

CHEMVIRON SPECIALITY CHEMICALS LIMITED

ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1994

TOGETHER WITH THE DIRECTORS' AND AUDITORS' REPORTS

The Company's registered number is 224165



CHEMVIRON SPECIALITY CHEMICALS LIMITED

REPORT OF THE DIRECTORS

The directors present their Annual Report on the affairs of the Company together with the accounts and auditors' report for the year ended 31 December 1994.

Principal Activities and Business Review

The principal activities of the Company continue to be the operation of waste water purification systems installed at customers' premises and the importation and purchase of chemicals in the United Kingdom for sale to customers in the field of water treatment. On 30 June 1993 the share capital of the Company was acquired by English China Clays plc.

Results and Dividends

Company results, dividends and recommended transfers to reserves are as follows:

	£'000
Retained profit brought forward	714
Profit on ordinary activities after taxation	84
Dividends - paid and proposed	-
	<hr/>
Retained profit carried forward	798
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The directors do not recommend the payment of a dividend.

Fixed Assets

Information relating to changes in tangible fixed assets is given in Note 5 to the accounts.

Directors' Responsibilities

The Board is required by the Companies Act 1985 to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company as at that date and of the profit or loss for the period. The Board is also required to maintain proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company.

The Board is also responsible to the Company for taking reasonable steps to safeguard the Company's assets and to prevent and detect fraud and other irregularities.

The Board has prepared these accounts on the going concern basis and confirms that suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used in their preparation and that applicable accounting standards have been followed.

CHEMVIRON SPECIALITY CHEMICALS LIMITED
REPORT OF THE DIRECTORS
(continued)

Directors and their Interests

The directors who served during the year are as shown below:

T T Sharland
P M Elliott
Dr A F Kerst (USA)
P J Patrick
R J Southgate (resigned 27 September 1994)
R W Harding (appointed 27 September 1994) (Australian)

The interests of each director who held office at 31 December 1994 and his family in the ordinary shares of English China Clays plc, the ultimate holding company, and in options held under the terms of the Group's Share Option Schemes, according to the register maintained under Section 325 of the Companies Act 1985, are shown below. All interests are beneficial.

	31 December 1994			1 January 1994**		
	<u>Share Option Schemes</u>			<u>Share Option Schemes</u>		
	Ordinary Shares	Savings Related	Executive	Ordinary Shares	Savings Related	Executive
P M Elliott	1,868	5,048	106,235	1,791	5,048	73,088
Dr A F Kerst	-	-	108,682	-	-	46,173
P J Patrick	-	-	-	-	-	-
R W Harding	-	-	16,754	-	-	-

* The interests of T T Sharland are disclosed in the English China Clays plc accounts in accordance with Statutory Instrument 802 (1985).

** or as at date of appointment, if later.

- (i) The Savings Related Share Option Scheme options may be exercised in normal circumstances at varying dates between 6 June 1995 and 5 February 2001 at subscription prices ranging from 289.1p to 452.0p.

The Executive Share Option Scheme options were granted on 27 May 1988, 19 May 1989, 23 May 1990, 7 December 1990, 4 October 1991, 25 September 1992, 29 September 1993, 25 October 1993 and 4 October 1994 at exercise prices of 404.0p, 466.1p, 326.7p, 303.5p, 443.8p, 345.4p, 416.0p, 427.0p and 362.0p respectively. Options are exercisable in normal circumstances between the third and tenth anniversaries of the dates of grant subject to achievement of the required performance target.

- (ii) During the year options to subscribe for the ordinary shares of the ultimate holding company at a price of 362.0p were granted to the directors under the terms of the Executive Share Option Scheme, as follows:

P M Elliott	33,147
Dr A F Kerst	62,509
P J Patrick	-
R W Harding	16,754

CHEMVIRON SPECIALITY CHEMICALS LIMITED
REPORT OF THE DIRECTORS
(continued)

Directors and their Interests (continued)

- (iii) As at 14 March 1995 no changes to the above interests in ordinary shares had occurred.
- (iv) Apart from the above and service contracts, no director has had any material interest in any contract with the Company, the ultimate holding company or fellow subsidiary undertakings requiring disclosure under the Companies Act 1985.
- (v) The options held by the executive directors of the Company under the Savings Related and Executive Share Option Schemes are held under terms which are in common with those applying to other participants in these schemes.

English China Clays plc, the ultimate holding company, maintains a directors' and officers' liability insurance policy in respect of the Group's directors and officers.

Auditors

On 6 February 1995 our auditors changed the name under which they practise to KPMG and , have signed their report in their new name

In accordance with Section 386 of the Companies Act 1985 an elective resolution has been filed in order to dispense with the requirement to appoint auditors annually.

By Order of the Board



T F George
Secretary

1015 Arlington Business Park
Theale, Reading, RG7 4SA
14 March 1995

Report of the auditors KPMG to the members of
CHEMVIRON SPECIALITY CHEMICALS LIMITED

We have audited the accounts on pages 6 to 16.

Respective responsibilities of directors and auditors

As described on page 2 the Company's directors are responsible for the preparation of 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 Company'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 as at 31 December 1994 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

Chartered Accountants
Registered Auditors
14 March 1995

1 The Embankment
Neville Street
Leeds
LS1 4DW

CHEMVIRON SPECIALITY CHEMICALS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1994

	Note	1994 £'000	1993 £'000
Turnover	1	3,930	3,420
Cost of sales		<u>(2,364)</u>	<u>(1,851)</u>
Gross Profit		1,566	1,569
Other operating expenses		<u>(1,419)</u>	<u>(887)</u>
Profit on ordinary activities before interest and taxation		147	682
Investment income		<u>-</u>	<u>43</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2	147	725
Tax on profit on ordinary activities	3(a)	<u>(63)</u>	<u>(256)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION being PROFIT FOR THE FINANCIAL YEAR		84	469
Dividends -paid		<u>-</u>	<u>(1,442)</u>
Retained Profit/(loss) for the year		84	(973)
Retained profit brought forward		<u>714</u>	<u>1,687</u>
RETAINED PROFIT CARRIED FORWARD		<u><u>798</u></u>	<u><u>714</u></u>

The notes on pages 8 to 16 inclusive form part of these accounts.

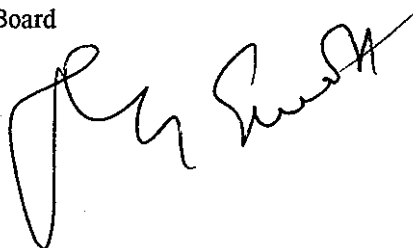
The Company has no recognised gains or losses other than the profit for the year.

CHEMVIRON SPECIALITY CHEMICALS LIMITED
BALANCE SHEET
AS AT 31 DECEMBER 1994

	Note	1994 £'000	1993 £'000
FIXED ASSETS			
Tangible Assets	5	<u>877</u>	<u>511</u>
CURRENT ASSETS			
Stocks	6	670	479
Debtors	7	1,224	759
Cash at bank and in hand		<u>424</u>	<u>-</u>
		2,318	1,238
CREDITORS: Amounts falling due within one year	8	<u>(2,248)</u>	<u>(911)</u>
NET CURRENT ASSETS		<u>70</u>	<u>327</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		947	838
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	3b	<u>(83)</u>	<u>(58)</u>
		<u>864</u>	<u>780</u>
CAPITAL AND RESERVES			
Called up share capital	9	66	66
Profit and loss account		<u>798</u>	<u>714</u>
Equity shareholders' funds	10	<u>864</u>	<u>780</u>

Signed on behalf of the Board

P M Elliott - Director
14 March 1995



The notes on pages 8 to 16 inclusive form part of these accounts.

CHEMVIRON SPECIALITY CHEMICALS LIMITED
ACCOUNTING POLICIES

1 General

The Company's accounts have been prepared in accordance with applicable accounting standards. They are applied uniformly throughout the Company and are consistent with previous years.

2 Basis of Accounts

The Company maintains its financial records on the historical cost basis.

3 Depreciation of Tangible Fixed Assets

Plant and machinery

Depreciation of plant and machinery is calculated on the cost of each item when first brought into use, on the straight line basis, in accordance with the estimated ranges of useful lives of various categories of plant as follows:

Plant and equipment	3-10 years
Fixtures and fittings	5 years

The estimated lives of categories referred to above are under constant review and changes are made when appropriate.

4 Leased Assets

Operating lease rentals are charged to profit and loss account as incurred. Assets acquired under finance leases are included in tangible fixed assets. The capital element of future obligations under these agreements is included in creditors and the interest element is charged to profit and loss account over the life of the agreement.

5 Foreign Currencies

The foreign currency assets and liabilities of the Company are translated into sterling at the rates ruling at the accounting reference date and any adjustment is taken to profit and loss account.

6 Research, Development and Exploration Costs

Expenditure on research, development and exploration is charged to profit and loss account in the year in which it is incurred except that expenditure for such purposes on tangible fixed assets is capitalised and is depreciated over the estimated useful lives of the assets.

7 Stocks

Stocks are valued at the lower of cost and estimated net realisable value. For finished goods manufactured by the Company, cost includes, where appropriate, an element of overhead cost.

8 Taxation

Provision is made for deferred taxation in respect of timing differences which in the opinion of the directors may become payable in the foreseeable future.

ACCOUNTING POLICIES
(continued)

9 Turnover

Turnover represents the amounts charged to customers and is net of value added tax.

10 Pensions

Contributions to the Group's pension and life assurance schemes are charged to profit and loss account so as to spread the cost of pensions over employees' working lives with the Company.

CHEMVIRON SPECIALITY CHEMICALS LIMITED
NOTES TO THE ACCOUNTS

1. TURNOVER

All turnover arose from the Company's principal activity.

	1994 £'000	1993 £'000
analysed by geographical destination		
- United Kingdom	3,768	3,274
- Overseas	162	146
	<u>3,930</u>	<u>3,420</u>

2. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The profit on ordinary activities before taxation is stated after charging:

Auditors' remuneration	10	12
Hire of plant and machinery	82	69
Depreciation	135	72
Employment costs (note 4)	697	348
	<u>697</u>	<u>348</u>

CHEMVIRON SPECIALITY CHEMICALS LIMITED
NOTES TO THE ACCOUNTS
(continued)

3. TAXATION

	1994 £'000	1993 £'000
(a) Tax on profit on ordinary activities		
UK corporation tax at 33% (1993: 33%) on taxable profit for the year	38	216
Deferred taxation	25	40
	<u>63</u>	<u>256</u>

(b) Deferred Taxation - Timing Differences

	Accelerated Capital Allowances £'000	Other £'000	Total £'000
At 31 December 1993	58	-	58
Utilised in the year	25	-	25
	<u>83</u>	<u>-</u>	<u>83</u>
At 31 December 1994	<u>83</u>	<u>-</u>	<u>83</u>

The liability for deferred taxation, for which no provision is considered necessary, in respect of the excess of capital allowances over the provision for depreciation of tangible fixed assets and other timing differences amounts to approximately £nil (1993: £nil).

(c) Payment of Taxation

The ultimate holding company pays the corporation tax liability of the Company, with the Company accounting to the Group for its own liability.

4. EMPLOYEES AND DIRECTORS

(a) Employment Costs

	1994 £'000	1993 £'000
Wages and salaries	605	295
Social security costs	44	33
Other pension costs	48	20
	<u>697</u>	<u>348</u>

CHEMVIRON SPECIALITY CHEMICALS LIMITED
NOTES TO THE ACCOUNTS
(continued)

4. EMPLOYEES AND DIRECTORS (continued)

(b) The average number of persons employed during the year was 18 (1993: 12).

(c) Pensions

The Group operates a number of pension schemes throughout the world. The major schemes are of the defined benefit type, are in the United Kingdom (the "UK Schemes") and the United States (the "US Plan"), and cover 61% and 22% respectively of total Group employees.

The assets of both the UK Schemes and the US Plan are held in separate trustee administered funds. There is, as a matter of policy, no investment in the shares or other assets of the ultimate holding company by the UK schemes.

Pension costs relating to the UK Schemes are assessed in accordance with the advice of a qualified independent actuary using the Projected Unit Cost Method. The last actuarial valuation of the UK Schemes was at 5 April 1993. The assumptions which have the most significant effect on the results of the valuations are those relating to the rate of increase in salaries (7.5% per annum) and the rate of return on investments (9.5% per annum). For the UK Schemes the Actuary assumed that pensions would increase at 3.5% per annum, or RPI if less, in respect of pensionable service accrued to 5 April 1993 and 5% per annum, or RPI if less, in respect of pensionable service from 6 April 1993.

At the date of the last actuarial valuation given above, the market values of assets were £349.4 million. The ratio of the actuarial values placed on these assets to the value of the benefits that had accrued to members, after allowing for expected future increase in earnings, was 104%. For the UK Schemes assets were valued consistently with liabilities and the Actuary assumed that dividends on equity investments would increase at 4.5% per annum.

(d) Directors

	1994 £'000	1993 £'000
Emoluments including pension contributions	<u>63</u>	<u>24</u>

The emoluments (excluding pension contributions) of the directors of the Company fell within the following ranges:

£	£	1994	1993
		Number of directors	
0	-	5	4
55,000	-	<u>1</u>	<u>1</u>
	60,000		

CHEMVIRON SPECIALITY CHEMICALS LIMITED
NOTES TO THE ACCOUNTS
(continued)

4. EMPLOYEES AND DIRECTORS (continued)

(d) Directors (continued)

	1994 £'000	1993 £'000
Chairman	nil	nil
Highest paid director	58	24

- (e) The interests of directors in options held under the terms of the Group's Share Option Schemes are given in the Report of the Directors.

5. TANGIBLE FIXED ASSETS AND DEPRECIATION

	Plant and Equipment £'000
Cost:	
At 31 December 1993	675
Additions	501
At 31 December 1994	1,176
Depreciation:	
At 31 December 1993	164
Provision for year	135
At 31 December 1994	299
Net Book Value:	
At 31 December 1993	511
Net Book Value:	
At 31 December 1994	877

CHEMVIRON SPECIALITY CHEMICALS LIMITED
NOTES TO THE ACCOUNTS
(continued)

6.	STOCKS	1994 £'000	1993 £'000
	Production materials	85	92
	Finished goods	585	387
		<u>670</u>	<u>479</u>
7.	DEBTORS		
	Amounts falling due within one year:		
	Trade debtors	835	624
	Amounts owed by Group undertakings	214	-
	Other debtors	135	107
	Prepayments and accrued income	40	28
		<u>1,224</u>	<u>759</u>
8.	CREDITORS		
	Amounts falling due within one year:		
	Bank loans and overdrafts	-	32
	Trade creditors	365	131
	Amounts owed to Group undertakings	1,562	385
	Other creditors and accruals	190	117
	Other taxation and social security	131	246
		<u>2,248</u>	<u>911</u>
9.	SHARE CAPITAL		
	Authorised:		
	66,000 ordinary shares of £1 each	<u>66</u>	<u>66</u>
	Allotted, called up and fully paid:		
	65,780 ordinary shares of £1 each	<u>66</u>	<u>66</u>

CHEMVIRON SPECIALITY CHEMICALS LIMITED
NOTES TO THE ACCOUNTS
(continued)

10. EQUITY SHAREHOLDERS' FUNDS

	1994 £'000	1993 £'000
Opening shareholders' funds	780	1,753
Profit for the year	84	469
Dividends paid	-	(1,442)
	<hr/>	<hr/>
Closing equity shareholders' funds	864	780
	<hr/>	<hr/>

11. FINANCIAL COMMITMENTS

(a) Capital Expenditure

Authorised and still outstanding	394	52
	<hr/>	<hr/>
Commitments to these projects amounted to	154	31
	<hr/>	<hr/>

(b) Leasing

	Property £'000	1994 Plant and Machinery £'000	Property £'000	1993 Plant and Machinery £'000
Annual commitments in respect of operating lease rentals expiring:				
Within one year	-	40	-	34
Between two and five years	-	18	-	34
After five years	44	-	44	-
	<hr/>	<hr/>	<hr/>	<hr/>
	44	58	44	68
	<hr/>	<hr/>	<hr/>	<hr/>

(c) Contingent liabilities

A legal right of set-off exists in favour of the Company's bankers as regards the indebtedness of certain other UK Group undertakings.

12. ULTIMATE HOLDING COMPANY

On 30 June 1993, the Company became a subsidiary undertaking of English China Clays plc, incorporated in Great Britain and registered in England and Wales.

The largest and smallest group in which the results of the Company are consolidated is that headed by English China Clays plc. The consolidated accounts of this group are available to the public and may be obtained from:

1015 Arlington Business Park
Theale
Reading RG7 4SA

CHEMVIRON SPECIALITY CHEMICALS LIMITED
NOTES TO THE ACCOUNTS
(continued)

13. CASH FLOW STATEMENT

In accordance with Financial Reporting Standard (FRS) No. 1, the Company has not included a cash flow statement as part of these accounts because the Company is a wholly owned subsidiary undertaking of a UK parent undertaking which fully complies with the FRS.