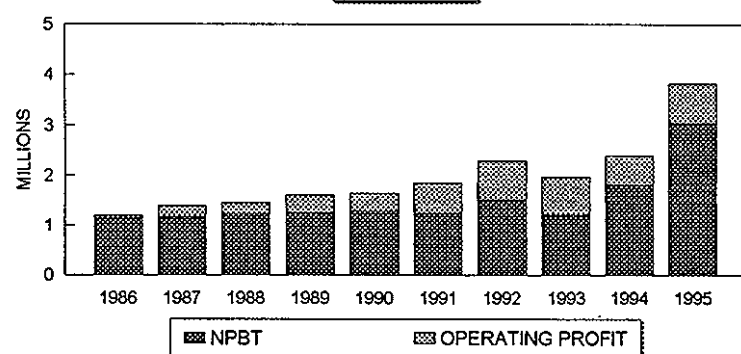
20% at Redhill

15% at Iridon

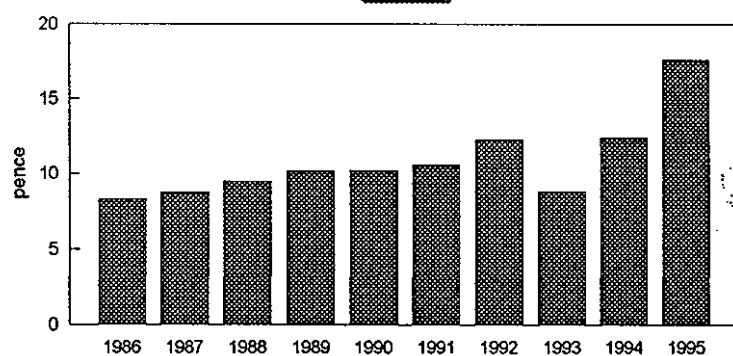
## SALES



## PROFIT



## EPS



## **CHAIRMAN'S STATEMENT**

### **Annual Profits**

1995 was another record year for Doeflex in all respects. For the first time profits were in excess of £3m.

Pre-tax profits in 1995 were 68% ahead of last year at £3.05m (£1.82m) and earnings per share were over 40% up at 17.65p (12.45p). Sales were 51% ahead at £57.4m (£38m) with operating profits 60% ahead. Dividends have been increased by 26%.

Some of this growth was associated with the acquisition of Plastech during the year. Excluding Plastech, growth of both sales and operating profits was about 40%.

### **Trading Review**

#### ***Compounding Division***

Higher raw material prices exaggerated sales growth which was 46% for the year. Volume growth was some 21% ahead of the previous year, making this the third consecutive year in which real growth has exceeded 20%.

Following sustained marketing investment over recent years, this division's sales in a number of specialist continental EC markets are now growing rapidly. This success, together with the continuing growth being experienced in our established UK markets will present a real challenge as we operate at the limits of capacity during the first half of the year.

Further improvements in productivity can be achieved, and significant further capacity will become progressively available during the year due to the completion of the expansion programme which I announced in September.

This project is by far the largest expansion in our history but I remain confident that this division's fine management team will continue to maintain tight control over costs and quality throughout the year, that all new capacity will be commissioned on time and that significant further growth in sales and profits will be secured.

#### ***Thermoplastic Sheet Division***

Good organic sales growth continued at approximately 30% over the previous year which, after including six months' trading by Plastech, resulted in a sales increase of 50% for the division as a whole.

All operating companies in the division had a very satisfactory year, but the highlights were the establishment of solid profits at Horizon in Antwerp and outstanding results at Iridon. In both cases, quality and productivity have been greatly improved over the past two years and overall margins steadily rose as a series of new products reached the market.

Following approval at the EGM in June 1995, Plastech Extrusions Limited was acquired on 22nd June. Contribution to profits was in line with expectations and I am delighted to record the smooth integration of this very successful business into the Doeflex group.

### **Raw Material Prices**

After rising unusually quickly in 1994 and in the first half of 1995, raw material prices then fell unusually quickly during the second half. Relative stability has now been reached, with modest increases being expected during the first half of 1996. Since the upheavals of 1994/5 were caused by changing global as well as EC demand, medium term prospects remain uncertain. However, as in the past, I do not expect any such movements to impede the further development of Doeflex.

### **People**

The key factor in producing these results and enhancing longer term growth prospects remains the skill and dedication of all our employees. I thank everyone at Doeflex for their contribution to our continued success and would like to take this opportunity to welcome everyone at Plastech to the Doeflex Group.

This year, the Board has decided to start a Group SAYE "Save As You Earn" scheme and I hope many employees will take advantage of an attractive opportunity to own a stake in Doeflex.

### **Debt**

Despite a strong projected cash flow, we expect a modest increase from current levels while we continue to finance fast growth in sales and pay for large increases in the capacity of both divisions.

### **Dividend**

The Board has recommended a final dividend of 4.6p per ordinary share (1994: 3.7p). This, taken together with the interim dividend of 2.1p (1994 1.6p) makes a dividend of 6.7p (1994 5.3p) an increase of 26% on 1994. Following approval of the accounts by shareholders, the final dividend will be paid on 31 May 1996 to shareholders on the register on 8 May 1996.

### **Future Prospects**

Doeflex is in good shape. We have excellent management teams and well defined plans and we are making good progress towards the achievement of our most important strategic goals. We expect sustained growth in all our UK markets and though most continental EC markets remain depressed, prospects in our more specialist niches are promising.

# OPERATING AND FINANCIAL REVIEW

## COMPOUNDING DIVISION

This division manufactures and sells a range of specialist PVC and polypropylene compounds in granular and powder form used primarily in the profile extrusion process. Our objective is to build a leading position in certain areas of the UK thermoplastic compounding market, a business which represents an important interface between polymer production and the plastics processor.

### *The Production Process*

PVC is a versatile plastic and may be compounded with a variety of additives to make end products which can be as rigid as window frames or as flexible as rubber. The production process involves the blending of a number of additives with PVC polymer, which is converted by a continuous compounding process into homogeneous granules or powder for subsequent processing by other manufacturers. To ensure products of consistent quality, the process requires meticulous attention to formulation and process control.

### *Turnover for the Year*

Sales were £27m (£18m) an increase of 48%.

### *Highlights of the Year*

As reported last year, new products designed for carefully chosen areas of the window market were launched at the end of 1994. Dedicated production capacity was commissioned early in 1995 and has been an outstanding success.

Intensive market and product development work continued in our flexible PVC sector and in continental EC markets for special grades of rigid PVC. Full exploitation must await the further capacity planned for 1996.

A review of manufacturing systems and procedures has been completed which is expected to yield valuable improvements in raw material usage. The changes envisaged should mean that virtually no material will need to be disposed of as refuse.

The division will be operating at the limits of its capacity for the first half of the year. Thereafter significant additional equipment should be in place.



## **THERMOPLASTIC SHEET DIVISION**

This Division manufactures on four separate sites and sells a range of materials in the form of rigid extruded sheet. Our objective is to build a leading position in certain areas of the European rigid sheet market.

In pursuance of this goal, Doeflex acquired the Iridon division of the Lawson Mardon Group in St Albans and Horizon Industries NV in Antwerp. In 1995 Doeflex acquired Plastech Extrusions Limited.

The Thermoplastic Sheet Division operates closer to a service business than a manufacturing one. We operate large and expensive equipment but our competitive advantage lies in a carefully developed management system designed to provide customers with flexibility and service by the timely provision of consistent products tailor-made to individual applications.

### ***The Production Process***

The Division provides a number of different types of sheet materials to a wide range of industries. The more specialist markets demand particular properties from the sheet in terms of its ability to resist heat, chemical corrosion or stress. The production process involves the blending and melting of thermoplastics with a variety of additives under carefully controlled conditions at very high-pressure to provide a range of flat sheet and rolled material in thickness from 0.3 mm to 12 mm in a diversity of widths and finishes.

### ***Turnover for the Year***

Sales were £30m (£20m) an increase of 50%

### ***Doeflex Industries (Redhill)***

Despite the constraints of the site and the absence of new capacity, productivity increased by an impressive 8%. A fine performance which contributed to another very successful year for Doeflex's original and biggest sheet factory.

### ***Horizon (Antwerp)***

The improved results achieved in the first half continued in the second, resulting in a satisfactory year as a whole. Our policy of specialisation has been a notable feature. Three major new customers and growth of 30% in the key target market reflects the progress made on this site.

### ***Iridon (St. Albans)***

Sales to targeted sectors of the market increased 60% with overall volume up 20%. Costs were reduced and quality improved leading to outstanding results for the year. Development effort is now being increased to back up the continuing penetration of our more specialist markets.

### ***Plastech Extrusions (Widnes)***

Despite the changes inherent in the merger with Doeflex which took place on 22nd June 1995, Plastech continued to consolidate its leading position in the polyolefin sheet market. Results were ahead of expectations.

## **BOARD OF DIRECTORS**

### **Richard Bickerton FCA, MBA (Chairman) \***

Richard Bickerton acquired an MBA at Columbia University, New York. He was deputy managing director of Batchelor Holdings Limited before leaving that company in February 1980 as part of the management buy-out of Doeflex Limited.

### **Colin Eccles (Managing Director)**

Colin Eccles joined Doeflex Industries in 1966 from Monsanto Chemicals Limited and was appointed a Director in 1972. He is responsible for the Thermoplastic Sheet Division.

### **Thomas Durkin (Managing Director)**

Tom Durkin joined Doeflex Industries in 1968 and was appointed a Director in 1984. He is responsible for the PVC Division.

### **William Trendell FCCA, BSc (Finance Director)**

Bill Trendell joined Doeflex PLC in 1989 from BTR PLC where he had worked for 8 years. He was appointed a Director in 1990.

### **Jeremy Francis (Non-Executive) \*\***

Jeremy Francis was legal and property director and company secretary of The Gateway Corporation PLC prior to their take over in 1989. He has extensive experience in dealing with acquisitions, trademarks, patents, insurance and property matters. He was appointed a non-executive Director in 1987. He is Chairman of the Audit Committee.

### **Kenneth Robinson (Non-Executive) \*\***

Ken Robinson spent the majority of his career with Evode and has over 30 years' experience in the plastics industry. He is the Managing Director of Channel Creasing Matrix Limited and Chairman of the Remuneration Committee.

\* Member of Audit Committee

\*\* Member of Audit and Remuneration Committee

## **CORPORATE GOVERNANCE**

### **Compliance**

The Company has complied throughout the year with the Code of Best Practice issued by the Committee on the Financial Aspects of Corporate Governance (the Cadbury Committee) with the exception that the board considers the Code's recommendation that there be a minimum of three non-executive directors to be inappropriate in the context of the size of the company. Consequently the constitution of the Audit Committee does not comply with the recommendations of the code.

The two non-executive directors constitute a strong and independent element on the board and their views carry weight in the board's decisions. They constitute the Audit Committee which meets at least twice each year. Other directors are entitled to attend meetings of the Committee but are required to withdraw when so requested. the Committee may invite the Company's auditors to attend such of its meetings as it sees fit.

The role and composition of the Remuneration Committee is described on page 13.

After making enquiries, the Directors have a reasonable expectation that the company has 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 accounts.

The Company's auditors, Ernst & Young have reviewed this statement of compliance with the Code to the extent required by the London Stock Exchange's Listing Rules. Their report appears on page 12. The constitution of the board is kept under review and changes are made when appropriate and in the best interests of the company. The board meets regularly during the year and has a formal schedule of matters reserved for its attention.

### **INTERNAL FINANCIAL CONTROL**

In a decentralised Group, a well-designed system of internal financial reporting and control is essential. the board of directors has overall responsibility for the system of internal financial control within the Group and has reviewed the effectiveness thereof. The system is designed to provide reasonable but not absolute assurance that the assets of the Group are safeguarded, that proper accounting records are maintained and that reliable financial information is produced.

The board is responsible for identifying the major business risks faced by the group and for determining the appropriate course of action to manage those risks.

A risk assessment has been carried out by a specialised internal audit company.

The Group adopts conservative accounting policies which are applied uniformly across the Group.

Further internal control is exercised by monthly monitoring of financial performance by comparison with budgets, forecasts and cash targets, both by local subsidiary management and by directors of the Company. Monitoring of compliance with the Group's system of internal financial control is undertaken by all levels of management.

On behalf of the board

Jeremy Francis  
Chairman

22 March 1996.

## REPORT BY THE AUDITORS

to Doeflex Plc on corporate governance matters

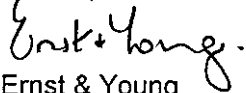
In addition to our audit of the accounts we have reviewed the directors' statements on page 11 on the company's compliance with the paragraphs of the Code of Best Practice specified for our review by the London Stock Exchange. The objective is to draw attention to any non-compliance with those paragraphs of the Code which are not disclosed.

We carried out our review in accordance with Bulletin 1995/1 'Disclosures relating to corporate governance' issued by the Auditing Practices Board, and assessed whether the Directors' statements on going concern and internal financial control are consistent with the information of which we are aware from our audit. That Bulletin does not require us to perform the additional work necessary to, and we do not express any opinion on the effectiveness of either the group's system of internal financial control or the company's corporate governance procedures nor on the ability of the group to continue in operational existence.

### Opinion

With respect to the directors' statements on internal financial control and going concern on page 11, in our opinion the directors have provided the disclosures required by paragraphs 4.5 and 4.6 of the Code (as supplemented by the related guidance for directors) and such statements are consistent with the information of which we are aware from our audit work on the accounts.

Based on enquiry of certain directors and officers of the company, and examination of relevant documents, in our opinion the directors' statement on page 11 appropriately reflects the company's compliance with the other paragraphs of the Code specified for our review.



Ernst & Young  
Chartered Accountants  
London  
22 March 1996

## REPORT OF THE REMUNERATION COMMITTEE

### 1. *Composition of the Remuneration Committee*

Ken Robinson (Chairman)  
Jeremy Francis

The committee, which consists of the non-executive directors, meets, on average, twice a year and is responsible for advising on remuneration policy for senior executives and for determining the remuneration packages of the executive directors.

### 2. *Compliance*

The Remuneration Committee considers that the company now complies with Section A of the best practice provisions annexed to the Listing Rules. The principles considered in framing its remuneration policy for 1995 are consistent with those set out in Section B of those provisions.

### 3. *Policy on Remuneration of Executive Directors and Senior Executives*

#### 1. *Total Level of Remuneration*

The Remuneration Committee aims to ensure that remuneration packages offered are competitive and designed to attract retain and motivate executive directors and senior executives of the right calibre.

#### 2. *The Main Components*

##### (i) Basic Salary and Benefits

The salary and benefits of executive directors are renewed annually. Benefits are principally associated with the provision of a car and private health care.

##### (ii) Share Options

No share options were issued to directors during the year. The committee is currently formulating a new share option policy following recent fiscal changes and in doing so will give full consideration to the best practice provisions annexed to the Listing Rules.

##### (iii) Performance Related Bonuses

The bonuses payable to all executive directors are based on a common fixed formula tied solely to the growth in earnings per share. No bonus is payable unless EPS has risen more than 10% over the corresponding period. All directors' bonuses are capped at 60% of salary which is payable if EPS growth exceeds 30%. EPS growth is calculated for this purpose after adjusting for inflation and the bonus itself.

(iv) Companies used for Comparison

In assessing all aspects of pay and benefits, Doeflex compares the packages offered by similar companies. These companies are chosen having regard to:

- (i) the size of the company, its turnover, profits and number of people employed
- (ii) the geographical spread of the businesses
- (iii) the similarity to Doeflex's type of business

(v) Company Pensions' Policy regarding Executive Directors

The directors participate in a defined contribution scheme. Pensionable salary is the directors' basic salary.

(vi) Policy on Contracts of Service

The notice period for termination of all executive directors' service contracts is one year.

3. *Non-Executive Directors*

The remuneration for non-executive directors consists of fees for their services in connection with Board and Board Committee meetings or devoting additional time and expertise for the benefit of the Group. They do not have contracts of service, are not eligible for pension scheme membership and do not participate in any of the Group's bonus, share option or other incentive schemes.

# **Directors' Remuneration**

	Basic Salary £'000	Fees £'000	Benefits £'000	Performance Related Bonus £'000	Total Remuneration excluding pension		Pension Contributions	
					1995 £'000	1994 £'000	1995 £'000	1994 £'000
<b>Executive</b>								
Richard Bickerton	88	-	7	53	148	118	14	11
Tom Durkin	79	-	7	41	127	114	12	10
Colin Eccles	79	-	6	71	156	83	12	10
Bill Trendell	59	-	4	36	99	73	4	3
<b>Non-Executive</b>								
Jeremy Francis	-	12	-	-	12	12	-	-
Ken Robinson	-	10	-	-	10	8	-	-
	305	22	24	201	552	408	42	34

The performance related bonuses are based on a common fixed formula tied solely to the growth in earnings per share.

Number of Directors within ranges excluding pension contributions.

	Number	Number
£5,001-£10,000	1	1
£10,001-£15,000	1	1
£70,001-£75,000	-	1
£80,001-£85,000	-	1
£95,001-£100,000	1	-
£110,001-£115,000	-	1
£115,001-£120,000	-	1
£125,001-£130,000	1	-
£145,001-£150,000	1	-
£155,001-£160,000	1	-

## **Directors' Share Options**

Directors	Number of Options			Exercise Price	Date from which exercisable
	At 1/1/95	During Year Granted    Exercised	At 31/12/95		
T F Durkin	7,500	-            -	7,500	81p	21/4/95
W A Trendell	30,000	-            30,000	-	74p	9/5/93
	7,500	-            7,500	-	81p	21/4/95
	15,000	-            -	15,000	118p	25/10/97

The market price of the shares at 31 December 1995 was 208p and the range during 1995 was 123p to 233p. The shares were exercised at a price of 199p.

# REPORT OF THE DIRECTORS

The directors present their report and the accounts of the company and the group for the year ended 31 December 1995.

## Results and dividends

The group's consolidated net profit for the year after taxation, was £2,250,000 (1994 £1,322,000)

The directors recommend that a final ordinary dividend of 4.60 pence per share (1994 3.70p) amounting to £669,000 (1994 £398,000) be paid on 31 May 1996 to ordinary shareholders whose names appear in the register at close of business on 8 May 1996.

That dividend together with the interim dividend of 2.10 pence per share (1994 1.60p) already paid will make a total dividend on the ordinary shares of 6.70 pence (1994 5.30p) amounting to £974,000 (1994 £570,000) which leaves a profit for the year of £1,276,000 (1994 £752,000) to be transferred to the reserves.

## Principal activity

The principal activity of the group continues to be the manufacturing of specialist thermoplastic materials. Further details of these activities are described in the statement by the chairman and in the review of operations which appear on pages 6 to 9.

## Directors

The present directors of the company are shown on page 10. Mr K.J.Robinson, who has no service contract and Mr W.A.Trendell who has a one year service contract, retire by rotation at the company's Annual General Meeting on 23 May 1996 and being eligible offer themselves for re-election.

No contracts apart from service contracts, in which any director was materially interested and which were significant in relation to the company's business and that of its subsidiary undertakings, subsisted at the end or during the financial year.

The interests in the shares in the company of the persons who were directors of the company on 31 December 1995 were as follows:

	Fully paid ordinary shares of 10p each					
	Holding at			Holding at		
	31 December 1995			31 December 1994		
	Beneficial <u>Interest</u>	Other <u>Interest</u>	<u>Options</u>	Beneficial <u>Interest</u>	Other <u>Interest</u>	<u>Options</u>
R.H.C.Bickerton	1,127,732	1,669,934	-	2,202,732	594,934	-
C.Eccles	197,500	590,370	-	197,500	590,370	-
T.F.Durkin	138,097	20,370	7,500	138,097	20,370	7,500
W.A.Trendell	-	23,812	15,000	-	1,176	52,500
J.J.F.Francis	-	-	-	-	-	-
K.J.Robinson	-	-	-	-	-	-

To date there has been no change to the information shown above.

No director held any beneficial interest in shares or debentures of any other group company.

## Fixed Assets

Changes in the fixed assets of the group are disclosed on page 25 and the company on page 32.

The directors are satisfied that the market value of the group's properties was not materially different from the amounts at which they are included in the accounts.



### Substantial interests

According to the register maintained under the Companies Act 1985 the following, other than directors, had notified an interest in 3 per cent or more of the voting share capital of the company at 22 March 1996.

	Ordinary shares	Per Cent
Edinburgh Fund Managers PLC	1,720,000	11.85%
PDFM Limited	1,492,284	10.28%
Premium Life Investment Services Limited	990,596	6.82%
S Gould	475,999	3.28%

### Share option scheme

Options to subscribe for a total of 152,000 ordinary shares of 10p each were offered and accepted by employees of the group under the provisions of the company's share option scheme approved by special resolution on 22 April 1987, and by the Inland Revenue under Finance Act 1984(as amended) on 8 June 1987.

### Health,safety and welfare

The established overall policies and objectives of the group in employee health, safety and welfare matters continue to be under the regular and close scrutiny of the directors.

### Employment of disabled persons

It is the policy of the group to give full and fair consideration to applications for employment which are received from disabled persons, having regard to their particular aptitudes and abilities.

### Research and development

The company has undertaken significant development of new products, a policy which will continue in the future.

### Employee involvement

The group's policy is to keep employees informed on matters of concern to them as employees and to encourage employee involvement. This policy is implemented primarily on a divisional rather than a group basis.

### Special business

The special business to be dealt with at the company's Annual General Meeting is set out in Resolution 5 in the notice of meeting on page 33. Adoption of the resolution will enable the directors during the current year to issue new shares(other than by way of bonus issue) equivalent to 5% of the existing issued share capital of the company without further approval of the shareholders.

### Liability insurance for Company Officers

During the year the company purchased and maintained liability insurance for its directors and officers as permitted by section 310(3) of the Companies Act 1985.

### Auditors

A resolution to re-appoint Ernst & Young as auditors and for their remuneration to be fixed by the directors will be proposed at the Annual General Meeting.

By Order of the Board



W A Trendell  
Secretary

22 March 1996

## STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period. In preparing those accounts, the directors are required to:

- \* select suitable accounting policies and then apply them consistently;
- \* make judgements and estimates that are reasonable and prudent;
- \* state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- \* prepare the accounts on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors confirm that the accounts comply with the above requirements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## REPORT OF THE AUDITORS

To the members of Doeflex PLC

We have audited the accounts on pages 18 to 32, which have been prepared under the historical cost convention as modified by the revaluation of certain land and buildings and on the basis of the accounting policies set out on pages 21 and 22. We have also examined the amounts disclosed relating to the emoluments and share options of the directors which form part of the report to shareholders by the remuneration committee on pages 13 and 14.

### Respective responsibilities of directors and auditors

As described above the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

### Basis of opinion

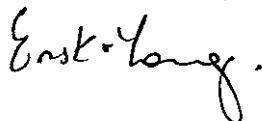
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts 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 accounts.

### Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group as at 31 December 1995 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

ERNST & YOUNG  
Chartered Accountants  
Registered Auditor  
London 22 March 1996



## GROUP PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1995

Notes	1995 £'000	1994 £'000
1 Turnover- Continuing Operations		
ongoing	52,918	37,975
acquisitions	4,444	-
	<u>57,362</u>	<u>37,975</u>
2 Operating Profit- Continuing Operations		
ongoing	3,290	2,396
acquisitions	537	-
	<u>3,827</u>	<u>2,396</u>
4 Interest	777	577
Profit on ordinary activities before taxation	<u>3,050</u>	<u>1,819</u>
5 Tax on profit on ordinary activities	800	497
Profit on ordinary activities after taxation	<u>2,250</u>	<u>1,322</u>
6 Dividends	974	570
Retained profit for the year	<u>1,276</u>	<u>752</u>
7 Earnings per 10p ordinary share	<u>17.65p</u>	<u>12.45p</u>

A statement of the movement on reserves is given in note 15.

## GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 December 1995

	1995 £'000	1994 £'000
Profits attributable to ordinary shareholders	2,250	1,322
15 Exchange differences on foreign net investments	(77)	(35)
Total recognised gains and losses relating to the year	<u>2,173</u>	<u>1,287</u>


The notes on pages 21 to 30 form part of the accounts.

# GROUP BALANCE SHEET

at 31 December 1995

Notes	1995 £'000	1994 £'000
Fixed Assets		
8 Tangible Assets	14,795	10,712
Current Assets		
9 Stocks	5,465	5,330
10 Debtors	15,746	10,284
	<u>21,211</u>	<u>15,614</u>
11 Creditors-due within one year		
Bank and other borrowings	2,951	2,427
Other Creditors	15,357	10,830
	<u>18,308</u>	<u>13,257</u>
Net Current Assets	2,903	2,357
Total Assets less Current Liabilities	17,698	13,069
11 Creditors-due after one year	3,888	3,796
Provisions for Liabilities and Charges		
13 Deferred taxation	1,191	653
	<u>12,619</u>	<u>8,620</u>
FINANCED BY:		
Capital and Reserves		
14 Called up Share Capital	1,452	1,076
15 Share Premium	9,376	3,335
15 Revaluation Reserves	1,115	1,127
15 Goodwill Reserves	(5,222)	(1,605)
15 Profit and Loss Account	5,898	4,687
16 Shareholders' Funds	<u>12,619</u>	<u>8,620</u>

  
R.H.C. Bickerton  
Director

  
W.A. Trendell  
Director

The Accounts were approved by the Board of Directors on 22 March 1996.  
The notes on pages 21 to 30 form part of the accounts.

# GROUP CASHFLOW STATEMENT

for the year ended 31 December 1995

Notes	1995 £'000	1995 £'000	1994 £'000	1994 £'000
20(i) Net cashflow from operating activities		4,449		2,846
Returns on investments and servicing of finance				
Interest paid	(703)		(587)	
Dividends paid	(728)		(490)	
Net cash outflow from returns on investments and servicing of finance		(1,431)		(1,077)
UK corporation tax paid		(453)		(478)
Investing activities				
Purchases of property, plant and equipment	(3,071)		(2,782)	
17 Purchase of subsidiaries, net of cash acquired	(5,749)		(84)	
Proceeds from sale of fixed assets	193		2,250	
Net cash outflow from investing activities		(8,627)		(616)
Net cash (outflow)/inflow before financing		(6,062)		675
Financing				
20(v) Proceeds from new borrowings	(2,555)		(984)	
20(v) Principal repayments of finance lease	70		29	
20(v) Repayments of borrowings	1,915		739	
20(iv) Proceeds from sale of shares for cash	(6,417)		(145)	
Net cash inflow from financing		(6,987)		(361)
20(iii) Increase in cash and cash equivalents		925		1,036
		(6,062)		675

## ACCOUNTING POLICIES

(i) Accounting Convention

The accounts are prepared under the historical cost convention, modified to include the revaluation of certain freehold land and buildings, and in accordance with applicable accounting standards.

(ii) Basis of Consolidation

The group accounts consolidate the accounts of Doeflex PLC and all its subsidiary undertakings which are all made up to 31 December each year. The group profit and loss account includes the results of all subsidiary undertakings for the period from 1 January 1995 or from the date of acquisition if later. No profit and loss account is presented for Doeflex PLC as permitted by S.230 of the Companies Act 1985.

(iii) Goodwill

Purchased goodwill arising on the acquisition of a subsidiary undertaking, representing the difference between the fair value of the net assets acquired and the consideration given, is set off directly against the revenue reserves.

(iv) Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, 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 4 to 5 years

(v) Stock valuation

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 activity.

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

(vi) Deferred Taxation

Deferred taxation is provided on the liability method on all timing differences except for those which are not expected to reverse in the future, calculated at the rate at which it is anticipated the timing differences will reverse. Advance corporation tax which is expected to be recoverable in the future is deducted from the deferred taxation balance.

## ACCOUNTING POLICIES continued

### (vii) Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date, except where a hedge exists in which case the contract rate is used. Transactions in foreign currencies are recorded at the rate ruling at the date of the transactions.

The accounts of overseas subsidiary undertakings are translated at the rate of exchange ruling at the balance sheet date. The exchange difference arising on the retranslation of opening net assets is taken directly to reserves. All other translation differences are taken to the profit and loss account with the exception of differences on foreign currency borrowings to the extent that they are used to finance or provide a hedge against group equity investments in foreign enterprises, which are taken directly to reserves together with the exchange difference on the carrying amount of the related investments.

### (viii) Research and Development

Research and development expenditure is written off as incurred, except that development expenditure incurred on an individual project is carried forward when its future recoverability can be foreseen with reasonable assurance. Any expenditure carried forward is amortised over its useful life and classified as an intangible asset.

### (ix) 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.

Rentals paid under operating leases are charged to income on a straight line basis over the term of the lease.

### (x) Pension commitments

The group operates a defined contribution scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. All pension contributions made by the group including contributions to individual private pension schemes are charged to income as incurred. There were no outstanding or prepaid contributions at the Balance Sheet Date.

# NOTES TO THE ACCOUNTS

## 1 Turnover

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

The group operates in one area of continuing activity, that of processing of thermoplastic materials.

An analysis of turnover by geographical market is as follows:

	UK		Rest of EC		Rest of World		Total	
	1995	1994	1995	1994	1995	1994	1995	1994
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>TURNOVER</b>								
Turnover by Destination								
Sales to third parties	42,233	28,272	14,024	9,012	1,105	691	57,362	37,975
Turnover by origin								
Sales to third parties	48,398	31,970	8,964	6,005	-	-	57,362	37,975
<b>PROFIT</b>								
Operating Profit	3,318	2,196	509	200	-	-	3,827	2,396
Interest							777	577
Profit on ordinary activities before taxation							3,050	1,819
<b>NET ASSETS</b>								
Net assets by origin	16,000	11,281	3,796	3,588	-	-	19,796	14,869
Unallocated liabilities							(7,177)	(6,249)
Total Net Assets							12,619	8,620

Unallocated liabilities comprise bank overdrafts, bank loans and finance leases.

## 2 Operating Profit

	Ongoing	Acquisitions	1995 Group	1994 Group
	£'000	£'000	£'000	£'000
Turnover	52,918	4,444	57,362	37,975
Cost of Sales	41,046	2,957	44,003	28,308
Gross Profit	11,872	1,487	13,359	9,667
Distribution costs	1,545	165	1,710	1,243
Administration costs	7,037	785	7,822	6,028
Operating profit	3,290	537	3,827	2,396
Operating profit is stated after charging:				
Depreciation			1,556	1,177
Gain on routine disposal of fixed assets			24	103
Operating leases-buildings			518	284
-plant and machinery			245	245
Auditors' remuneration-audit services			51	40
-non audit services			76	6
Directors' emoluments including fees of £22,000(1994 £20,000)			594	440



# NOTES TO THE ACCOUNTS continued

## 3 Staff Costs

	1995 Number	1994 Number
Average number of employees		
Manufacturing	199	163
Office and Management	103	83
Head office	5	5
	<u>307</u>	<u>251</u>

	1995 £'000	1994 £'000
Employees costs		
Wages and salaries	6,332	5,133
Social security costs	906	782
Other pension costs	140	132
	<u>7,378</u>	<u>6,047</u>

## 4 Interest Payable

	1995 £'000	1994 £'000
Bank loans and overdraft		
-wholly repayable within five years	450	303
-not wholly repayable within five years	238	239
Finance leases	89	35
	<u>777</u>	<u>577</u>

## 5 Tax on Profit on Ordinary Activities

The group taxation charge comprises:

	1995 £'000	1994 £'000
Based on the profit for the year:		
Corporation tax at an effective rate of 33% (1994 33%)	670	421
Prior year adjustment	-	(9)
Deferred taxation	130	85
	<u>800</u>	<u>497</u>

## 6 Dividends

	1995 £'000	1994 £'000
Ordinary-interim paid	305	172
-proposed final	669	398
	<u>974</u>	<u>570</u>

## 7 Earnings per Share

Earnings per share have been calculated as follows:

	1995 £'000	1994 £'000
Profit after tax	2,250	1,322
Ordinary shares	12,748	10,620
Earnings per 10p ordinary share	17.65p	12.45p

## 8 Tangible Fixed Assets

	Land and Buildings <u>£'000</u>	Plant and Machinery <u>£'000</u>	Fixtures and Fittings <u>£'000</u>	Motor Vehicles <u>£'000</u>	Total <u>£'000</u>
Cost or valuation					
At 1 January 1995	4,091	11,754	532	764	17,141
Currency fluctuations	125	160	12	6	303
Additions	359	2,280	119	313	3,071
Acquisition of business	178	2,075	50	189	2,492
Disposals	-	(45)	(2)	(255)	(302)
At 31 December 1995	4,753	16,224	711	1,017	22,705
Depreciation:					
At 1 January 1995	346	5,464	262	357	6,429
Currency fluctuations	5	44	7	2	58
Provided during the year	83	1,199	78	196	1,556
Disposals	-	(2)	(2)	(129)	(133)
At 31 December 1995	434	6,705	345	426	7,910
Net book values:					
At 31 December 1995	4,319	9,519	366	591	14,795
At 1 January 1995	3,745	6,290	270	407	10,712

The freehold property at 42-44 Holmethorpe Avenue was valued on an open market basis for existing use on 19 December 1989. The historical cost of land and buildings at 31 December 1995 was £2,654,000 (1994 £2,639,000) and the related depreciation was £259,000 (1994 £300,000).

The net book value of land and buildings comprises:

	1995 <u>£'000</u>	1994 <u>£'000</u>
Freehold	3,511	3,427
Short Leasehold	808	318
	4,319	3,745

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

	Cost <u>£'000</u>	Depreciation <u>£'000</u>	Net Book Value <u>£'000</u>
At 1 January 1995	2,113	1,285	828
Acquisition of business	409	-	409
Provided during the year	-	253	(253)
At 31 December 1995	2,522	1,538	984

## 9 Stocks

	1995 £'000	1994 £'000
Raw Materials	3,361	3,576
Finished Goods	2,104	1,754
	<u>5,465</u>	<u>5,330</u>

## 10 Debtors

	1995 £'000	1994 £'000
Trade Debtors	14,530	9,410
Other Debtors	827	636
Prepayments and accrued income	389	238
	<u>15,746</u>	<u>10,284</u>

## 11 Creditors

	1995		1994	
	Due within 1 year £'000	Due after 1 year £'000	Due within 1 year £'000	Due after 1 year £'000
Secured bank overdraft	195	-	1,030	-
Secured bank loans	2,756	3,167	1,397	3,582
	<u>2,951</u>	<u>3,167</u>	<u>2,427</u>	<u>3,582</u>
Trade Creditors	9,885	-	8,031	-
Social Security and other taxes	441	-	284	-
UK Taxation payable	808	-	441	-
Other creditors and accruals	3,216	-	1,650	-
Installments on finance leases(note 12)	338	721	26	214
Proposed dividend	669	-	398	-
Other Creditors	<u>15,357</u>	<u>721</u>	<u>10,830</u>	<u>214</u>
Total Creditors	<u>18,308</u>	<u>3,888</u>	<u>13,257</u>	<u>3,796</u>
Due over one and under two years		1,235		495
Due over two and under five years		1,810		1,886
Due after five years		843		1,415
		<u>3,888</u>		<u>3,796</u>

Details of loans not wholly repayable within five years are as follows:

£'000

Floating rate loan repayable in quarterly installments from 28 November 1996

1,532

8.9% loan repayable in quarterly installments from 5 March 1995

919

The group's main banker has a fixed and floating charge over the assets of the group.

## 12 Obligation Under Leases

### a) Operating lease commitments

The group's annual aggregate commitments under non-cancellable operating leases were as set out below:

		1995 £'000	1994 £'000
Land and buildings:			
Operating Leases which expire	-within 1 year	38	32
	-within 2-5 years	93	38
	-over five years	507	448
Plant and machinery			
Operating Leases which expire	-within 2-5 years	245	245

### b) Finance lease commitments

Shown on balance sheet (Note 11)

Current obligations		338	26
Non-current obligations	-due within 2-5 years	633	97
	-due over 5 years	88	117
		<u>1,059</u>	<u>240</u>

## 13 Deferred Taxation

The deferred taxation liability calculated comprises:

	1995 £'000	1994 £'000
Capital allowances in advance of depreciation	1,127	553
Finance lease rentals in advance of depreciation and interest	231	200
	<u>1,358</u>	<u>753</u>
Less: Advance corporation tax	167	100
	<u>1,191</u>	<u>653</u>

Deferred tax of £337,000 (1994 £341,000) has not been provided on the revalued land and buildings as the directors do not expect to dispose of the relevant property in the foreseeable future.

## 14 Share Capital

	1995 £'000	1994 £'000
<b>Authorised</b>		
20,000,000 ordinary shares of 10p each (1994 14,250,000)	<u>2,000</u>	<u>1,425</u>
<b>Allotted, called up and fully paid</b>		
14,520,889 ordinary shares 10p each (1994 10,756,526)	<u>1,452</u>	<u>1,076</u>

During the year the Company allotted 3,764,363 ordinary shares having an aggregate nominal value of £376,436 as follows:

15,000 at a premium of £9,750 for the exercise of share options on 13 April 1995  
 3,711,863 at a premium of £6,124,574 by way of a placing and open offer primarily for the acquisition of Plastech Extrusions Limited on 22nd June 1995.  
 30,000 at a premium of £19,200 for the exercise of share options on 14 July 1995.  
 7,500 at a premium of £5,325 for the exercise of share options on 14 July 1995.

The company has a share option scheme under which options to subscribe for the company's shares have been granted to certain executives as detailed below.

No: of Shares at 1.1.95	Exercised in Year	No: of Shares at 31.12.95	Exercise Price	Period Exercisable
15,000	-	15,000	1.33p	07.11.90-06.11.97
37,000	30,000	7,000	0.74p	09.05.93-08.05.00
35,000	15,000	20,000	0.75p	15.11.94-14.11.01
67,500	7,500	60,000	0.81p	21.04.95-20.04.02
35,000	-	35,000	1.33p	21.04.96-20.04.03
15,000	-	15,000	1.18p	25.10.97-24.10.04

In addition the following share options were granted upon the acquisition of Plastech Extrusions Limited a) 250,000 shares at £1.75 exercisable between 22 June 1998 and 21 June 2005 and b) 100,000 shares at £1.90 exercisable between 22 June 1998 and 21 June 2000.

## 15 Reserves

	Share Premium Account £'000	Reval- uation Reserves £'000	Goodwill Reserves £'000	Profit and Loss Account £'000
At 1 January 1995	3,335	1,127	(1,605)	4,687
Currency fluctuations	-	-	-	(77)
Premium on shares issued	6,159	-	-	-
Issue expenses written off	(118)	-	-	-
Depreciation transfer	-	(12)	-	12
Goodwill written off	-	-	(3,617)	-
Retained Profit	-	-	-	1,276
At 31 December 1995	9,376	1,115	(5,222)	5,898

The goodwill written off relates to the acquisitions of Plastech Extrusions Limited on 22nd June 1995 and Berryplas Limited on 9th January 1995.

Goodwill cumulatively eliminated against reserves to date amounts to £5,222,000 (1994 £1,605,000).

## 16 Reconciliation of Shareholders' Funds

	1995 £'000	1994 £'000
At 1 January 1995	8,620	7,842
Profit for the year	2,250	1,322
Other recognised gains and losses	(77)	(35)
Dividends	(974)	(570)
Shares issued	376	17
Premium on shares issued	6,159	128
Issue expenses written off	(118)	-
Goodwill written off	(3,617)	(84)
At 31 December 1995	12,619	8,620

## 17 Acquisitions

Acquisitions completed in the year were as follows:

	Cash £'000	Total £'000	Fair value of assets acquired £'000	Goodwill £'000
Plastech Extrusions Limited	4,362	4,362	944	3,418
Berryplas Limited	362	362	163	199
	4,724	4,724	1,107	3,617
Bank overdraft acquired	1,025			
Net cash outflow	5,749			

Adjustments have been made to reflect the fair value of assets acquired as follows:

Plastech Extrusions Limited	Net tangible assets acquired £'000	Fair value adjustments £'000	Fair value of assets acquired £'000
Fixed assets	2,476	(53)	2,423
Stocks	1,229	(112)	1,117
Other current assets	2,568	(110)	2,458
Creditors and accruals	(4,933)	(121)	(5,054)
	1,340	(396)	944

The fair value adjustment for fixed assets, stocks and other current assets were required to harmonise group accounting policies and the adjustment for creditors and accruals comprise liabilities arising from trading prior to acquisition

Cash flows relating to the Plastech acquisition:

Plastech Extrusions Limited absorbed £390,000 of the group's operating cash flows, paid £108,000 interest and utilised £201,000 for investing activities.

Plastech Extrusions Limited earned a profit after tax of £39,000 in the 9 months ended 31 December 1995 (Year ended 31/3/95 £194,000) of which a loss of £316,000 arose in the period 1 April 1995 to 22 June 1995. The summarised profit and loss account for the period from 1 April 1995 to the effective date of the acquisition is as follows;

	1/4/95
	<u>- 22/6/95</u>
Turnover	
Operating Profit	141
Fair value adjustments	(396)
Interest	<u>(61)</u>
Profit before Taxation	(316)
Taxation	-
Loss for Period 1 April- 22nd June 1995	<u>(316)</u>

Berryplas Limited	Net tangible assets acquired	Fair value adjustments	Fair value of assets acquired
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Net Assets	163	-	163

#### 18 Capital Commitments

	1995	1994
	<u>£'000</u>	<u>£'000</u>
Contracted for but not provided in the accounts	2,251	782
Authorised by the directors but not contracted	<u>410</u>	<u>317</u>
	2,661	1,099

#### 19 Contingent Liabilities

At the end of the year, all companies within the Doeflex Group were party to an agreement with its bankers whereby all banking transactions are dealt with through a joint account, and the companies have a joint and several guarantee for the total amount outstanding from time to time.

## 20 Cash Flow Statement

### (i) Reconciliation of Operating Profit to net cash inflow from Operating Activities

	1995 £'000	1994 £'000
Net cashflow from operating activities		
Operating Profit	3,827	2,396
Gain on disposal of fixed assets	(24)	(103)
Depreciation	1,556	1,177
Increase (Decrease) in stocks	1,099	(1,092)
(Increase) in debtors and prepayments	(2,675)	(1,924)
Increase in creditors & accruals	666	2,392
	<u>4,449</u>	<u>2,846</u>

### (ii) Analysis of the balances of cash and cash equivalents

Bank overdraft	(195)	(1,030)
	<u>(195)</u>	<u>(1,030)</u>

### (iii) Analysis of changes in cash and cash equivalents

At 1 January 1995	(1,030)	(2,031)
Net cash inflow	925	1,036
Currency fluctuations	(90)	(35)
At 31 December 1995	<u>(195)</u>	<u>(1,030)</u>

### (iv) Analysis of changes in share capital and share premium during the year

At 1 January 1995	4,411	4,266
Shares issued for cash	6,535	145
Cost of shares issued	(118)	-
At 31 December 1995	<u>10,828</u>	<u>4,411</u>

### (v) Analysis of changes in loans and lease finance during the year

At 1 January 1995	5,219	4,725
Repayment of loans	(1,915)	(739)
Repayment of finance lease obligations	(70)	(29)
Proceeds of new borrowings	2,555	984
Loans and lease obligations of subsidiaries acquired in the year	886	-
Currency fluctuations	307	278
At 31 December 1995	<u>6,982</u>	<u>5,219</u>

# HOLDING COMPANY BALANCE SHEET AND NOTES

at 31 December 1995

## Notes

	1995 <u>£'000</u>	1994 <u>£'000</u>
Fixed Assets:		
(i) Tangible assets	56	63
(ii) Investment in subsidiary undertakings	722	484
	<u>778</u>	<u>547</u>
Current assets:		
Cash at bank	7,153	2,843
(iii) Debtors-due within one year	2	29
-after one year	5,060	2,414
(iv) Creditors:amounts falling due within one year	1,285	837
Net current assets	<u>10,930</u>	<u>4,449</u>
(v) Creditors:amounts falling due after one year	242	-
Total assets less current liabilities	<u>11,466</u>	<u>4,996</u>
Capital and reserves:		
(vi) Called up share capital	1,452	1,076
(vii) Share premium	9,376	3,335
(vii) Profit and loss account	638	585
(viii) Shareholders' Funds	<u>11,466</u>	<u>4,996</u>

  
W.A. Trendell

22 March 1996

The notes on page 32 form part of these accounts.



# HOLDING COMPANY BALANCE SHEET AND NOTES

(i) Tangible Fixed Assets	Plant and Machinery £'000	Fixtures and Fittings £'000	Motor Vehicles £'000	Total £'000
Cost:				
At 1 January 1995	14	43	59	116
Additions	5	1	38	44
Disposals	-	-	(38)	(38)
At 31 December 1995	19	44	59	122

Depreciation:				
At 1 January 1995	8	35	10	53
Provided during the year	4	4	14	22
Disposals	-	-	(9)	(9)
At 31 December 1995	12	39	15	66
Net book value:				
At 31 December 1995	7	5	44	56
Net book value:				
At 1 January 1995	6	8	49	63

## (ii) Investment in Subsidiary Undertakings

Cost:	
At 1 January 1995	628
Additions	238
At 31 December 1995	866
Amounts provided:	
At 1 January and 31 December 1995	144
Net Book Value:	
At 1 January 1995	484
At 31 December 1995	722

The group holds more than 10% of the equity of the following companies. Unless otherwise stated, shares held are ordinary shares and the percentage held is 100%. The country of incorporation is the country of operation. Unless otherwise stated, the nature of the business is processing thermoplastic materials.

Name of Company	Country of operation
Doeflex Industries Limited	UK
Doeflex Properties Limited	UK
Augusta Extrusions Limited	UK
Doeflex Vinyl Limited	UK
*Plastech Extrusions Limited	UK
*Berryplas Limited	UK
*Iridon Limited	UK
*Doeflex Sheet Limited	UK
*Horizon Industries NV	Belgium
*Doeflex Deutschland GmbH	Germany

\* held by subsidiary undertaking.

(iii) Debtors	1995 £'000	1994 £'000
Amount owed by subsidiary undertakings	5,060	2,440
Other debtors	2	3
	5,062	2,443

Of the total amount owed by subsidiary undertakings, the amount of £5,060,000 (1994 £2,414,000) is receivable after more than one year.

## (iv) Creditors: amounts falling due within one year

	1995 £'000	1994 £'000
Trade Creditors	95	96
Other taxes and social security costs	94	46
Other creditors and accruals	427	297
Proposed dividends	669	398
	1,285	837

## (v) Creditors: amounts falling due after one year

Bank Loan	242
-----------	-----

## (vi) Share Capital

The share capital of the company is as documented in note 15 to the group accounts.

(vii) Reserves	£'000
Share premium	
At 1 January 1995	3,335
Premium on shares issued	6,159
Issue expenses written off	(118)
At 31 December 1995	9,376

Profit and Loss Account	
At 1 January 1995	585
Retained profit for the year	53
At 31 December 1995	638

(viii) Reconciliation of Shareholders' Funds	1995 £'000	1994 £'000
At 1 January 1995	4,996	4,825
Profit for the year	53	26
Shares issued	376	17
Premium on shares issued	6,159	128
At 31 December 1995	11,584	4,996

## (ix) Contingent Liabilities

At the end of the year, all UK companies within the Doeflex Group were party to an agreement with its bankers whereby all banking transactions are dealt with through a joint account, and the companies have a joint and several guarantee for the total amount outstanding from time to time.

The guarantee is supported by a fixed and floating charge over the assets of the company and each of its subsidiary undertakings.

## (x) Profit

The net profit before tax dealt with in the accounts of the parent company was £1,027,000 (1994 £560,000)

## NOTICE OF MEETING

Notice is hereby given that the Sixteenth Annual General Meeting of the company will be held at 56 Holmethorpe Avenue, Redhill RH1 2NR on 23 May 1996, at 12 noon, for the purpose of transacting the following business:

### Ordinary business

- 1 To receive the report and the accounts for the year ended 31 December 1995 together with the report of the auditors thereon.
- 2 To declare a final dividend on the ordinary shares of 4.60p per share, in respect of the year ended 31 December 1995, payable on 31 May 1996 to ordinary shareholders of the company on the register of members at the close of business on 8 May 1996.
- 3 To re-elect Mr K.J. Robinson as a director who retires by rotation as a director of the company.
- 4 To re-elect Mr W.A. Trendell as a director who retires by rotation as a director of the company.
- 5 To re-appoint Ernst & Young to hold office as auditors from the conclusion of the meeting until the conclusion of the next general meeting of the company at which the requirements of Section 241 of the Companies Act 1985 are complied with, and to authorise the directors to fix the remuneration of the auditors.

### Special business

As special business to consider and, if thought fit, pass the following resolutions the first of which will be proposed as special resolution and the second of which will be proposed as an ordinary, namely:

- 6 "In accordance with Section 95 of the Companies Act 1985 the Directors be and they are hereby empowered until conclusion of the next Annual General Meeting ("the expiry date") to allot equity securities (as defined in Section 94(2) of the Companies Act 1985), pursuant to the authority conferred by paragraph 2.2 of resolution (d) passed at the Extraordinary General Meeting of the company held on 19 June 1995, as if Section 89(1) of the Companies Act 1985 did not apply to such allotments, provided that the power is limited to:
  - (i) the allotment of equity securities in connection with a rights issue in favour of the holders of ordinary shares (notwithstanding that by reason of such exclusions as the directors may deem necessary to deal with problems arising in any overseas territory, in connection with fractional entitlements or otherwise howsoever, the equity securities to be issued are not offered to all such holders in proportion to the number of ordinary shares held by each of them); and
  - (ii) the allotment (otherwise than pursuant to sub-paragraph (i) above) of equity securities up to an aggregate nominal amount equal to £72,604and provided further that this authority shall extend to the making, before the expiry date, and to any agreement which will, or may require any such equity securities to be allotted after the expiry date, and to any allotment made pursuant to any right arising from the acceptance of any such offer, or from any such agreements."
- 7 "There was produced to the meeting (and initialled by the Chairman for the purpose of identification) a copy of the rules which it is proposed that the company should adopt as its Save-As-You-Earn share option Scheme, to be approved by the Board of Inland Revenue under schedule 9 to the Income and Corporation Taxes Act 1988, particulars of which were set out in the Chairman's letter to shareholders dated 23 April 1996 ("Scheme"). It was resolved that
  - (i) the Scheme, in the form produced to the meeting, be and it is hereby adopted as the company's Save-As-You-Earn share option Scheme, with such amendments thereto as the directors may deem appropriate in order to obtain approval thereto from the Board of Inland Revenue under schedule 9 to the Income and Corporation Taxes Act 1988;
  - (ii) the directors be and they are hereby authorised to do all acts and things necessary or expedient (including making modifications as aforesaid) to implement the Scheme.
  - (iii) the directors be and they are hereby authorised to vote and be counted in the quorum at any meeting of the directors at which any matter connected with the Scheme is considered or decided; and
  - (iv) the directors be and they are hereby authorised to grant options over ordinary shares in the authorised but unissued share capital of the company in accordance with the Scheme and to allot and issue shares upon the exercise of such options.

By order of the Board

W A Trendell, Secretary

56 Holmethorpe Avenue  
Redhill  
RH1 2NR

22 March 1996

### Notes

Holders of ordinary shares, who alone are entitled to attend and vote at the meeting, may appoint one or more proxies to attend and, on a poll, vote instead of them. A proxy need not be a member of the company. A form of proxy is enclosed which, to be effective, must be delivered, together with any power of attorney or other form of authority under which it is signed, to the company's registrars, Northern Registrars Ltd, Northern House, Portsmouth Road, Poissy Bridge, Bude 54 4D, not less than forty-eight hours before the time appointed for the holding of the meeting.

Appointment of a proxy will not preclude a holder of ordinary shares from attending the meeting and voting in person.

Copies, or memoranda, of the terms of all directors' service contracts of more than one year's duration are and will be available for inspection at the registered office of the company, 56 Holmethorpe Avenue, Redhill during usual business hours on any weekday (Saturdays and public holidays excluded) from the date of this notice until the date of the meeting and on the date and at the place of the meeting from 11.45 am until the conclusion of the meeting.

The register of interests and transactions of directors (and their families) in the shares of the company and its subsidiary undertakings will be available for inspection at the commencement of, and during the continuance of, the Annual General Meeting.