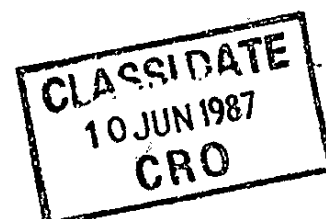


DEBFOR HOLDINGS PLC



DEBFOR HOLDINGS PLC**ANNUAL
REPORT 1986****CONTENTS***Page*

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DEBFOR HOLDINGS PLC

DIRECTORS, OFFICERS AND ADVISERS

DIRECTORS

D. C. Parker (Chairman and Managing Director)
M. J. Basford (Deputy Managing Director)
H. Prevezer, F.C.A. (Non-Executive)
S. J. Willis

SECRETARY AND REGISTERED OFFICE

P. Newbold, A.C.A.
Nottingham Road
Long Eaton
Nottingham NG10 2BQ

AUDITORS

Stoy Hayward
Chartered Accountants
Foxhall Lodge
Gregory Boulevard
Nottingham NG7 6LH

SOLICITORS

Wells & Hind
14 Fletcher Gate
Nottingham NG1 2FX

PRINCIPAL BANKERS

National Westminster Bank PLC
51 Market Place
Long Eaton
Nottingham NG10 1JP

STOCKBROKERS

Capel-Cure Myers
65 Holborn Viaduct
London EC1A 2EU
and at The Stock Exchange

REGISTRARS AND TRANSFER OFFICE

National Westminster Bank PLC
P.O. Box 82
37 Broad Street
Bristol BS99 7YA

DEBFOR HOLDINGS PLC

CHAIRMAN'S STATEMENT

I am very pleased to report that for the eighteenth successive year both turnover and profits have increased to record levels. Our turnover increased from £8.8 million in 1985 to £11.0 million for 1986 and the profit before tax increased from £1.4 million to £2.0 million.

In the light of these results the Board is recommending a final dividend of 2.7p per share on all shares in issue prior to 1 December 1986 which, taken with the interim dividend of 0.6p, makes a total of 3.3p. In view of the very encouraging prospects the Board expects, subject to unforeseen circumstances, to be able to recommend dividends totalling 4.5p per share for the full year to 31 December 1987.

The past year has been an exciting one for the Company with its flotation in April and the completion on 1 December 1986 of our first acquisition. Since acquiring Halle Models we have undertaken the necessary steps which we believe will greatly improve Halle's overall performance and efficiency. As part of our main strategy of stream-lining and centralising Halle's operation, the new sewing unit in Macclesfield should be ready for occupation in August to replace the existing factory. The head office and factory in Leek is at present being extended to accommodate larger offices, design and cutting departments, and it is proposed to purchase a finished goods warehouse in Leek to replace the existing leased premises. The Directors believe that Halle is now on course to realise its full potential.

Debfor Limited has continued to expand its market share and has broadened its customer base even further during 1986. The turnover has increased substantially with the new customers acquired during the past two years and we have developed further ranges of co-ordinated garments for these outlets. The Directors expect that 1987 will show continued growth in existing markets, and the production capacity is being increased to meet these demands.

The forward order position of both Debfor Limited and Halle is very strong. I believe that we are on course for another record year in 1987 with Debfor Limited continuing to make increasing profits and Halle also making a significant contribution.

Your Directors believe that there are many possibilities for growth by acquisition not only in complementary garment areas but also in a wider range of textile products. Therefore, it is our intention to continue to expand the Group by acquisition as and when suitable opportunities arise.

The Board is proposing to introduce an executive share option scheme which will benefit not only the recipients but also all shareholders by providing an additional incentive to the participants.

In conclusion I should like to thank all our employees for their efforts and support throughout the year. Without their commitment 1986 could not have been so successful.

DAVID PARKER
Chairman

DEBFOR HOLDINGS PLC

DIRECTORS' REPORT

The Directors submit their report and accounts for the year ended 31 December 1986.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Group's principal activities are the design, manufacture and sale of bras, co-ordinated lingerie, nightwear and children's wear. A review of Group results for the year and future prospects is given in the Chairman's Statement on page 3.

INCORPORATION AND CHANGE OF NAME

Debfor Holdings plc was registered in England on 12 March 1986 under the name Excrafit Limited as a private limited company. The Company changed its name and was re-registered as a public limited company under the name of Debfor Holdings plc on 22 April 1986.

SHARE CAPITAL

During April 1986 the share capital of the Company was reorganised as described in note 19 to the accounts. The reorganisation was effected in connection with the flotation of the Company on the Unlisted Securities Market of the Stock Exchange on 24 April 1986. On 1 December 1986 new ordinary shares were issued as part of the consideration for the acquisition of the whole of the share capital of Halle Models (Holdings) Limited.

The authority of the Directors to issue shares in accordance with the provisions of Section 95 of the Companies Act 1985 expires at the 1987 Annual General Meeting. The Directors consider that it is in the interests of the Company that this authority should now be extended until the 1988 Annual General Meeting, and a resolution to this effect will be put to the Annual General Meeting.

EXECUTIVE SHARE OPTION SCHEME

Enclosed with the accounts is a letter from the Chairman dated 30 March 1987 giving details of the proposal to adopt an executive share option scheme which will be put to the Annual General Meeting. The Directors believe that the proposed scheme will contribute to the Group's ability to reward and recruit senior management.

RESULTS AND DIVIDENDS

The results for the year are shown in the profit and loss account on page 6. The Directors recommend the payment of a final dividend of 2.7p per share on 15 May 1987 to shareholders on the register at 16 April 1987 except that the new shares issued on 1 December 1986 in connection with the acquisition of Halle Models (Holdings) Limited do not rank for this dividend. An interim dividend of 0.6p per share was paid in October 1986 making a total dividend of 3.3p (4.54p with the related tax credit).

SUBSTANTIAL SHAREHOLDERS

On 23 March 1987 the Directors had not been informed of any holding in excess of 5% of the share capital of the Company other than the following:

	<i>Number of shares</i>	<i>%</i>
D. C. Parker	6,750,000	73.9
Electra Investment Trust plc	579,670	6.3

DEBFOR HOLDINGS PLC

DIRECTORS' REPORT (continued)

DIRECTORS

The Directors of the Company at 31 December 1986 together with their interests on that date in the shares of the Company, all of which are beneficial, were as follows:

	<i>Date of appointment</i>	<i>Number of shares</i>
D. C. Parker	12 April 1986	6,750,000
M. J. Basford	12 April 1986	10,500
H. Prevezer	12 April 1986	10,500
S. J. Willis	12 April 1986	10,500
J. G. Kerslake	1 December 1986	6,959

No Director held any shares on 12 April 1986.

Mr. J. G. Kerslake, who held 6,959 shares on the date of his appointment, resigned on 12 January 1987.

Mr. Parker's interests include those of his wife and the trustees of a settlement for the benefit of his children. The interests of the other Directors include the interests of their respective spouses.

There have been no changes in the interests of the Directors from 1 January 1987 to 23 March 1987.

INFORMATION TO EMPLOYEES

The Group's management has an open policy on the communication of information to employees concerning factors affecting their interests and also the development of the Group.

DISABLED PERSONS

The Group recognises the need to give opportunity and adequate training to disabled persons and fully complies with the Disabled Persons (Employment) Acts.

FIXED ASSETS

Movements in fixed assets during the year are set out in note 11 to the accounts.

The Directors consider that the open market value of the Group's interests in land and buildings approximates to book value.

DONATIONS

Charitable donations for the year amounted to £3,383. There were no political donations.

TAXATION STATUS

The Directors have been advised that the Company is a close company as defined by the Income and Corporation Taxes Act 1970.

AUDITORS

Stoy Hayward were appointed auditors of the Company in April 1986. A resolution proposing their re-appointment will be put to the Annual General Meeting.

By Order of the Board,

P. NEWBOLD
Secretary
30 March 1987



DEBFOR HOLDINGS PLC

GROUP PROFIT AND LOSS ACCOUNT

Year ended
31 December 1986

		1986 Group	1985 Debfor Limited
	Note	£'000	£'000
Turnover	2	11,007	8,819
Cost of Sales		8,290	6,895
Gross Profit		2,717	1,924
Distribution costs		200	122
Administrative expenses		454	262
		654	384
		2,063	1,540
Net rents receivable		32	24
Bank interest receivable		22	1
		54	25
		2,117	1,565
Interest payable	3	108	186
Profit on Ordinary Activities before Tax	4	2,009	1,379
Tax on profit on ordinary activities	6	730	499
Profit on Ordinary Activities after Tax		1,279	880
Extraordinary items	7	—	208
Profit for the Year		1,279	672
Dividends	8	274	—
Amount transferred to Reserves		1,005	672
Earnings per Share	9	15.7p	11.5p

Debfor Holdings plc acquired Debfor Limited on 21 April 1986. As explained in Note 1(a), the above results include the results of Debfor Limited for the whole of the year.

The corresponding results for 1985 are those of Debfor Limited as adjusted in the Accountants' Report to the Prospectus dated 24 April 1986.

The notes on pages 9 to 17 form part of these accounts.

DEBFOR HOLDINGS PLC

BALANCE SHEETS

31 December 1986

		1986		1985
	Note	Group	Company	
		£'000	£'000	£'000
Fixed Assets				
Tangible assets	11	6,017	—	3,475
Investments	13	5	6,209	—
		<u>6,022</u>	<u>6,209</u>	<u>3,475</u>
Current Assets				
Stock	14	3,261	—	1,145
Debtors	15	2,811	—	816
Bank and cash		774	—	—
		<u>6,846</u>	<u>—</u>	<u>1,961</u>
Creditors: amounts falling due within one year	16	5,745	1,819	2,220
Net Current Assets (Liabilities)		<u>1,101</u>	<u>(1,819)</u>	<u>(259)</u>
Total Assets less Current Liabilities		<u>7,123</u>	<u>4,390</u>	<u>3,216</u>
Creditors: amounts falling due after more than one year	17	2,716	—	579
		<u>4,407</u>	<u>4,390</u>	<u>2,637</u>
Capital and Reserves				
Called up share capital	19	913	913	51
Share premium account	20	1,605	1,605	—
Revaluation reserve	21	—	1,872	—
Profit and loss account	22	1,889	—	2,586
		<u>4,407</u>	<u>4,390</u>	<u>2,637</u>

These accounts were approved by the Board on 30 March 1987.

D. C. PARKER }
M. J. BASFORD } Directors

As explained in Note 1(a), the figures for 1985 state the assets and liabilities of Debfor Limited, adjusted to show the shares issued by Debfor Holdings plc for the acquisition of Debfor Limited.

The notes on pages 9 to 17 form part of these accounts.

DEBFOR HOLDINGS PLC

GROUP STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Year ended
31 December 1986

	1986 £'000	1985 £'000
Source of funds		
Funds from operations		
Profit on ordinary activities before tax	2,009	1,379
Item not involving the movement of funds:		
Depreciation	192	144
Total generated from operations	2,201	1,523
Funds from other sources		
Issues of shares	1,979	—
Sale of fixed assets	16	22
Increase in other loans	2,311	115
	6,507	1,660
Application of funds		
Purchase of interest in subsidiary company	3,572	—
Flotation costs	226	—
Purchase of fixed assets	320	652
Repayment of loans	—	583
Extraordinary items	—	163
Tax paid	199	—
Dividend paid	50	—
	4,367	1,398
	2,140	262
Change in working capital		
Stock	78	278
Debtors	303	239
Creditors	15	88
	396	605
Increase (decrease) in net liquid funds	1,744	(343)
	2,140	262

The corresponding figures for 1985 are those of Debfor Limited, as adjusted in the Accountants' Report to the Prospectus dated 24 April 1986.

The effect of the acquisition of Halle Models (Holdings) Limited, which took place in the year ended 31 December 1986, is as follows:

	£'000
Net assets acquired:	
Tangible fixed assets	2,430
Goodwill	988
Net current assets	154
	3,572
Financed by:	
Bank loan	2,300
Issue of shares	1,150
Working capital	122
	3,572

The notes on pages 9 to 17 form part of these accounts.

DEBFOR HOLDINGS PLC

NOTES TO THE ACCOUNTS

1. Accounting policies

The accounts have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, using the following principal accounting policies:

(a) BASIS OF CONSOLIDATION

The Group accounts incorporate the accounts of Debfor Holdings plc and of its subsidiary companies to 31 December 1986. Where necessary, the accounts of subsidiary companies are adjusted to conform with the Group's accounting policies. The results of subsidiaries are consolidated using either merger accounting or acquisition accounting.

MERGER ACCOUNTING

The acquisition of the shares in Debfor Limited during the financial year has been dealt with in the Group accounts in accordance with the principle of merger accounting. The investment in shares in the subsidiary was initially recorded in the Company's balance sheet at the nominal value of the shares issued. It was subsequently revalued to reflect the underlying net asset value in the subsidiary. In the Group accounts the subsidiary is treated as if it had always been a member of the Group.

Consequently the results of the subsidiary for 1986 are included for the whole year. The corresponding figures for 1985 are its results for that year as adjusted in the Accountants' Report to the Prospectus dated 24 April 1986.

In the Group balance sheet the assets and liabilities of Debfor Limited are included in full. Its reserves are included after taking into account any differences between the nominal value of its shares acquired by Debfor Holdings plc and the shares issued by Debfor Holdings plc to acquire them. The corresponding amounts at 31 December 1985 represent the assets and liabilities of Debfor Limited at that date adjusted to show the shares issued by Debfor Holdings plc for the acquisition of Debfor Limited.

ACQUISITION ACCOUNTING

Under acquisition accounting, the results of subsidiaries are included from the date of acquisition.

Goodwill on consolidation arises under acquisition accounting and represents the excess of purchase consideration over the fair value of the underlying net assets of subsidiaries at the time of acquisition.

The acquisition of Halle Models (Holdings) Limited and its subsidiaries during the financial year has been dealt with in the Group accounts in accordance with the principle of acquisition accounting. Halle has been consolidated using specially prepared statements for the two months to 31 December 1986. Its results have been included in the profit and loss account from 1 December 1986.

The goodwill arising on the acquisition has been written off to reserves.

(b) TURNOVER

Turnover represents sales to outside customers at invoiced amounts, net of value added tax. Sales between Group companies are not included.

DEBFOR HOLDINGS PLC

NOTES TO THE ACCOUNTS (continued)

(c) DEPRECIATION

Depreciation is provided to write off the cost or valuation, less estimated residual values, of all tangible fixed assets, except freehold land and investment property, over their expected useful lives.

The average lives for each major asset category are:

Freehold buildings	—	50 years
Leasehold land and buildings	—	length of lease
Plant and machinery	—	10 years
Fixtures and fittings	—	5 or 10 years
Motor vehicles	—	5 years

Investment properties are revalued annually.

(d) STOCK

Stock is valued at the lower of cost and net realisable value. Cost is calculated as follows:

Raw materials : cost of purchase on first in, first out basis.
Work in progress : cost of raw materials and labour together and finished goods with appropriate overheads.
Net realisable value is based on estimated selling price, less further costs to completion and disposal.

(e) FOREIGN CURRENCY

Foreign currency transactions are translated at the rates ruling when they occurred.

(f) DEFERRED TAXATION

Provision is made for timing differences between the treatment of certain items for taxation and accounting purposes to the extent that it is probable that liabilities will crystallise.

2 Turnover

The geographical analysis of the Group's turnover is as follows:

	1986 £'000	1985* £'000
United Kingdom	10,872	8,667
Eire	135	152
	<u>11,007</u>	<u>8,819</u>

3 Interest payable

On overdrafts and loans wholly repayable within five years

108	186
-----	-----

4 Profit on ordinary activities before tax

is stated after charging:

Depreciation	192	144
Directors' emoluments	151	85
Auditors' remuneration	20	5
Hire of plant and machinery	8	—
Rentals under operating leases	10	—

5 Employees

Staff costs including Directors:

Wages and salaries	2,712	2,076
Social security costs	216	199
Other pension costs	44	20
	<u>2,972</u>	<u>2,295</u>

* See note 1(a)

DEBFOR HOLDINGS PLC

NOTES TO THE ACCOUNTS (continued)

5 Employees (continued)

The average number of persons employed by the Group during the year was:

	1986 Number	1985* Number
Administration and management	31	23
Manufacturing and distribution	582	457
	<u>613</u>	<u>480</u>
	£'000	£'000
Directors' emoluments		
Fees	10	—
Salaries	118	74
Pension contributions	23	11
	<u>151</u>	<u>85</u>

Emoluments, excluding pension contributions, of:

Chairman and highest paid Director	<u>57</u>	<u>54</u>
---------------------------------------	-----------	-----------

Other Directors' emoluments fell within the ranges:

£ 0 - £ 5,000	1	2
£ 5,001 - £10,000	1	—
£15,001 - £20,000	—	1
£20,001 - £25,000	1	—
£35,001 - £40,000	1	—

Additionally, during the year the Group agreed to pay compensation for loss of office of a total of £100,000 to a Director.

6 Tax on profit on ordinary activities

U.K. corporation tax at 36.25% (1985-41.25%)	<u>730</u>	<u>499</u>
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7 Extraordinary items

Expenditure classified as extraordinary in the Accountants' Report dated 24 April 1986	—	163
Less: Attributable taxation	—	67
	—	<u>96</u>
Deficit on revaluation of investment properties	—	112
	—	<u>208</u>

8 Dividends

Interim dividend of 0.6p per share	50	—
Proposed final dividend of 2.7p per share	<u>224</u>	—
	<u>274</u>	—

The proposed final dividend will not be payable on those shares originally issued on 1 December 1986 in connection with the acquisition of Halle Models (Holdings) Limited.

* See note 1(a)

DEBFOR HOLDINGS PLC

NOTES TO THE ACCOUNTS (continued)

9 Earnings per share

Earnings per share have been calculated on the weighted average number of shares in issue during the relevant financial periods, after taking into account the number of shares issued in the merger with Debfor Limited as if the merger had been effective throughout these periods.

The calculation is based on 8,159,944 shares (1985 7,650,000) and on the profit after tax of £1,279,000 (1985 £880,000).

10 Debfor Holdings plc profit and loss account

The Company has taken advantage of the exemption from presenting its own profit and loss account, and made neither a profit nor a loss during the period.

Prior to the merger a profit after tax of £340,000 was earned by Debfor Limited.

11 Tangible assets

	Land and buildings £'000	Plant and machinery £'000	Fixtures and fittings £'000	Motor vehicles £'000	Investment properties £'000	Total £'000
Cost or valuation						
At 1 January 1986	2,691	776	212	76	249	4,004
Additions	84	153	31	52	—	320
Subsidiary acquired	1,654	2,404	720	27	80	4,885
Disposals	—	(12)	(13)	(31)	—	(56)
At 31 December 1986	4,429	3,321	950	124	329	9,153
Depreciation						
At 1 January 1986	94	324	83	28	—	529
Charge for year	49	99	29	15	—	192
Subsidiary acquired	157	1,707	587	4	—	2,455
Disposals	—	(12)	(12)	(16)	—	(40)
At 31 December 1986	300	2,118	687	31	—	3,136
Net book value						
At 31 December 1986	4,129	1,203	263	93	329	6,017
At 31 December 1985	2,597	452	129	48	249	3,475

	1986 £'000	1985* £'000
Land and buildings		
Cost or valuation		
Freehold	4,202	2,691
Short leasehold	227	—
	<u>4,429</u>	<u>2,691</u>
Accumulated depreciation		
Freehold	168	94
Short leasehold	132	—
	<u>300</u>	<u>94</u>
Land and buildings are stated at:		
Existing use value 1985	1,654	—
Cost	<u>2,775</u>	<u>2,691</u>
	<u>4,429</u>	<u>2,691</u>

* See note 1(a)

DEBFOR HOLDINGS PLC

NOTES TO THE ACCOUNTS (continued)

11 Tangible assets (continued)

The net book value of land and buildings according to the historical cost accounting rules would be as follows:

	1986 £'000	1985* £'000
Cost	3,581	2,691
Accumulated depreciation	<u>279</u>	<u>94</u>
Net book value	<u>3,302</u>	<u>2,597</u>

The freehold land and buildings of Debfor Limited were valued on 17th April 1986 by King & Co., Chartered Surveyors and Neales, Chartered Surveyors, at £610,000 less than their net book value. This deficit has not been recognised in the accounts as the Directors are of the opinion that the value of the properties to the business is at least equal to the amount at which they are stated in the accounts.

Investment properties

Freehold	119	39
Long leasehold	<u>210</u>	<u>210</u>
	<u>329</u>	<u>249</u>

The freehold and long leasehold properties of Debfor Limited are stated at the valuation during the year by King & Co., Chartered Surveyors, and Neales, Chartered Surveyors. The freehold property of Halle Models Limited is stated at Directors' valuation, which is based on the price at which the existing tenants can exercise their option to purchase the property.

The net book value of investment properties according to historical cost accounting rules would be as follows:

Cost	464	371
Accumulated depreciation	<u>26</u>	<u>18</u>
Net book value	<u>438</u>	<u>353</u>

12 Capital commitments

At 31 December 1986 authorised future capital expenditure was as follows:

Authorised and contracted for	<u>—</u>	<u>97</u>
Authorised but not contracted for	<u>142</u>	<u>83</u>

13 Investments

Group

Unlisted investment at cost	<u>5</u>	<u>—</u>
-----------------------------	----------	----------

Company

The principal subsidiaries at 31 December 1986 were wholly owned, incorporated in England, and were as follows:

Debfor Limited	:	Bras and co-ordinated lingerie
Halle Models Limited	:	Nightwear and children's wear

The Company acquired the whole of the issued share capital of Debfor Limited on 21 April 1986 and of Halle Models (Holdings) Limited and its subsidiaries on 1 December 1986.

* See note 1(a)

DEBFOR HOLDINGS PLC

NOTES TO THE ACCOUNTS (continued)

	1986		1985*
	Group £'000	Company £'000	£'000
14 Stock			
Raw materials	700		159
Work in progress	1,086		330
Finished goods	1,475		656
	<u>3,261</u>		<u>1,145</u>
15 Debtors			
Trade and sundry debtors	2,531		788
Prepayments and accrued income	170		28
Other debtor (secured)	27		—
Recoverable Advance Corporation Tax	83		—
	<u>2,811</u>		<u>816</u>
The other debtor represents the holding of loan stock in an unlisted company which is repayable on or before 1 November 1989. Advance Corporation Tax is recoverable against the corporation tax liability payable on 1 January 1989.			
16 Creditors: amounts falling due within one year			
Trade creditors	1,503	—	585
Other creditors	106	100	35
Corporation tax, including Advance Corporation Tax	746	—	199
Other taxes and social security	410	—	283
Accruals	620	—	164
Bank overdrafts and loan (note 18)	2,136	—	954
Proposed dividend	224	224	—
Amounts owed to group companies	—	1,495	—
	<u>5,745</u>	<u>1,819</u>	<u>2,220</u>
17 Creditors: amounts falling due after more than one year			
Corporation tax	715		560
Bank loan (note 18)	2,001		19
	<u>2,716</u>		<u>579</u>
The bank loan is repayable as follows:			
Between one and two years	377		19
Between two and five years	1,624		—
	<u>2,001</u>		<u>19</u>
18 Bank overdrafts and loan			
The bank loan is secured by a fixed and floating charge over the assets of Debfor Limited including a legal mortgage over certain property			
	<u>2,325</u>		<u>973</u>

* See note 1(a).

DEBFOR HOLDINGS PLC

NOTES TO THE ACCOUNTS (continued)

19 Called up share capital

	1986 £'000	1985* £'000
Authorised		
11,000,000 ordinary shares of 10p each	<u>1,100</u>	<u>51</u>
Allotted, called up and fully paid		
9,129,988 ordinary shares of 10p each	<u>913</u>	<u>51</u>

Since incorporation on 12 March 1986 there have been the following changes in the authorised and issued share capital:

(a) On 21 April 1986:

- (i) the authorised share capital was increased to £51,000 by the creation of 50,900 ordinary shares of £1 each;
- (ii) 51,000 ordinary shares of £1 each (including the two subscriber shares) were issued and credited as fully paid by way of consideration for the acquisition of the entire issued share capital of Debfor Limited.

(b) On 24 April 1986 resolutions were passed:

- (i) sub-dividing each of the existing ordinary shares of £1 each into ten ordinary shares of 10p each;
- (ii) increasing the authorised share capital from £51,000 to £1,100,000 by the creation of an additional 10,490,000 ordinary shares of 10p each;
- (iii) capitalising £714,000 and applying such sum in paying up in full 7,140,000 ordinary shares of 10p each. Such shares were allotted to the shareholders pro rata to their existing shareholdings.

(c) On 24 April 1986, 637,500 new ordinary shares of 10p each were allotted for subscription for cash and the Company's ordinary share capital was admitted to the Unlisted Securities Market of the Stock Exchange.

(d) On 1 December 1986, 842,488 new ordinary shares of 10p each were allotted and credited as fully paid as part of the consideration for the acquisition of Halle Models (Holdings) Limited.

20 Share premium account

Premium on issue of shares on 24 April 1986	765
Less: Expenses of flotation	<u>226</u>
	539
Premium on issue of shares on 1 December 1986	<u>1,066</u>
	<u>1,605</u>

*See note 1(a).

DEBFOR HOLDINGS PLC

NOTES TO THE ACCOUNTS (continued)

21 Revaluation reserve	1986 £'000 £'000	1985* £'000
Arising from the revaluation of Debfor Limited at net asset value	2,586	
Less: Capitalisation of reserve	714	
	<u>1,872</u>	
22 Profit and loss account		
Balance at 1 January 1986 (non- distributable)	2,586	
Less: Goodwill relating to the purchase of Halle Models (Holdings) Limited	988	
Capitalisation of reserve	<u>714</u> <u>1,702</u>	
	884	
Retained profit for the year	<u>1,005</u>	
	<u>1,889</u>	
23 Deferred tax - Group		
The total potential liability to deferred tax, for which no provision has been made in the accounts, is as follows:		
Accelerated capital allowances at 35% (1985 35%)	1,125	781
Less: Unutilised trading losses	<u>325</u>	<u>—</u>
	800	781
Revalued properties at 35%	98	
Less: Advance Corporation Tax (under the provisions of the Finance Bill 1987)	<u>(98)</u>	<u>—</u>
	<u>800</u>	<u>781</u>
24 Contingent liability		
Guarantees have been given by the Company in the ordinary course of business in respect of loan and overdraft facilities granted to subsidiaries. At the balance sheet date amounts outstanding under such guarantees amounted to £1,553,000 all of which are already included in the Group balance sheet.		
25 Pension commitments		
The Group's pension schemes' funds are administered by trustees or corporate administrators and are independent of the Group's finances. Where applicable, regular actuarial valua- tions, and resultant amendments to contributions, ensure full funding.		

* See note 1(a).

DEBFOR HOLDINGS PLC

NOTES TO THE ACCOUNTS (continued)

26 Commitments under operating leases

At 31 December 1986, the Group had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings £'000	Other £'000
Operating leases which expire:		
Within one year	14	—
In two to five years	—	35
After five years	59	—
	<u>73</u>	<u>35</u>

27 Other commitments

Total commitments relating to documentary credits for overseas supplies not received or included within these accounts at 31 December 1986 amounted to £234,000 (1985* £263,000)

* See note 1(a)

DEBFOR HOLDINGS PLC

AUDITORS' REPORT

To the Members of Debfor Holdings plc.

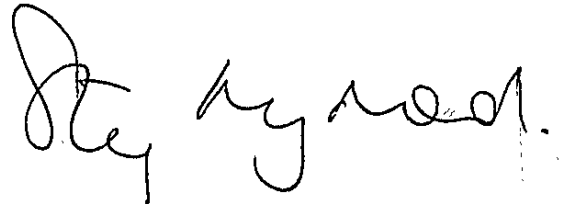
We have audited the accounts on pages 6 to 17 in accordance with approved Auditing Standards.

In our opinion the accounts, which have been prepared under the historical cost convention as modified by the revaluation of land and buildings, give a true and fair view of the state of affairs of the Company and the Group at 31 December 1986, and of the profit and source and application of funds of the Group for the year then ended and comply with the Companies Act 1985.

 **Stoy Hayward**

Stoy Hayward
Chartered Accountants
Foxhall Lodge
Gregory Boulevard
Nottingham NG7 6LH

30 March 1987



DEBFOR HOLDINGS PLC

FIVE YEAR RECORD

	1986 £'000	1985 £'000	1984 £'000	1983 £'000	1982 £'000
Turnover	<u>11,007</u>	<u>8,819</u>	<u>7,520</u>	<u>5,970</u>	<u>5,323</u>
Profit on ordinary activities before taxation	<u>2,009</u>	<u>1,379</u>	<u>1,196</u>	<u>981</u>	<u>923</u>
Taxation	<u>730</u>	<u>499</u>	<u>373</u>	<u>320</u>	<u>55</u>
Profit on ordinary activities after taxation	<u>1,279</u>	<u>880</u>	<u>823</u>	<u>661</u>	<u>868</u>
Earnings per share	<u>15.7p</u>	<u>11.5p</u>	<u>10.8p</u>	<u>5.8p</u>	<u>5.7p</u>

The Company was incorporated on 12 March 1986 and acquired Debfor Limited on 21 April 1986. In order to show the underlying trend of the Group's business, the record shown above reflects the results of Debfor Limited in the periods prior to its acquisition by Debfor Holdings plc.

The results for 1982 to 1985 are those of Debfor Limited, as adjusted in the Accountants' Report to the Prospectus dated 24 April 1986.

DEBFOR HOLDINGS PLC

NOTICE OF MEETING

Notice is hereby given that the first Annual General Meeting of the Company will be held at the Post House Hotel, Bestocks Lane, Sandiacre, Nottingham on Friday, 1 May 1987, at 12.00 noon for the following purposes:

1. To approve the Directors' report and audited accounts for the year ended 31 December 1986.
2. To declare a final dividend.
3. To re-elect Mrs. S. J. Willis as a Director.
4. To re-appoint Stoy Hayward as auditors of the Company and to authorise the Directors to fix their remuneration.

As special business to consider and, if thought fit, to pass the following resolutions which will be proposed as to the resolution numbered 5 as a special resolution and as to the resolutions numbered 6 and 7 as ordinary resolutions:

5. That the Directors be and they are hereby empowered pursuant to Section 95 of the Companies Act 1985 to allot equity securities (within the meaning of Section 94 of that Act), pursuant to the authority conferred by the resolution numbered 5 passed at an Extraordinary General Meeting of the Company held on 24th April 1986, as if Section 89(1) of that Act did not apply to any such allotment, provided that this power shall be limited:

(a) to the allotment of equity securities in connection with a rights issue, meaning an offer of securities open for acceptance for a period fixed by the Directors by way of rights to holders of ordinary shares on the register on a fixed record date in proportion to their then holdings of such shares (but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of or the requirements of any recognised regulatory body or any Stock Exchange in any territory); and

(b) to the allotment (otherwise than pursuant to paragraph (a) above) of equity securities up to an aggregate nominal amount of £55,000.

and shall expire on the date of the next Annual General Meeting of the Company after the passing of this resolution, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

6. That the Debfor Holdings plc Executive Share Option Scheme in the form of the Rules submitted to the Meeting and for the purpose of identification signed by the Chairman thereof be hereby approved and that the Directors be hereby authorised to do all acts and things which they consider necessary or expedient to establish such Scheme and carry it into effect.

DEBFOR HOLDINGS PLC

NOTICE OF MEETING (continued)

7. That the Directors be hereby authorised to vote, and be counted in the quorum, on any matter connected with the Scheme referred to in the foregoing resolution notwithstanding that they may be interested in the same (except that no Director may be counted in a quorum or vote on matters concerning their own personal participation), and the prohibition on voting by interested Directors contained in the Articles of Association of the Company be hereby relaxed to that extent accordingly.

By order of the Board.

P. Newbold
Secretary.

30 March 1987.

Notes.

1. Any member entitled to attend and vote at the Annual General Meeting is entitled to appoint one or more proxies who need not be members. A form of proxy is enclosed.

2. Copies of Directors' service contracts will be available for inspection at the registered office of the Company during business hours on any weekday from the date of this notice until the date of the Annual General Meeting, and at the Post House Hotel, Bostocks Lane, Sandiacre, Nottingham from 11.45 am on 1 May 1987 until the conclusion of the meeting.

FORM OF PROXY

For use at the Annual General Meeting to be held on 1 May, 1987.

I/We.....
(Please complete in block capitals including initials and surname of joint holders)

being (a) member(s) of Debfor Holdings plc, hereby appoint the Chairman of the Meeting, or (see Note 1).

.....
as my/our proxy to vote for me/us and on my/our behalf as indicated below at the Annual General Meeting of the Company to be held on 1 May, 1987 and at any adjournment thereof.

I/we direct my/our proxy to vote on the resolutions set out in the Notice of the Meeting as follows:

Resolution	FOR	AGAINST
Resolution No. 1		
Resolution No. 2		
Resolution No. 3		
Resolution No. 4		
Resolution No. 5 (Special)		
Resolution No. 6		
Resolution No. 7		

Please indicate with an X how you wish your proxy to vote. If you do not indicate how the proxy shall vote, he will exercise his discretion both as to how he votes and as to whether or not he abstains from voting.

Date 1987 Signature

NOTES

1. If you wish to appoint some other person to be your proxy delete 'the Chairman of the Meeting' and insert the name of your choice. Such proxy need not be a member of the Company.
2. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which their names stand in the Register of Members.
3. Corporations should affix their common seal or sign by a duly authorised officer or attorney.
4. To be valid this form and the power of attorney or other authority (if any) under which it is signed, or a duly certified copy of such power or authority, must reach the Registrars of the Company at the address overleaf not later than 48 hours before the time for holding the Meeting.
5. Completion of this form will not preclude you from attending and voting at the Meeting in person if you so wish.