[illegible]

DOEFLEX
PLC

Doeflex manufactures a range of innovative plastic materials on five separate sites.

These products are made on complex equipment to demanding technical specifications for a number of carefully selected markets.

The company's objective is to produce a well above average growth in earnings per share by concentrating on the development of its current activities in Europe.

CONTENTS

DOEFLEX PLC

SUMMARY

FINANCIAL HIGHLIGHTS

	1993	1992	Annual Growth %
Turnover (£'000)	29,927	26,102	+15
Operating Profit (£'000)	1,976	2,286	−14
Profit before Tax (£'000)	1,224	1,511	−19
Earnings per Share (pence)	8.8	12.3	−28
Dividends per Share (pence)	4.6	4.6	—
Debt : Equity	86%	92%	

OPERATIONAL HIGHLIGHTS

- Group Sales up 15 per cent
  Strong recovery in some important UK markets

- PVC Division performs well
  Sales 16 per cent ahead of corresponding period
  New products and increased market share

- Sheet Division affected by European recession
  Operating losses at Horizon in Antwerp
  Quality and productivity improve across the Division

- Continuing Implementation of Strategy
  Significant further investment at Horizon and PVC Division

- Record order intake in 1994
  but margins remain tight

TEN YEAR SUMMARY

	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
Turnover	8,201	9,130	11,474	14,862	17,669	18,129	18,126	18,564	26,102	29,927
Operating Profit	586	754	1,193	1,381	1,445	1,601	1,634	[illegible]	2,286	1,976
NPBT	439	639	1,142	1,164	1,227	1,259	1,275	1,237	1,511	1,224
EPS	2.77	4.26	8.27	8.78	9.47	10.18	[illegible]	10.59	12.28	8.83

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 takeover 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 a director of Mosaic Plc and Managing Director and former owner of Channel Creasing Matrix Limited, a subsidiary of Mosaic PLC. He is Chairman of the Remuneration Committee.

* Member of Audit Committee
** Member of Audit and Remuneration Committee

The Board of Directors, comprising four executive and two non-executive directors, meets at least once every two months. The Board is responsible, *inter alia*, for overall Group strategy, financing arrangements, acquisitions and divestments, approval of an annually updated strategic plan, approval of the annual budget, major capital expenditure projects, risk management and treasury policies and the establishment and monitoring of internal controls. At each meeting, it reviews the progress of the Group towards its objectives, particularly in respect of development projects and monitors financial performance against budget.

BOARD COMMITTEES

Audit Committee

The Audit Committee is chaired by J.J.F. Francis with K.J. Robinson and R.H.C. Bickerton as members with W.A. Trendell in attendance as requested. It monitors the adequacy of the Group's internal controls, accounting policies and financial reporting and provides a forum through which the Group's external audit function reports to the Board of Directors. The Committee meets at least twice a year with the Group's external auditors in the absence of any executive directors. The Committee also reviews the Company's annual accounts and interim reports prior to their submission for approval by the full Board.

Remuneration Committee

The Remuneration Committee is made up entirely of non-executive directors of the company and is chaired by K.J. Robinson. J.J.F. Francis is the other member with R.H.C. Bickerton in attendance as requested. The main responsibilities of the Committee are:

(a) to approve the overall, annual salary increases for the Group and the specific salaries and benefits of certain senior managers;

(b) to make recommendations to the full Board on the levels of benefit and remuneration for executive directors and to approve any service contracts for directors, and

(c) to approve the grant of any options under the Company's share option scheme.

RESULTS FOR 1993

On sales of £30m (1992 £26m) we achieved operating profits of £2m (1992 £2.3m) and profit before tax of £1.2m (1992 £1.5m). Earnings per share were 8.8p (1992 12.3p).

TRADING REVIEW

Our established UK businesses continued to perform well maintaining a high return on investment.

Within the PVC division, which accounts for some 40 per cent of Group turnover, we saw a recovery in the DIY and construction markets which are important to us. The division had another very successful year, increasing sales by 16 per cent over the corresponding period, building on our reputation for outstanding service and quality. The Board has recently authorised a series of major investment projects which are designed to ensure continued growth for this division in the years ahead.

Whilst our thermoplastic sheet activity based at Redhill had a very satisfactory year we did see some erosion of margins, due to the depth of the recession in Continental Europe. The binder for these accounts is an example of just one of many applications for embossed polypropylene, which is a very versatile and durable sheet material. Sales of this material were 26 per cent higher than in 1992 and we are now operating at full capacity. A new production line has been ordered for delivery in the middle of 1994 for installation at Horizon in Belgium. This factory is ideally located to serve our rapidly expanding export markets for this product.

Despite the successes, 1993 proved to be a difficult year for Doeflex and it is clearly disappointing to have to report the first decline in EPS for ten years. Many of our UK markets demonstrated growth but the dominant feature of the year was our exposure to the first full year of the deep recession in Continental Europe.

Whilst we were able to limit the effect of the continental recession on our established UK business, we could not escape the impact on our Belgian subsidiary. Operating losses are continuing to be incurred as we contend with established competitors throughout Continental Europe operating far below capacity, but no picture of Horizon would be complete without recognising the remarkable improvements in quality, productivity and management control that have been achieved over the past eighteen months.

STRATEGY

Both Indon and Horizon were acquired in pursuance of a long term plan for the development of our sheet division which recognised the threats as well as the opportunities posed by the development of the European single market. Despite the short term results, we envisage no change to this strategy and as I indicated earlier, significant further investment is under way at Horizon, in particular to provide additional capacity for our very successful range of embossed polypropylene sheet.

The European sheet industry is being extensively restructured and I am confident that a more orderly market will emerge which will yield major benefits to Doeflex as the market returns to more normal levels of activity

PEOPLE

We continue to concentrate our resources on improving productivity and achieving ever more consistent quality. Even so, the main determinant of success remains the continuing hard work, flexibility and commitment of all those who work for the group and I would like to take this opportunity to thank them on your behalf.

DEBT

The strong position of our established UK businesses has enabled us to undertake extensive investment in projects designed to reinforce our competitiveness. Even so gearing has dropped to 56 per cent from 92 per cent last year and 118 per cent in 1991 After the Balance Sheet date, conditional contracts were exchanged for the sale and leaseback of our freehold factory in Swindon, Wiltshire. A circular will be posted in due course, but the effect will be to reduce gearing by approximately 30 percentage points.

DIVIDENDS

Your Board has recommended that an unchanged dividend of 3p be paid on 30 May to shareholders on the register on 28 April 1994. This, taken together with the interim dividend of 1.6p (1992. 1.6p) makes an unchanged dividend for the year of 4.6p.

FUTURE PROSPECTS

Some increase in overall demand is now evident in Continental Europe and indeed we have a full order book at Horizon, but margins there remain very tight. We cannot therefore be more than cautiously optimistic as to the degree of recovery which we are likely to see during 1994.

However, in the slightly longer term the future remains exciting given the potential of our two recent acquisitions and our continuing leadership in the markets we have selected

R.H.C. Bickerton
Chairman

POLICY

We are committed to policies of decentralisation and delegation within a clear strategic framework and agreed objectives

We participate in markets where we have, or can obtain, a significant share and where there are attractive growth opportunities.

DIVISIONAL TURNOVER

	1993 £000	1992 £000
PVC	13,235	[illegible]
Thermoplastic Sheet	16,692	[illegible]
Group Sales	29,927	[illegible]

PVC DIVISION

This Division manufactures and sells a range of PVC compounds used primarily in the extrusion 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 for subsequent processing by other manufacturers. The process requires meticulous attention to heat stability and consistency.

There were clear signs of recovery from the depressed levels experienced in certain sections of the market in 1991–92 but market conditions remained competitive throughout the year. In particular, raw material prices increased very substantially in the second half. An increase which we only partially recovered from increases in our own selling prices.

The PVC Division continues to perform outstandingly well and the board has approved a major investment in equipment and property designed to increase capacity, improve productivity and further enhance our ability to produce consistent quality at high volume.

THERMOPLASTIC SHEET DIVISION

Our objective remains the construction of the best thermoplastic sheet company in Europe. In pursuance of this goal, Doeflex recently acquired the Iridon division of the Lawson Mardon Group and Horizon Industries N.V.

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.

Customers therefore tend to be local in European terms and the acquisition of Horizon and Iridon has given the group access to additional customers as well as increased production capacity and new technology

In order to speed up the reorganisation of Iridon, a restructuring of divisional management took place in February. The successful manufacturing manager at Redhill was appointed General Manager of Iridon and an experienced shift manager at Redhill was promoted to the role of production manager at Iridon. At Redhill, our experienced commercial manager was promoted to General Manager and one new senior manager was recruited.

All involved have risen to their new challenges and this important development of the Sheet Division has been highly successful.

Divisional Activity

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 wide range of flat sheet and rolled material in thickness from 0.3 mm to 12 mm in a diversity of widths and finishes.

Doeflex Industries (Redhill)

Overall sales volume was ahead, but margins were under pressure throughout the year reflecting the dislocation being experienced by over capacity in many areas of thermoplastic sheet business in Europe as a whole. Despite this and the management changes outlined above results were very satisfactory, though below the record posted in 1992.

Horizon Industries NV

Colin Eccles has continued to devote a significant proportion of his time to the development of Horizon.

As noted in the Chairman's statement, the company operated at a significant loss during 1993 and continues to do so. Nevertheless, remarkable progress has been made towards the establishment of competitive standards of productivity and quality and the development of effective management control systems. Major new investment is under way at Horizon to provide additional capacity for our very successful embossed polypropylene business of which the binder for these annual accounts is an example. This product is sold throughout Continental Europe and Antwerp is an ideal manufacturing site.

Iridon

The Iridon division of Lawson Mardon was acquired by Doeflex in August 1992. Though very profitable in the past, this company had performed unsatisfactorily for some time before acquisition by Doeflex. Doeflex manufacturing procedures, which have been so successful at Redhill, have been put in place at Iridon. Extensive restructuring of the management team has taken place.

Though the company produced a small operating profit in 1993 it was below budget. Manufacturing inefficiency and low productivity were rightly seen as the key defects when we acquired the company and the most important of these problems have been solved. We now have to turn our attention to demonstrating to the market that Fridsn's traditional quality has been fully restored.

REPORT OF THE DIRECTORS

The directors present their report and the accounts of the company and the group for the year ended 31 December 1993.

Results and dividends

The group's consolidated net profit for the year after taxation, was £928,000 (1992 £1,116,000)

The directors recommend that a final ordinary dividend of 3.00 pence per share (1992 3.00p) amounting to £318,000 (1992: £312,000) be paid on 30 May 1994 to ordinary shareholders whose names appear in the register at close of business on 28 April 1994

That dividend together with the interim dividend of 1.60 pence per share (1992: 1.60p) already paid will make a total dividend on the ordinary shares of 4.60 pence (1992: 4.60p) amounting to £488,000 (1992: £472,000) which leaves a profit for the year of £440,000 (1992, £644,000) to be transferred to the reserves.

Principal activities

The principal activities of the group and significant changes in those activities are described in the statement by the chairman and in the review of activities which appear on pages 6 to 10.

Directors

The present directors of the company are shown on page 4. Mr K J. Robinson retires by rotation at the company's Annual General Meeting on 26 May 1994 and being eligible offers himself 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 1993 were as follows:

	Fully paid ordinary shares of 10p each					
	Holding at 31 December 1993			Holding at 31 December 1992		
	Beneficial Interest	Other Interest	Options	Beneficial Interest	Other Interest	Options
R.H.C. Bickerton	2,310,000	594,934	—	2,310,000	594,934	—
C. Eccles	197 500	590,370	—	197,500	590 370	—
T.F. Durkin	120,097	370	157,500	120,097	—	157,500
W.A. Trendell	—	1,176	37,500	—	1 176	37,500
J.J.F. Francis	—	—	—	5,555	—	—
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 24 and the company on page 30.

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 9 March 1994.

	Ordinary shares	Per cent
The Throgmorton Trust PLC	1,103,672	10.42
Postel Investment Management Limited	944,774	8.92
Premium Life Investment Services Limited	770,464	7.27
M.N. Richardson and M.C. Gowar	350,000	3.30
3i	330,000	3.12
Friends Provident Ethical Investment Trust PLC	330,000	3.12

Close company provisions

The directors are satisfied that the company is not a close company in terms of the Income and Corporation Taxes Act 1970.

Share option scheme

Options to subscribe for a total of 354,500 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 expenditure in this area, 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.

Charitable and political contributions

No contribution was made to any political party and payments to local charities totalled less than £200

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 32. 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 per cent 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.

Post Balance Sheet event

Conditional contracts were exchanged on 18 March 1994 for the sale and leaseback of the [illegible] factory in Swindon. The net sales proceeds were £2,150,000 which gives rise to no significant gain or loss. The factory has been leased back over 30 years at an initial rent of £240,000 per annum.

Corporate governance

The [illegible] Committee recognised that two of the matters in the Code of Best Practice could not be complied with until appropriate guidance had been developed. These two matters are that the directors should report on the effectiveness of the company's system of internal control and that the directors should report that the business is a going concern, with supporting assumptions or qualifications as necessary. Such guidance has not yet been finalised and, accordingly, the directors make no comment.

With the exception of the following three matters, the directors consider that they have fully complied throughout the year with the Code of Best Practice:

- Paragraph 1.2 of the Code recommends a division of responsibility between Chairman and Chief Executive.
- Paragraph 1.5 of the Code recommends there should be an agreed procedure for directors to take independent professional advice.
- Paragraph 4.3 of the Code recommends that the board should establish an audit committee of at least three non-executive directors.

On 18 March 1994 Mr R.H.C. Bickerton relinquished his position as Chief Executive whilst continuing as Executive Chairman.

An agreed procedure for directors seeking independent professional advice will be put in place in 1994.

The Board has decided not to comply with Paragraph 4.3 as the two non-executive directors comprise a strong and independent element on the board and are of high calibre and, as such, their views are important and carry significant weight in the board's decisions.

The company's auditors, Ernst & Young, have reviewed the above statement insofar as it relates to the paragraphs of the Code specified by The London Stock Exchange for their review. They have reported to us that, based on their review, they concur with the above statement.

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. Trengell
Secretary

18 March 1994

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 16 to 30, 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 19 to 20.

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 1993 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 18 March 1994

Ernst & Young

DOEFLEX
PLC

GROUP PROFIT AND LOSS ACCOUNT

for the year ended 31 December 1993

Notes		1993 £000	1992 £000
1	Turnover	29,927	26,102
2	Operating Profit	1,976	2,286
5	*Interest*	752	775
	Profit on ordinary activities before taxation	1,224	1,511
6	Tax on profit on ordinary *activities*	296	494
	Profit on ordinary activities after taxation	928	1,017
	Minority Interests	—	99
	Profits attributable to ordinary *shareholders*	928	1,116
7	*Dividends*	488	472
	Retained profit for the year	440	644
8	Earnings per 10p ordinary share *(pence)*	8.83p	12.28p

A statement on the movement on reserves is given in note 16.

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

for the year ended 31 December 1993

Notes		1993 £000	1992 £000
	Profits attributable to ordinary shareholders	928	1,116
16	Exchange differences on *foreign net investments*	(39)	[illegible]
16	Costs of shares issued	(38)	[illegible]
	Total recognised gains and losses relating to the year	851	[illegible]

The notes on pages 19 to 28 form part of the accounts.

DOEFLEX
PLC

GROUP BALANCE SHEET

at 31 December 1993

Notes		1993 £'000	1992 £'000
	Fixed Assets		
9	Tangible assets	11,049	11,316
	Current Assets		
10	Stocks	4,201	3,359
11	Debtors	8,231	7,359
		12,432	10,718
12	Creditors - due within one year		
	Bank and other borrowings	2,677	4,035
	Other Creditors	8,323	7,396
		11,000	11,431
	Net Current Assets/(Liabilities)	1,432	(713)
	Total Assets less Current Liabilities	12,481	10,603
13	Creditors - due after one year	4,050	2,610
	Provisions for Liabilities and Charges		
14	Deferred taxation	589	736
		7,842	7,257
	FINANCED BY:		
	Capital and Reserves		
15	Called up share capital	1,059	1,049
16	Share premium	3,207	3,043
16	Revaluation reserves	1,139	1,151
16	Profit and loss account	2,437	2,014
17	Shareholders' Funds	7,842	7,257

R.H.C. Bickerton
Director

W.A. Trencell
Director

The Accounts were approved by the Board of Directors on 18 March 1994
The notes on pages 19 to 28 form part of these accounts.

DOEFLEX PLC

GROUP CASH FLOW STATEMENT

for the year ended 31 December 1993

Notes		1993 £'000	1993 £'000	1992 £'000	1992 £'000
20(i)	Net cashflow from operating activities		2 289		2 552
	Returns on investments and servicing of finance				
	Interest paid	(785)		(751)	
	Dividends paid	(482)		(390)	
	Net cash outflow from returns on investments and servicing of finance		(1,267)		(1 141)
	UK corporation tax paid		(403)		(304)
	Investing activities				
	Purchases of property, plant and equipment	(1,088)		(1 036)	
	Purchase of subsidiaries, net of cash acquired	—		(2 024)	
	Proceeds from sale of plant	34		1 196	
	Net cash outflow from investing activities		(1,054)		(1 864)
	Net cash outflow before financing		(435)		(757)
	Financing				
20(v)	Proceeds from new borrowings	(1,837)		(994)	
20(v)	Proceeds from new leases	(263)		–	
20(v)	Principal repayments of finance leases	79		472	
20(v)	Repayments of borrowings	1,046		[illegible]	
20(iv)	Proceeds from sale of shares for cash	(184)		(1 421)	
	Repayment of Minority shareholder loan	—		[illegible]	
	Net cash inflow from financing		(1,159)		(410)
20(iii)	Increase/(Decrease) in cash and cash equivalents		724		(347)
			(435)		(757)

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 1993 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 of 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

(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.

1 **Turnover and segmental analysis**

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	
	1993	1992	1993	1992	1993	1992	1993	1992
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
TURNOVER								
Turnover by destination								
Sales to third parties	22,265	18 784	7,438	7,014	224	304	29 927	26 102
Turnover by origin								
Total Sales	25,504	20 772	4,423	5,330	—	—	29 927	26 102
PROFIT								
Operating Profit	2,040	1 782	(64)	504	—	—	1 976	2 286
Interest							752	775
Profit on ordinary activities before taxation							1,224	1 511
NET ASSETS								
Net assets by origin	10,998	9 934	3,571	3,968	—	—	14 569	13 902
Unallocated liabilities							(6 727)	(6 645)
Total Net Assets							7,842	7 257

Unallocated liabilities comprise bank overdrafts, bank loans and finance leases

2 **Operating profit**

	1993 Group £'000	1992 Group £'000
Turnover	29,927	26,102
Cost of Sales	21 653	18 214
Gross Profit	8 274	7 888
Distribution costs	1 017	882
Administration costs	5 281	4 720
Operating profit	1 976	2 286
Operating profit is stated after charging:		
Depreciation	1 147	[illegible]
Operating leases – buildings	122	129
– plant and machinery	251	179
Auditors' remuneration – audit services	36	39
– non audit services	2	36
Directors' emoluments including fees of £16,000 (1992: £16,000)	339	330

3 Staff costs

	1993 Number	1992 Number
Average number of employees by division		
Thermoplastic sheet	153	120
PVC Compounds	76	79
Head office	8	8
	237	207

	1993 £'000	1992 £'000
Employees costs		
Wages and salaries	4,412	3,864
Social security costs	702	552
Other pension costs	101	141
	5,215	4,557

4 Directors' Remuneration

	1993 £'000	1992 £'000
Fees	16	16
Other emoluments including pension contributions		
basic salaries	282	[illegible]
benefits	24	20
performance related bonuses	-	42
pension contributions	17	84
	339	[illegible]

The performance related bonuses are calculated based on a fixed formula measuring the growth in earnings per share.

	1993 Chairman and Highest paid Director £	1992 Chairman £	1992 Highest paid Director £
Salary	82,400	78,375	[illegible]
Benefits	7,871	7,463	[illegible]
Performance related bonuses	—	—	[illegible]
	90,271	85,838	[illegible]
Pensions	4,963	36,605	[illegible]
	9[illegible] 234	122,443	[illegible]

Number of Directors within ranges	Number	Number
£ 5,001–£10,000	2	2
£50,001–£55,000	1	
£70,001–£75,000	–	1
£75,001–£80,000	–	1
£80,001–£85,000	2	
£85,001–£90,000	–	1
£90,001–£95,000	1	–
£95,001–£100 000	–	1

5 **Interest Payable**

	1993 £'000	1992 £'000
Bank loans and overdraft		
—wholly repayable within five years	447	556
—not wholly repayable within five years	289	198
Finance leases	16	21
	752	775

6 **Tax on Profit on Ordinary Activities**

The group taxation charge comprises:

	1993 £'000	1992 £'000
Based on the profit for the year:		
Corporation tax at an effective rate of 33% (1992: 33%)	510	324
Prior year adjustment	(34)	69
Deferred taxation	(180)	101
	296	494

7 **Dividends**

	1993 £'000	1992 £'000
Ordinary – interim paid	170	160
– proposed final	318	312
	488	472

8 **Earnings per Share**

Earnings per share have been calculated as follows:

	1993 £'000	1992 £'000
Profit after tax	928	1,116
Ordinary shares	10,509	[illegible]
Earnings per 10p ordinary share	8.83p	12.2?p

The calculation of earnings per ordinary share is based on 10,508,936 ordinary shares, being the weighted average number of ordinary shares in issue during the year (1992: [illegible]).

9 Tangible Fixed Assets

	Land and Buildings £'000	Plant and Machinery £'000	Fixtures and Fittings £'000	Motor Vehicles £'000	Total £'000
Cost or valuation					
At 1 January 1993	6,039	9,137	428	521	16,125
Currency fluctuations	(85)	(56)	(8)	(2)	(151)
Additions	89	758	47	194	1,088
Disposals	—	(90)	(6)	(87)	(183)
At 31 December 1993	6,043	9,749	461	626	16,879
Depreciation:					
At 1 January 1993	267	4,092	189	261	4,809
Currency fluctuations	(2)	31	(2)	(1)	26
Provided during the year	81	890	55	121	1,147
Disposals	—	(80)	(2)	(70)	(152)
At 31 December 1993	346	4,933	240	311	5,830
Net book values:					
At 31 December 1993	5,697	4,816	221	315	11,049
At 1 January 1993	5,772	5,045	239	260	11,316

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 1993 was £4,732,000 (1992: £4,643,000) and the related depreciation was £300,000 (1992: £231,000). Deferred tax has not been provided on the revaluation surplus on the basis that there are no plans to sell the property.

The net book value of land and buildings comprises:

	1993 £'000	1992 £'000
Freehold	5,593	5,704
Short Leasehold	104	68
	5,697	5,772

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

	Cost £'000	Depreciation £'000	Net Book Value £'000
At 1 January 1993	1,867	888	979
Provided during the year	—	198	(198)
Additions	246	—	246
At 31 December 1993	2,113	1,086	1,027

10 Stocks

	1993 £'000	1992 £'000
Raw Materials	2,727	2 027
Finished Goods	1,474	1,332
	4,201	3,359

11 Debtors

	1993 £'000	1992 £'000
Trade Debtors	7,451	6 797
Other Debtors	569	415
Prepayments and accrued income	211	147
	8 231	7 359

12 Creditors

	1993		1992	
	Due within 1 year £'000	Due after 1 year £'000	Due within 1 year £'000	Due after 1 year £'000
Secured bank overdraft	2,031	—	2 508	—
Secured bank loans	646	3,512	1 227	2 595
	2,677	3 812	4 635	2 595
Trade Creditors	6,076	—	4 530	—
Social Security and other taxes	261	—	421	—
UK Taxation payable	485	—	279	—
Other creditors and accruals	1,154	—	1 781	—
Instalments on finance leases (note 13)	29	238	73	15
Proposed dividend	318	—	312	—
Other Creditors	8,323	238	7 396	15
Total Creditors	11,000	4,050	11 431	2 610
Due over one and under two years		556		714
Due over two and under five years		1,565		1 264
Due after five years		1,929		632
		4 050		2 610

Details of loans not wholly repayable within five years are as follows	£'000
Floating rate loan repayable in quarterly instalments from 28 November 1996	1 304
Floating rate loan repayable in quarterly instalments from 28 February 1994	2 000
10.0% loan repayable in quarterly instalments from 5 February 1993	160
10.0% loan repayable in quarterly instalments from 5 February 1993	639
8.1% loan repayable in quarterly instalments from 25 August 1989	164

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

13 Obligation Under Leases

a) Operating lease commitments

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

		1993 £'000	1992 £'000
Land and buildings.			
Operating Leases which expire	– within 1 year	38	-
	– within 2–5 years	32	38
	– over five years	102	113
Plant and machinery			
Operating Leases which expire	– within 2–5 years	251	245

b) Finance lease commitments
Shown on balance sheet (Note 12)

		1993	1992
Current obligations		29	73
Non-current obligations	– due within 2–5 years	95	15
	– due over 5 years	143	–
		267	88

14 Deferred Taxation

The deferred taxation liability calculated on the full provision basis comprises.

	1993 £'000	1992 £'000
Capital allowances in advance of depreciation	407	492
Other timing diterences	—	33
Finance lease rentals in advance of depreciation and interest	261	323
	668	848
Less: Advance corporation tax	79	112
	589	736

15 Share Capital

	1993 £'000	1992 £'000
Authorised		
14,250,000 ordinary shares of 10p each (1992 14,250,000)	1 425	1 425
Allotted, called up and fully paid		
10,591,526 ordinary shares of 10p each (1992 10,388,969)	1 059	1 039

During the year the Company allotted 202,557 ordinary shares having an aggregate nominal value of £20,256 as follows:

150,557 at a premium of £167,118 for the deferred consideration on the purchase of the minority interest of Horizon Industries NV on 28 May 1993

25,000 at a premium of £16,000 for the exercise of share options on 12 May 1993

27,000 at a premium of £19,200 for the exercise of share options on 18 June 1993

16 Reserves

	Share Premium Account £'000	Revaluation Reserves £'000	Profit and Loss Account £'000
At 1 January 1993	3,043	1,151	2,024
Currency fluctuations	—	—	(39)
Premium on shares issued	202	—	—
Costs of shares issued	(38)	—	—
Depreciation transfer	—	(12)	12
Retained Profit	—	—	440
At 31 December 1993	3,207	1,139	2,437

17 Reconciliation of Shareholders' Funds

	1993 £'000	1992 £'000
At 1 January 1993	7,257	5,703
Profit for the year	926	1,116
Other recognised gains and losses	(77)	(188)
Dividends	(488)	(472)
Shares issued	20	188
Premium on shares issued	202	1,738
Goodwill	—	(828)
At 31 December 1993	7,842	7,257

18 Capital Commitments

	1993 £'000	1992 £'000
Contracted for but not provided in the accounts	536	148
Authorised by the directors but not contracted	725	25
	1,261	173

19 Contingent Liabilities

[illegible] 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 given a joint and several guarantee for the total amount outstanding from time to time.

The Group has a contingent liability to pay a deferred consideration of £84,000 for Augusta Extrusions Limited if annual trading profits reach £60,000. This will be accounted for as incurred and will be written off to goodwill.

20 Cash Flow Statement

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

	1993 £000	1992 £000
Net cashflow from operating activites		
Operating Profit	1,976	2,286
Profit on sale of fixed assets	(3)	(73)
Depreciation	1,147	1,030
Increase in stocks	(874)	(816)
(Increase)/Decrease in debtors and prepayments	(336)	144
Increase/(Decrease) in creditors and accruals	979	(29)
	2,289	2,552

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

	1993 £000	1992 £000
Bank overdraft	(2,031)	(2,808)

(iii) Analysis of changes in cash and cash equivalents

	1993 £000	1992 £000
At 1 January 1993	(2,808)	(2,361)
Net cash inflow/(outflow)	724	(347)
Currency fluctuations	53	(100)
At 31 December 1993	(2,031)	(2,808)

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

	1993 £000	1992 £000
At 1 January 1993	4,082	2,205
Shares issued for cash	222	1,470
Shares issued for non-cash consideration	—	456
Cost of shares issued	(38)	(49)
At 31 December 1993	4,266	4,082

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

	1993 £000	1992 £000
At 1 January 1993	3,910	4,396
Repayment of loans	(2,[illegible])	(1,573)
Repayment of finance lease obligations	(79)	(372)
Proceeds of new borrowings	2,[illegible]	994
Proceeds of new leases	263	—
Currency fluctuations	([illegible])	465
At 31 December 1993	4,725	3,910

at 31 December 1993

Notes		199 £'00	1992 £'000
	Fixed Assets:		
(i)	Tangible assets	4	48
(ii)	Investment in subsidiary undertakings	48	599
		52	647
	Current assets:		
	Cash at bank	1,71	–
(iii)	Debtors – due within one year	2	130
	– after one year	3,44	7,039
(iv)	Creditors: amounts falling due within one year	88	1,967
	Net current assets	4,29	5,202
	Total assets less current liabilities	4,82	5,849
(v)	Creditors: amounts falling due after more than one year	-	1,274
		4,82	4,575
	Capital and reserves:		
(vi)	Called up share capital	1,05	1,039
(vii)	Share premium	3,20	3,043
(vii)	Profit and loss account	55	493
(viii)	Shareholders' Funds	4,82	4,575

W A. Trendell

18 March 1994

The notes on page 30 form part of these accounts.

(i) Tangible Fixed Assets

	Plant and Machinery £'000	Fixtures and Fittings £'000	Motor Vehicles £'000	Total £'000
Cost				
At 1 January 1993	53	45	47	147
Additions	1	2	—	3
Inter company transfers	—	—	35	35
Disposals	(45)	(4)	(29)	(78)
At 31 December 1993	11	43	53	107
Depreciation				
At 1 January 1993	48	30	21	99
Provided during the year	3	4	12	19
Inter company transfers	—	—	17	17
Disposals	(45)	(3)	(24)	(72)
At 31 December 1993	6	31	26	63
Net book value At 31 December 1993	5	12	27	44
Net book value At 1 January 1993	7	15	26	48

(ii) Investment in Subsidiary Undertakings

	1993 £'000
Cost	
At 1 January 1993	743
Reduction in loan	(115)
At 31 December 1993	628
Amounts provided, At 1 January 1993 and 31 December 1993	144
Net Book Value At 31 December 1993	484
Net Book Value At 1 January 1993	599

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	Property Holding
Augusta Extrusions Limited	UK	
Polymer International (Agencies) Limited	UK	Dormant
*Surfleet (Plastics) Products Limited	UK	Dormant
*Plumtree Plastics Limited	UK	Dormant
*Honzon Industries NV	Belgium	
*Doeflex Deutschland Gmbh	Germany	

*Held by subsidiary undertaking.

(iii) Debtors

	1993 £'000	1992 £'000
Amount owed by subsidiary undertakings	3 448	[illegible]
Other debtors	15	[illegible]
	3 463	[illegible]

Of the total amount owed by subsidiary undertakings the amount of £3 443 000 (1992 £7[illegible]) is receivable after more than one year.

(iv) Creditors: amounts falling due within one year

	1993 £'000	1992 £'000
Secured bank overdrafts	—	[illegible]
Amount owed to subsidiary undertakings	351	
Trade Creditors	41	[illegible]
Other taxes and social security costs	53	[illegible]
Other creditors and accruals	118	[illegible]
Proposed dividends	18	[illegible]
	581	[illegible]

(v) Creditors: amounts falling due after more than one year

	1993 £'000	1992 £'000
Secured Bank Loans	—	[illegible]

(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 1993	3 943
Premium on shares issued	202
Costs of shares issued	(38)
At 31 December 1993	4 107
Profit and Loss Account	
At 1 January 1993	493
Retained profit for the year	66
At 31 December 1993	559

(viii) Reconciliation of Shareholders' Funds

	1993 £'000	1992 £'000
At 1 January 1993	4 575	2 655
Profit for the year	[illegible]	275
Other recognised gains and losses	([illegible])	(281)
Shares issued	23	158
Premium on shares issued	202	1 738
At 31 December 1993	4 [illegible]25	4 575

(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 given 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. The group has a contingent liability to pay a deferred consideration of £8[illegible] for Augusta Extrusions Limited if annual trading profits reach £[illegible].

(x) Profit

The net profit before tax dealt with in the accounts of the parent company was £554,000 (1992 £411,000).

FINANCIAL CALENDAR, SECRETARY AND ADVISORS

Announcement of results	
Half Year	5 October 1993
Year	21 March 1994
Accounts posted	26 April 1994
Annual General Meeting	26 May 1994

Dividend payments	
Interim	22 November 1993
Final	30 May 1994

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 & Co. Limited 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 PO Box 34, 15 Colmore Row Birmingham B3 2BY
Registrar:	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

DOEFLEX PLC

NOTICE OF MEETING

Notice is hereby given that the Fourteenth Annual General Meeting of the company will be held at 56 Holmethorpe Avenue, Redhill RH1 2NR on 26 May 1994, 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 1993 together with the report of the auditors thereon.

2 To declare a final dividend on the ordinary shares of 3.00p per share, in respect of the year ended 31 December 1993, payable on 30 May 1994 to ordinary shareholders of the company on the register of members at the close of business on 28 April 1994.

3 To re-elect Mr K J. Robinson as a director who retires by rotation as a director of the company.

4 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

5 As special business to consider and, if thought fit, pass the following resolution, which will be proposed as a special resolution, namely:

"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 2 passed at the Extraordinary General Meeting of the company held on 14 August 1992, 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 £52,957

and 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"

By order of the Board

W.A. Trendell, Secretary

56 Holmethorpe Avenue
Redhill
RH1 2NR

18 March 1994

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 registrar Northern Registrars Ltd, Northern House, Penistone Road, Fenay Bridge, Huddersfield HD8 0JQ, 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 the 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.