



COURTAULDS
CHEMICALS

COURTAULDS CHEMICALS (HOLDINGS) LIMITED

217201
REPORT AND ACCOUNTS

1993



COURTAULDS CHEMICALS (HOLDINGS) LIMITED

REPORT AND ACCOUNTS

1993

COURTAULDS GROUP

COMPANY REGISTERED NO 217201

COURTAULDS CHEMICALS (HOLDINGS) LIMITED

REPORT OF THE DIRECTORS

The Directors submit their report and the financial statements for the year ended 31 March 1993.

Principal Activities

The Company is a wholly owned subsidiary undertaking of Courtaulds plc. The principal activity of the Company during the year was the processing of chemicals.

Results and Dividend

The profit and loss account and balance sheet, together with appropriate notes, are set out on pages 6 to 15.

The Directors propose to declare that a second and final interim dividend of £13,000,000 will be paid on the Company's Ordinary shares for 31 March 1993. This together with the first interim dividend of £8,500,000 gives a total of £21,500,000 (1992 £21,655,000). The dividends to be paid this year are on a greater number of issued Ordinary shares following the conversion of the former Preferred "A" shares referred to below. Further to the payment of the dividend, £14,972,000 will be transferred to reserves.

Share Capital

With effect from 6 January 1993, the total issued 5,700 Preferred "A" Ordinary shares of £1 each in the Company were converted into 5,700 Ordinary shares of £1 each ranking equally in all respects with the existing issued Ordinary shares of the Company. The authorised share capital of the Company was increased from £50,000,000 to £65,000,000 on 16 February 1993.

Review of Business

The Company's turnover fell by 7% in the year. Demand for mainstream acetate products was lower. The sales of acetate tow for cigarette filter tips, the Company's principal product, fell during the year. The modernisation and expansion of the principal flake operation at Spondon, near Derby continued. Demand for Clarifoil film remains strong in North America but suffered from the effects of recession in the UK and Europe.

The fine chemicals business had a good year with sales overall marginally higher.

During the year, the Company took a small equity stake in a project to build a combined heat and power station at Spondon which, when operational, will reduce the cost of energy on the Spondon site.

With effect from 1 April 1992, the Company acquired Courtaulds Exports Limited and Texttrade Limited from Courtaulds Fibres Limited, a fellow subsidiary undertaking of Courtaulds plc. These companies deal with the distribution and sale of cellulose fibre, speciality chemicals and other associated Courtaulds products in the export market.

Movement in Fixed Assets

The movement in fixed assets is shown in note 7 on page 10 and incorporates a property revaluation deficit of £7.7 million.

DIRECTORS

Directors who served during the year were:

Mr J A Bednall (Chairman)
 Mr M J Foulsham
 Mr W J McPherson (appointed 24 August 1992)
 Mr P Shanley
 Mr D A Stevens
 Dr P G White (resigned on 24 August 1992)

Directors' Interests

The register kept by the Company in accordance with Section 325 of the Companies Act 1985 shows that the Directors and their immediate families had the following beneficial interests in the share capital of the ultimate parent company, Courtaulds plc:

Courtaulds plc
 Ordinary Shares of 25p
 1 April 1992 31 March 1993
 (or date of
 appointment)

J A Bednall	-	-
M J Foulsham	5,500	3,500
W J McPherson	-	-
P Shanley	-	-
D A Stevens	-	6,210

Courtaulds plc
 Executive Share Option Scheme

	1 April 1992 (or date of appointment)	Granted	Exercised	31 March 1993
J A Bednall	15,000	-	-	15,000
M J Foulsham	20,000	5,000	20,000	5,000
W J McPherson	41,000	-	21,000	20,000
P Shanley	45,000	15,000	15,000	45,000
D A Stevens	30,000	-	10,000	20,000

Courtaulds plc
SAYE Share Option Scheme

	1 April 1992 (or date of appointment)	Granted	Exercised	31 March 1993
J A Bednall	3,985	1,689	-	5,674
M J Foulsham	1,997	591	-	2,588
W J McPherson	3,985	1,689	-	5,674
P Shanley	-	844	-	844
D A Stevens	2,381	1,013	-	3,394

Notes:

- a) The interests under the share option schemes show the numbers of ordinary shares of Courtaulds plc over which Directors had options under the Courtaulds Executive Share Option Scheme II and the Courtaulds 1990 Savings Related Share Option Scheme, and options granted or exercised during the year.
- b) Executive Share Option Scheme - shares held under option were granted on 22 December 1986, 30 June 1987, 17 August 1988, 3 July 1989, 28 June 1990 and 6 June 1991 and 4 June 1992 at prices per share of 312p, 472p, 340p, 332p, 339p, 395p and 555p respectively and are exercisable, in general, not earlier than three nor later than ten years after the date of grant.
- c) SAYE Share Option Scheme - shares held under option were granted on 25 April 1990 and 2 July 1991 and 30 June 1992 at prices per share of 271p, 316p and 444p respectively and are exercisable on completion of five years' saving under a related SAYE contract.

Employment of Disabled Persons

Where individuals become disabled whilst in the Company's employ every reasonable effort is made to provide opportunity for continued employment within the potential aptitude and ability of the person concerned, and to provide such facilities, including any appropriate training, as may be necessary for that purpose.

In dealing with application for employment and the training, career development and promotion of existing employees, efforts are made to ensure that a disabled individual's potential aptitude and ability are considered both without prejudice and as constructively as possible in relation to the opportunities available.

Employee Involvement

A system of departmental and works consultative committees exists in all factories.

The Company also provides information regarding the financial and economic factors affecting its performance in the annual report to employees of Courtaulds plc.

Auditors

Price Waterhouse, Victoria House, 76 Milton Street, Nottingham NG1 3QY

An elective resolution has been passed in accordance with Section 386 of the Companies Act 1985, as amended, dispensing with the requirement to appoint auditors on an annual basis. The Directors have been granted power to fix the remuneration of the auditors.

By Order of the Board



G C W Cunningham
Secretary

25 May 1993

50 George Street
London W1A 2BB

AUDITORS' REPORT TO THE MEMBERS OF
COURTAULDS CHEMICALS (HOLDINGS) LIMITED

We have audited the accounts on pages 6 to 15 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 March 1993 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

PRICE WATERHOUSE
Chartered Accountants
and Registered Auditors

NOTTINGHAM

25 May 1993

COURTAULDS CHEMICALS (HOLDINGS) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEARS ENDED 31 MARCH

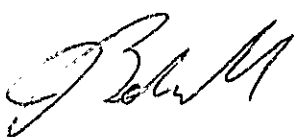
	Note	<u>1993</u>	<u>1992</u>
		£'000	£'000
Turnover	1	213,253	230,870
Cost of Sales		(154,603)	(173,452)
GROSS PROFIT		58,650	57,418
Selling and distribution expenses		(11,282)	(11,572)
Administrative expenses		(5,078)	(4,588)
Other operating income		2,216	531
TRADING PROFIT		44,506	41,789
Exceptional Items	2	(3,850)	(4,471)
OPERATING PROFIT		40,656	37,318
Interest	3	(2,221)	(1,865)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	38,435	35,453
Taxation	5	(1,963)	(2,554)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		36,472	32,899
Dividends	6	(21,500)	(21,655)
Transfer to reserves	16	14,972	11,244

COURTAULDS CHEMICALS (HOLDINGS) LIMITED

BALANCE SHEET AS AT 31 MARCH

	Note	1993 £'000	1992 £'000
FIXED ASSETS			
Tangible assets	7	88,086	82,987
Investments	9	<u>1,861</u>	<u>82,987</u>
CURRENT ASSETS			
Stocks	10	21,051	20,341
Debtors	11	39,696	48,608
Deferred Tax	14	178	185
Cash		<u>424</u>	<u>286</u>
		61,349	69,420
CURRENT LIABILITIES Creditors			
(amounts falling due within one year)	12	(67,292)	(75,288)
Provisions for liabilities and charges	13	<u>(3,862)</u>	<u>(4,320)</u>
NET CURRENT LIABILITIES		(9,805)	(10,188)
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>80,142</u>	<u>72,799</u>
CAPITAL AND RESERVES			
Called up share capital	15	50,000	50,000
Revaluation reserve	16	3,683	11,463
Profit and loss account	16	<u>26,459</u>	<u>11,336</u>
		<u>80,142</u>	<u>72,799</u>

Approved by the Board on 25 May 1993


J A Bednall
DIRECTOR

STATEMENT OF ACCOUNTING POLICIES

Basis of accounting

These accounts have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, and in accordance with applicable accounting standards.

Turnover is the total amount of sales invoiced to customers, net of value added tax.

Foreign currencies

Foreign currency assets and liabilities have been translated into sterling at the market rates at 31 March 1993 subject to forward cover contracts. Exchange differences arising on transactions during the year are dealt with through the profit and loss account.

Tangible assets and depreciation

Tangible assets are stated at cost after deducting investment grants or at revalued amounts on an open market existing use basis. Depreciation is calculated on a straight line basis so as to write-off the cost or revalued amount of the various assets over the period of their expected useful lives. The rates of depreciation vary generally between 5% and 10% on buildings and 5% and 20% on plant and equipment.

Stock valuation

Stocks are stated at the lower of cost and net realisable value. Cost includes factory overheads.

Research and development

Research and development expenditure is written off in the year in which it is incurred.

Finance leases

Assets acquired under finance leases are recorded in the balance sheet as fixed tangible assets at their equivalent capital value and depreciated over the useful life of the asset. The corresponding liability is recorded as a loan creditor and the interest element of the finance charge is charged to profit and loss account over the lease period.

Pensions

Contributions to the Courtaulds plc Group pension schemes are assessed by a qualified actuary based on the cost of providing pensions across all participating Courtaulds Group companies. Costs are not determined for each individual company hence contributions are charged to the profit and loss account in the period in respect of which they become payable.

Deferred Taxation

Deferred Taxation is provided only in respect of timing differences between profits as computed for taxation purposes and profits as stated in the accounts to the extent that there is a reasonable probability that such deferred taxation will be payable within the foreseeable future after taking into account the availability of Group Relief.

NOTES TO THE ACCOUNTS

1. Exports

All exports are made through the subsidiary companies Courtaulds Exports Limited and Textrade Limited.

2. Exceptional Items

	1993 £'000	1992 £'000
Reorganisation Costs	(3,850)	(4,471)

3. Interest

	1993 £'000	1992 £'000
Interest on bank and other borrowings fully repayable within five years	(2,221)	(1,865)

4. Operating Profit on ordinary activities before taxation

	1993 £'000	1992 £'000
--	---------------	---------------

Profit is stated after charging/(crediting) the following amounts:

Wages and salaries	42,831	43,856
Social security costs	3,432	3,499
Operating lease rentals - plant and machinery	1,063	343
Depreciation on leased assets	886	897
Depreciation on owned assets	9,510	8,356
Auditors fees and expenses	57	61
Rental income	538	531
Finance charges on leased assets	-	1
Research and development current year expenditure	4,073	3,817
Directors remuneration (note 20)	160	122
Profit on disposal of fixed assets	252	53

5. Taxation

	1993 £'000	1992 £'000
Corporation Tax at 33%	(7,955)	(11,299)
ACT surrendered by Holding Companies	5,999	8,560
Deferred Tax	(7)	185
	(1,963)	(2,554)

6. Dividends

	1993 £'000	1992 £'000
Preferred 'A' Ordinary Share Dividend - paid	-	9,597
- proposed	-	12,058
Ordinary Share Dividend - paid	8,500	-
- proposed	13,000	-
Total dividend charge	21,500	21,655

7. Tangible Assets

<u>At cost or Valuation</u>	<u>Land & Buildings</u> £'000	<u>Plant & Machinery</u> £'000	<u>Fixtures fittings tools & Equipment</u> £'000	<u>Capital work in Progress</u> £'000	<u>Total</u> £'000
At 1 April 1992	21,115	140,085	3,235	9,639	174,074
Additions				22,713	22,713
Assets transferred from group companies	560	682	18	-	1,260
Disposals	(232)	(16,557)	-	-	(16,789)
Reclassification	784	15,935	-	(16,719)	-
Revaluation Deficit	(9,414)				(9,414)
At 31 March 1993	12,813	140,145	3,253	15,633	171,844
<u>Depreciation</u>					
At 1 April 1992	1,310	87,303	2,189	285	91,087
Accumulated depreciation on assets transferred from group companies	93	611	10		714
Charge for year	565	9,831			10,396
Disposals	(232)	(16,471)			(16,703)
Reclassification		285		(285)	
Revaluation Deficit	(1,736)				(1,736)
At 31 March 1993	-	81,559	2,199	-	83,758
<u>Net Book Amount</u>					
At 31 March 1993	12,813	58,586	1,054	15,633	88,086
At 1 April 1992	19,805	52,782	1,046	9,354	82,987

Assets held under finance leases are included in plant and machinery at a cost of £9,610,000 (1992 £9,610,000) and depreciation of £8,417,000 (1992 £7,531,000).

During 1992/93, land and buildings were revalued by the Directors on an open market existing use basis. This valuation was carried out by the Ultimate Holding Company's professionally qualified staff and supported by external professional valuations of a large sample of the properties. The result of the revaluation has been to decrease the book value of land and buildings as at 31 March 1993 by £7.7 million. If the amount of these revalued assets had been determined in accordance with the historic cost convention at 31 March 1993, they would have been included at:

	<u>£'000</u>
Cost	21,899
Depreciation	(12,769)
	<u>9,130</u>

8. <u>Land and Buildings</u>	<u>1993</u> <u>£'000</u>	<u>1992</u> <u>£'000</u>
------------------------------	-----------------------------	-----------------------------

The net book value of land and buildings comprises:

Freehold	4,043	4,009
Long Leasehold	<u>8,770</u>	<u>15,796</u>
	<u>12,813</u>	<u>19,805</u>

9. <u>Fixed Asset Investments</u>	<u>Associate</u> <u>Companies</u> <u>£'000</u>	<u>Subsidiary</u> <u>Companies</u> <u>£'000</u>	<u>Total</u> <u>Shares</u> <u>£'000</u>
<u>Cost</u>			
At 1 April 1992	100	-	100
Group Transfer in	-	1,456	1,456
Purchase	<u>405</u>	<u>-</u>	<u>405</u>
At 31 March 1993	<u>505</u>	<u>1,456</u>	<u>1,961</u>
<u>Provision</u>			
At 1 April 1992	(100)	-	(100)
Group Transfer in	-	-	-
At 31 March 1993	<u>(100)</u>	<u>-</u>	<u>(100)</u>
<u>Net Book Amount</u>			
At 31 March 1993	<u>405</u>	<u>1,456</u>	<u>1,861</u>
At 1 April 1992	<u>-</u>	<u>-</u>	<u>-</u>

10. Stocks

	1993 £'000	1992 £'000
Raw materials and consumables	7,535	8,238
Work in progress	438	427
Finished goods and goods for resale	13,028	11,676
	<u>21,051</u>	<u>20,341</u>

11. Debtors

	1993 £'000	1992 £'000
Trade debtors	10,046	9,428
Amounts owed by parent company and fellow subsidiary undertakings	28,732	37,520
Other debtors	20	15
Prepayments and accrued income	898	1,645
	<u>39,696</u>	<u>48,608</u>

There are no debtors due after more than one year.

12. Creditors (amounts falling due within one year)

	1993 £'000	1992 £'000
Bank overdraft	11,992	7,401
Trade creditors	23,067	27,730
Amounts owed to parent company and fellow subsidiary undertakings	4,469	13,530
Other taxation and social security	3,985	4,767
Dividends payable	13,000	12,058
Other creditors	8,445	11,296
Accruals and deferred income	371	87
Corporation tax	1,963	2,739
	<u>67,292</u>	<u>79,608</u>

There are no creditors due after one year.

13. Provisions for Liabilities and Charges

Reorganisation Provision

	1993 £'000
As at 1 April	4,320
Utilised during the year	(4,308)
Charged in the year	3,850
	<u>3,862</u>

14. Taxation

The company's taxation charge has benefited from the effects of capital allowances and certain other timing differences which amount to £3,086,000.

The deferred taxation in the balance sheet represents

	1993 £'000	1992 £'000
Short term timing differences.	<u>178</u>	<u>185</u>

If deferred taxation had been provided in full the balance would have been:

	£'000
Accelerated Capital Allowance	6,900
Short Term Timing Differences	(1,359)
	<u>5,541</u>

No provision has been made for the deferred tax liability that could arise if these revalued assets were sold at their revalued amount, as there is no intention to dispose of these assets.

15. Share Capital

	1993 £'000	1992 £'000
Authorised:		
Preferred "A" Ordinary Shares of £1 each	-	6
Ordinary Shares of £1 each	65,000	49,994
	<u>65,000</u>	<u>50,000</u>
Issued and Fully Paid		
Preferred "A" Ordinary Shares of £1 each	-	6
Ordinary Shares of £1 each	50,000	49,994
	<u>50,000</u>	<u>50,000</u>

16. Reserves

	Profit & Loss Account £'000	Revaluation Reserve £'000
At 1 April 1992	11,336	11,463
Exchange	49	-
Profit for the year	14,972	
Release from revaluation reserve	102	(102)
Revaluation Deficit	-	(7,678)
At 31 March 1993	<u>26,459</u>	<u>3,683</u>

17. Capital Commitments

	1993 £'000	1992 £'000
Capital expenditure contracted for, but not provided in the accounts	6,511	8,693
Capital expenditure authorised, but not contracted for	12,102	15,706

18. Operating Leases - Other

Annual commitments payable under non-cancellable leases expiring:

	1993 £'000	1992 £'000
Within one year	91	32
In two to five years	286	309
In five years or more	-	50
	<u>377</u>	<u>391</u>

There are no obligations under finance leases.

19. Employees

The average number of persons employed during the year all of whom were employed in the UK was:

1993	1992
<u>2,447</u>	<u>2,611</u>

20. Remuneration of Directors

	1993 £	1992 £
Remuneration excluding pension contributions		
Chairman	57,925	53,912
Highest paid Director	102,500	67,970
Other Directors	No	No
0 - £5,000	4	3

The directors share holdings and options are declared in the report of the directors.

21. Cash Flow Statement

The ultimate parent company Courtaulds plc has included a cash flow statement in its financial statements for the year ended 31 March 1993. Under paragraph 8 (c) of Financial Reporting standard 1, no cash flow statement is required in the accounts of this company.

22. Pension Commitments

The Company participates in the main Courtaulds UK Pension Scheme, a defined benefit scheme which makes available pension benefits to the majority of the Courtaulds Group UK employees, and pension costs are based on pension costs across the Courtaulds Group as a whole. On the recommendation of the actuaries no company contributions have been or will be made to the scheme with effect from 1 January 1990 until at least the next actuarial valuation expected to be as at 31 March 1993. Particulars of the actuarial valuation of the scheme are shown in the financial statements of Courtaulds plc.

23. Transactions with Directors

No Director during the year has had a material interest in any contract with the Company which is significant in relation to the Company's activities.

24. List of Subsidiary Undertakings

	<u>Proportion of Ordinary Share Capital Held</u>
Courtaulds Exports Limited	100%
Textrade Limited	100%

The subsidiary undertakings are incorporated and registered in England and Wales and are engaged in the marketing of man-made fibres and associated chemicals and plastics.

25. List of Associated Undertakings

	<u>Proportion of Ordinary Share Capital Held</u>
PT Chemicals Limited	25.0%
Derwent Co Generation Limited	17.5%

The associated undertakings are registered in England and Wales. PT Chemicals Limited is dormant and Derwent Co Generation Limited is engaged in the building of a gas turbine power station.

26. Ultimate Parent Company

Courtaulds Chemicals (Holdings) Ltd is 50% owned by Courtaulds Management Services Ltd and 50% owned by Courtaulds Investment Services Ltd who in turn are wholly owned subsidiary undertakings of Courtaulds plc which is registered in England and Wales and is the only company to prepare Group accounts. As the company is a wholly owned subsidiary undertaking of Courtaulds plc, it is exempt under section 228(2) of the Company's Act 1985 from preparing Group accounts. Copies of the Courtaulds plc Group Report and Accounts may be obtained from the Secretary's Office, Courtaulds plc, 50 George Street, London W1A 2BB.