

Stafford-Miller Limited

318499

Annual report for the year ended 31 December 1995

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Directors and advisers

Directors

Mr J A Block (USA)
Mr T R Block (USA)
Mr J S Rigby (Managing Director)
Mr A J Devaney
Mr R J Lenton
Mr G B Perry
Mr D R White

Secretary and registered office

Mr J E Peters
Broadwater Road
Welwyn Garden City
Herts
AL7 3SP

Registered Auditors

Coopers & Lybrand
Harman House
1 George Street
Uxbridge
Middlesex
UB8 1QQ

Solicitors

Baker & McKenzie
100 New Bridge Street
London
EC4V 6JA

Bankers

Barclays Bank plc

**Directors' report
for the year ended 31 December 1995**

The directors present their report and the audited financial statements for the year ended 31 December 1995.

Principal activities

The principal activities of the company are the manufacture, distribution and sale of pharmaceutical and toiletry products. Stafford-Miller Limited operates a branch in Australia.

Review of business

Sales for the year totalled £74,535,000 compared with sales for 1994 of £68,145,000. Advertising and selling expenditure amounted to £30,465,000 for 1995, compared with expenditure of £25,832,000 for 1994. A loss before tax for 1995 of £245,000 was achieved, compared with a profit of £2,154,000 for the previous year.

The future development and growth of the business depends to a large extent on the introduction of new products. The parent company's research facilities referred to below cover all potential areas of development in the pharmaceutical and toiletry field and many new products are currently being developed.

Dividends and transfers to reserves

The directors have declared and paid a dividend of £2,000,000, (1994 : £3,000,000) for the financial year ended 31 December 1995.

After payment of the above dividend a loss of £2,491,000, (1994 : loss of £1,597,000) for the financial year will be transferred to the company's reserves.

Research and development

All research and development is carried out by the parent company, Block Drug Company, Inc. of Jersey City. The company obtains all the benefits of research carried out by Block Drug Company, Inc.

Changes in fixed assets

The movements in fixed assets during the year are set out in notes 8 and 9 to the accounts.

**Directors' report
for the year ended 31 December 1995 (continued)****Acquisition of Setlers trademark**

On 30 November 1995 Stafford-Miller Limited acquired the worldwide rights to the Setlers trademark from Smithkline Beecham Plc, together with plant and machinery held at the subcontracted manufacturer Wrafton Laboratories Limited. Details of the acquisition are set out in note 21 to the accounts.

Market value of land and buildings

In the past, the directors have received informal professional advice that the values of the company's properties have fallen below the £7,307,000 (1994: £7,314,000) at which they are stated in the accounts. Since receiving that advice, property values in the United Kingdom have risen somewhat and, although the company's properties have yet to recover their full book values, in the opinion of the directors the shortfall is not material to an appreciation of these accounts.

Directors

The directors of the company who served throughout the year 31 December 1995 are listed on page 1.

Directors' interests

No director had at any time during the year ended 31 December 1995 any interest nor any beneficial interest in the shares of the company or any other group company which is required to be notified to the company. For this purpose, the directors are exempt from notifying the company of any interest in shares of a company incorporated outside the United Kingdom.

Charitable and political contributions

Contributions made by the company during the year for charitable purposes amounted to £1,623 (1994: £1,007). No political contributions were made.

Employment of disabled persons

It is the policy of the company to recruit disabled persons when appropriate vacancies are available. At present, the company employs a number of disabled persons and their training, career development and promotion are the same as for other company employees. Should the situation arise, arrangements would be made, where possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

**Directors' report
for the year ended 31 December 1995 (continued)**

Employee involvement

The company is conscious of its responsibility regarding the involvement of its employees in their understanding of the nature of the company's business. For some years a Works Council, composed of elected hourly paid employees and management has met regularly to discuss the company's financial progress and day to day problems encountered by employees. Information made available at Work Council meetings is communicated to employees not in attendance verbally and by printed minutes of matters discussed.

Staff handbooks are issued to hourly paid employees to inform them of the company's policies concerning their employment. Throughout the year sales conferences, meetings and seminars are held to ensure that details of the company's products, marketing and promotional plans are understood.

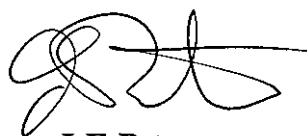
Close company provisions

As far as the directors are aware the company is a close company as defined by the Income and Corporation Taxes Act 1988, as amended.

Auditors

A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the Annual General Meeting.

By order of the board

A stylized, handwritten signature in black ink, consisting of several loops and a long horizontal stroke extending to the right.

J E Peters
Secretary

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, 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 financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Signed on behalf of the board of directors by:



J S Rigby
Director

**Report of the auditors to the members of
Stafford-Miller Limited**

We have audited the financial statements on pages 7 to 27.

Respective responsibilities of directors and auditors

As described on page 5 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

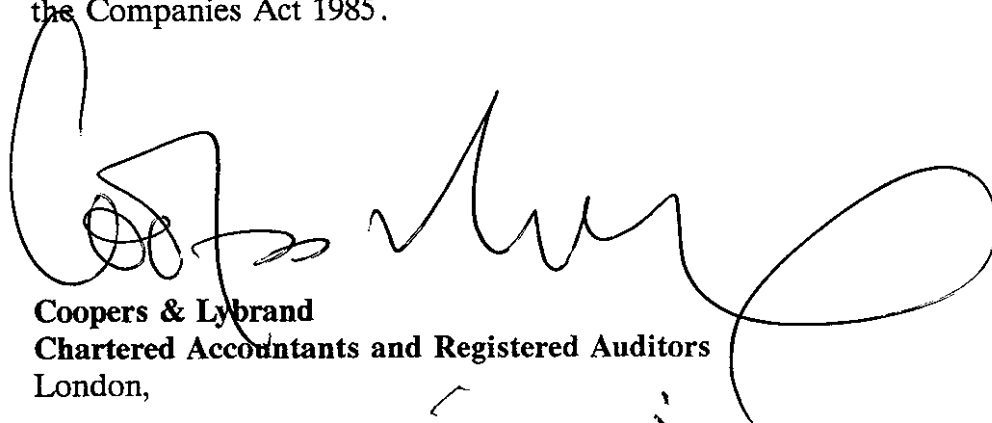
Basis of opinion

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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, 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 financial statements 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 financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 1995 and of its loss, total recognised loss, and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Coopers & Lybrand
Chartered Accountants and Registered Auditors
London,

27th August 1996.

**Profit and loss account
for the year ended 31 December 1995**

	Notes	1995 £'000	1994 £'000
Turnover	2	74,535	68,145
Cost of sales		(32,547)	(30,424)
Gross profit		41,988	37,721
Selling and distribution costs		(32,831)	(28,087)
Administrative expenses		(6,751)	(6,193)
Other operating income		368	457
Other operating costs		(1,744)	(807)
Operating profit	3	1,030	3,091
Interest receivable and similar income		38	164
Interest payable and similar charges	6	(1,313)	(1,101)
(Loss)/profit on ordinary activities before taxation		(245)	2,154
Tax on profit on ordinary activities	7	(246)	(751)
(Loss)/profit on ordinary activities after taxation		(491)	1,403
Dividend paid		(2,000)	(3,000)
Loss retained for the financial year		(2,491)	(1,597)
Statement of retained profits			
Retained profits at 1 January 1995		13,702	15,092
Exchange movement		(156)	207
Loss retained for the financial year		(2,491)	(1,597)
Retained profits at 31 December 1995		11,055	13,702

Continuing operations: All items dealt with in arriving at the (loss)/profit on ordinary activities before taxation for 1995 and 1994 relate to continuing operations.

There is no difference between the (loss)/profit on ordinary activities before taxation and the retained loss for the year stated above, and their historical cost equivalents.

Statement of total recognised gains and losses

	1995 £'000	1994 £'000
Loss retained for the financial year	(2,491)	(1,597)
Exchange (loss)/gain on retranslation of opening net assets of Australian branch	(156)	207
Total recognised losses relating to the year	<u>(2,647)</u>	<u>(1,390)</u>

Balance sheet at 31 December 1995

	Notes	1995 £'000	1994 £'000
Fixed assets			
Intangible assets	8	4,394	132
Tangible assets	9	13,729	13,251
		<u>18,123</u>	<u>13,383</u>
Current assets			
Stocks	10	13,140	12,056
Debtors	11	17,602	15,399
Cash at bank and in hand		19	1,345
		<u>30,761</u>	<u>28,800</u>
Creditors: amounts falling due within one year	12	<u>(36,198)</u>	<u>(26,996)</u>
Net current assets		<u>(5,437)</u>	<u>1,804</u>
Total assets less current liabilities		<u>12,686</u>	<u>15,187</u>
Creditors: amounts falling due after more than one year	14	(186)	(156)
Provisions for liabilities and charges	16	<u>(525)</u>	<u>(409)</u>
		<u>11,975</u>	<u>14,622</u>
Capital and reserves			
Called up share capital	19	920	920
Profit and loss account		11,055	13,702
Equity shareholders' funds		<u>11,975</u>	<u>14,622</u>

The financial statements on pages 7 to 27 were approved by the board of directors on and were signed on its behalf by:-


J S Rigby
Director

Cash flow statement for the year ended 31 December 1995

	Notes	1995 £'000	1994 £'000
Net cash inflow from operating activities	22	799	442
Returns on investments and servicing of finance			
Interest received		38	164
Interest paid		(1,283)	(1,078)
Interest paid on finance leases		(30)	(23)
Dividends paid		(2,000)	(3,000)
Net cash outflow from returns on investments and servicing of finance		(3,275)	(3,937)
Taxation			
UK corporation tax paid (including ACT)		(927)	(1,356)
Tax paid		(927)	(1,356)
Investing			
Purchase of intangible fixed assets		(5,050)	-
Purchase of tangible fixed assets		(1,848)	(3,378)
Sale of tangible fixed assets		159	66
Net cash outflow from investing activities		(6,739)	(3,312)
Net cash outflow before financing		(10,142)	(8,163)
Financing			
Repayment of loans		-	(1,240)
Payment of principal under finance leases		(58)	(87)
New finance leases		152	-
Finance leases disposed of		61	-
New loans		-	16,500
Net cash inflow from financing	23	33	15,173
(Decrease)/increase in cash and cash equivalents	24	(10,109)	7,010

**Notes to the financial statements
for the year ended 31 December 1995****1 Principal accounting policies**

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies is set out below.

Basis of accounting

These accounts have been prepared under the historical cost convention.

Tangible fixed assets

With the exception of motor vehicles, which are depreciated on a reducing balance basis, depreciation is calculated to write off the cost of fixed assets on a straight line basis over the expected useful lives of the assets concerned. The principal annual rates used for this purpose, which are consistent with those of the previous year, are:-

Freehold buildings	2%
Plant and machinery	10%
Motor vehicles	25%
Furniture, fixtures and fittings	10%
Moulds	20%

Computer equipment is depreciated in equal instalments over 5 years. This is a revision to the useful economic life since last year when capital equipment was depreciated over 7 years. Freehold land is not depreciated.

Leased assets

Leased assets are accounted for in accordance with SSAP 21, "Accounting for Leases and Hire Purchase Contracts". Accordingly assets acquired under finance leases and the related capital element of rental obligations are included in the balance sheet. The interest element is charged against profit in proportion to the reducing capital element outstanding. The assets are depreciated over the shorter of the lease terms and the useful lives of the assets. Operating lease payments are charged to the profit and loss account in the period in which they are incurred.

**Notes to the financial statements
for the year ended 31 December 1995 (continued)****Stocks and work in progress**

Stocks and work in progress are stated at the lower of cost and net realisable value. In general, cost is determined on a first-in first-out basis and includes transport and handling costs; in the case of manufactured products, cost includes all direct expenditure and production overheads based on the normal level of activity. Net realisable value is the price at which the stock can be realised in the normal course of business after allowing for the costs of realisation and, where appropriate, the cost of conversion from its existing state to a finished condition. Provision is made for any inventory items which are not expected to realise their full value in the normal course of business.

Foreign currencies

Assets and liabilities expressed in foreign currencies are translated into sterling at the rates of exchange ruling at the end of the financial year. The results of the Australian branch are translated at the closing rate of exchange as at 31 December 1995. Differences on exchange arising from the retranslation of the opening net investment in the branch are taken to reserves. All other exchange differences on assets and liabilities are included in profit before taxation. Revenue and expenses in foreign currencies are translated into sterling at the rate of exchange ruling at the date on which the amount recorded in the accounts was established. Any subsequent variations are included in profit before taxation.

Turnover

Turnover, which excludes value added tax and trade discounts, represents the invoiced value of goods and services supplied.

Deferred taxation

Provision is made for deferred tax, using the liability method, in respect of all material timing differences to the extent that it is probable that a liability or asset will crystallise. The rate used is that which is expected to be applied when the liability or asset is expected to crystallise.

Research and development

Research and development costs are expensed as incurred.

**Notes to the financial statements
for the year ended 31 December 1995 (continued)****Pension costs**

The company operates a defined benefit pension scheme which is contracted out of the state scheme. The funds are valued every three years by a professionally qualified independent actuary, the rates of contribution payable being determined by the actuary. In the intervening years the actuary reviews the continuing appropriateness of the rates. Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the period during which the company benefits from the employees' services. The effects of variations from regular cost are spread over the expected average remaining service lives of members of the scheme.

Notes to the financial statements for the year ended 31 December 1995 (continued)

2 Turnover and profit on ordinary activities before taxation

	1995		1994	
	Turnover	Profit	Turnover	Profit
	£'000	before tax £'000	£'000	before tax £'000
Principal activities:-				
Dental	59,852	(285)	55,387	1,749
Consumer products	5,924	9	4,862	166
Ethical and pharmaceutical	7,285	65	5,969	211
Household products	1,474	(34)	1,927	28
	<u>74,535</u>	<u>(245)</u>	<u>68,145</u>	<u>2,154</u>

Geographical analysis of turnover:-

	1995	1994
	£'000	£'000
United Kingdom	37,024	35,123
Rest of Europe	17,454	14,936
Africa and the Middle East	9,822	9,072
Australia and Asia	9,396	8,703
Other	839	311
	<u>74,535</u>	<u>68,145</u>

**Notes to the financial statements
for the year ended 31 December 1995 (continued)**

3 Operating profit

	1995 £'000	1994 £'000
Operating profit is stated after crediting:		
Profit on disposal of tangible fixed assets	52	24
Rent receivable	20	18
Government grant	50	50
Foreign exchange gain	184	282
And after charging:		
Auditors' remuneration:		
For audit services	56	52
For other services	73	69
Depreciation of tangible fixed assets	1,373	1,202
Amortisation of intangible fixed assets	788	67
Directors' emoluments (see note 4) including pension contributions	471	406
Hire of plant and equipment - operating leases	228	201
Hire of other assets - operating leases	1,209	1,200
Research and development expenditure	778	1,340
	<u> </u>	<u> </u>

4 Directors' emoluments

The remuneration paid to the directors of Stafford-Miller Limited was:

	1995 £	1994 £
Other emoluments (including pension contributions and benefits in kind)	471,444	405,888
	<u> </u>	<u> </u>

Fees and other emoluments (excluding pension contributions) include amounts paid to:

	1995 £	1994 £
The chairman	Nil	Nil
	<u> </u>	<u> </u>
The highest-paid director	158,026	114,559
	<u> </u>	<u> </u>

Notes to the financial statements for the year ended 31 December 1995 (continued)

The number of directors (including the chairman and the highest-paid director) who received fees and other emoluments (excluding pension contributions) in the following ranges was:

	1995 Number	1994 Number
£0 to £5,000	2	2
£55,001 to £60,000	-	1
£60,001 to £65,000	1	-
£70,001 to £75,000	-	2
£80,001 to £85,000	2	-
£85,001 to £90,000	1	1
£110,001 to £115,000	-	1
£155,001 to £160,000	1	-

5 Employee information

- (a) The average number of persons employed by the company (including directors) during the year is analysed below:-

	1995	1994
Production and distribution	353	377
Marketing and selling	146	137
Administration	51	51
	<u>550</u>	<u>565</u>

- (b) The employment cost of all employees including executive directors is analysed below:-

	1995 £'000	1994 £'000
Gross wages and salaries	10,080	9,531
Employer's national insurance and state pension contributions	685	801
Employer's pension contributions under the company pension scheme	783	781
	<u>11,548</u>	<u>11,113</u>

**Notes to the financial statements
for the year ended 31 December 1995 (continued)**

6 Interest Payable and Similar Charges

	1995 £'000	1994 £'000
To group companies	1,155	763
On bank loans and overdrafts:		
Repayable within 5 years, not by instalments	112	264
Repayable within 5 years by instalments	16	51
On finance leases	30	23
	158	338

7 Tax on profit on ordinary activities

The charge for taxation is made up as follows:-

	1995 £'000	1994 £'000
On profit for the year:		
United Kingdom corporation tax at 33% (1994: 33%)		
Current	135	730
Deferred	110	124
Under/(over) provision in respect of prior years:		
Current	1	(103)
	246	751

**Notes to the financial statements
for the year ended 31 December 1995 (continued)****Fixed Assets****8 Intangible assets**

	Total £'000
Cost	
At 1 January 1995	331
Additions	5,050
	<hr/>
At 31 December 1995	5,381
	<hr/>
Amortisation	
At 1 January 1995	199
Charge for year	788
	<hr/>
At 31 December 1995	987
	<hr/>
Net book value	
At 31 December 1995	4,394
	<hr/>
At 1 January 1995	132
	<hr/>

The intangible asset relates to trademarks. The costs are being amortised over the period of expected benefit, this being 5 years.

Notes to the financial statements for the year ended 31 December 1995 (continued)

Fixed Assets

9 Tangible assets

(a)	Freehold land and buildings £'000	Plant and equipment £'000	Furniture and office equipment £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 January 1995	8,307	10,148	1,593	271	20,319
Exchange rate adjustment	-	(55)	(15)	(10)	(80)
Additions	159	1,290	365	187	2,001
Disposals	-	(10)	(58)	(156)	(224)
At 31 December 1995	8,466	11,373	1,885	292	22,016
Depreciation					
At 1 January 1995	993	5,114	879	82	7,068
Exchange rate adjustment	-	(26)	(7)	(4)	(37)
Charge for year	166	934	208	65	1,373
Disposals	-	(6)	(47)	(64)	(117)
At 31 December 1995	1,159	6,016	1,033	79	8,287
Net book value					
At 31 December 1995	7,307	5,357	852	213	13,729
At 1 January 1995	7,314	5,034	714	189	13,251

- (b) Included in the above are assets held under finance leases with a net book value of £244,000 (1994: £223,000)

Notes to the financial statements for the year ended 31 December 1995 (continued)

10 Stocks

	1995 £'000	1994 £'000
Raw materials and packaging materials	4,139	3,985
Work in progress	515	849
Finished goods	8,305	7,149
Sundries	181	73
	<u>13,140</u>	<u>12,056</u>

11 Debtors

	1995 £'000	1994 £'000
Amounts falling due within one year:		
Trade debtors	13,646	10,772
Amounts owed by fellow subsidiary companies	1,782	2,596
Other debtors	1,612	1,808
Prepayments and accrued income	562	223
	<u>17,602</u>	<u>15,399</u>

**Notes to the financial statements
for the year ended 31 December 1995 (continued)**

12 Creditors: amounts falling due within one year

	1995 £'000	1994 £'000
Bank overdraft	8,816	-
Trade creditors	3,188	4,483
Obligations under finance leases	80	85
Amounts owed to group companies:		
Parent company	2,340	1,219
Fellow subsidiary companies	18,046	17,692
Taxation (note 13)	147	649
Payroll and other taxes	1,120	1,105
Accruals and deferred income	1,610	944
Other creditors	851	819
	<u>36,198</u>	<u>26,996</u>

13 Taxation

The creditor for taxation is made up as follows:-

	1995 £'000	1994 £'000
United Kingdom corporation tax	(504)	106
ACT on dividends	362	543
Income Tax	289	-
	<u>147</u>	<u>649</u>

14 Creditors: amounts falling due after more than one year

	1995 £'000	1994 £'000
Obligations under finance leases	<u>186</u>	<u>156</u>

**Notes to the financial statements
for the year ended 31 December 1995 (continued)**

15 Lease commitments

- (a) Included in creditors at 31 December 1995 are the following amounts relating to capitalised finance leases:-

	1995 £'000	1994 £'000
Falling due within one year	80	85
Falling due after more than one year	186	156
	<u>266</u>	<u>241</u>
Gross lease commitments:		
Due within one year	105	104
Due within 2 to 5 years	99	92
Due after more than 5 years	101	77
	<u>305</u>	<u>273</u>
Less: future finance charges	(39)	(32)
	<u>266</u>	<u>241</u>

- (b) Payments due under operating leases analysed by expiry dates of the leases concerned are as follows:-

	1995		1994	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Expiry dates of lease contracts:				
Within one year	-	101	-	97
Between 2 and 5 years	-	110	-	121
Over 5 years	610	37	604	-
	<u>610</u>	<u>248</u>	<u>604</u>	<u>218</u>

**Notes to the financial statements
for the year ended 31 December 1995 (continued)**

16 Provision for liabilities and charges

	1995 £'000	1994 £'000
Deferred taxation (note 17)	351	241
Australian provision for long service leave	174	168
	<u>525</u>	<u>409</u>

17 Deferred taxation

(a) The deferred taxation provision is analysed as follows:-

	1995		1994	
	Provided £'000	Unprovided £'000	Provided £'000	Unprovided £'000
Accelerated capital allowances	351	1,178	241	1,205
Other timing differences	-	-	-	-
	<u>351</u>	<u>1,178</u>	<u>241</u>	<u>1,205</u>

(b) Movements on the provision for deferred tax are:-

	1995 £'000	1994 £'000
At 1 January 1995	241	117
Transferred from profit and loss account	110	124
At 31 December 1995	<u>351</u>	<u>241</u>

**Notes to the financial statements
for the year ended 31 December 1995 (continued)****18 Pension Plan**

The company operates a funded defined benefit pension scheme in the United Kingdom. The fund holds contributions from employees and the company in trustee administered funds separated from the company's finances. The fund is a final salary arrangement.

The company pays contributions to the fund in order to provide security for existing pensions and the accrued benefits of members. The contributions being paid are based on the results of an actuarial valuation of the fund at 31 December 1993.

The pension cost charged to the profit and loss account is such as to spread the cost of pensions over the working lives of the employees who are members of the fund. Pension costs amount to £571,000 (1994: £527,000) and are equal to the contributions paid to the fund.

The pension cost for the Stafford-Miller Pension Fund is determined by Bacon & Woodrow, independent consulting actuaries. The charge for 1995 is based on the most recent actuarial review which took place as at 31 December 1993 and used the projected unit method. The most significant actuarial assumptions were:-

Rate of return on investments	9.0% pa
Rate of increase in pay levels	7.0% pa
Rate of increase in State Lower and Upper Earnings Limits	5.0% pa
Dividend growth	4.5% pa

The actuarial method and assumptions used for the 1993 actuarial review were determined by the actuary to be appropriate in the light of current circumstances.

The market value of the fund's assets was £5,204,000 as at 31 December 1993 but their long-term value, as used for the purpose of the actuarial valuation, was £5,004,000. This actuarial value of assets represented 96% of the actuarial value of the accrued benefits, where accrued benefits are calculated on the above assumptions and include all benefits for pensioners and other former members, as well as benefits based on service to the valuation date for active members, allowing for future pay rises.

Notes to the financial statements for the year ended 31 December 1995 (continued)

19 Called up share capital

	1995 £'000	1994 £'000
Authorised:		
92,000 shares of £10 each	920	920
	<u> </u>	<u> </u>
Allotted, called up and fully paid:		
91,980 shares of £10 each	920	920
	<u> </u>	<u> </u>

20 Reconciliation of movements in shareholders' funds

	1995 £'000	1994 £'000
(Loss)/profit for the financial year	(491)	1,403
Dividends and appropriations	(2,000)	(3,000)
	<u> </u>	<u> </u>
	(2,491)	(1,597)
Other net recognised (losses)/gain	(156)	207
	<u> </u>	<u> </u>
Net reduction in shareholders funds	(2,647)	(1,390)
Opening shareholders' funds	14,622	16,012
	<u> </u>	<u> </u>
Closing shareholder's funds	11,975	14,622
	<u> </u>	<u> </u>

21 Acquisitions

During the year Setlers was acquired for total cash consideration of £5,300,000; comprising £250,000 for plant and machinery and £5,050,000 for the trademark.

**Notes to the financial statements
for the year ended 31 December 1995 (continued)**

22 Reconciliation of operating profit to net cash inflow from operating activities

	1995 £'000	1994 £'000
Operating profit	1,030	3,091
Amortisation of intangible fixed assets	788	67
Depreciation of tangible fixed assets	1,373	1,202
Profit on sale of tangible fixed assets	(52)	(24)
Increase in stocks	(1,141)	(1,565)
Increase in debtors	(2,041)	(1,214)
Increase/(decrease) in creditors	836	(1,144)
Increase/(decrease) in provisions	6	29
Net cash inflow from operating activities	799	442

23 Analysis of changes in financing during the year

	Finance lease obligations £'000	Group loans £'000
As at 1 January 1995	241	16,500
Currency translation adjustment	(8)	-
New finance leases	152	-
Finance leases disposed of during the year	(61)	-
Payments of finance lease capital	(58)	-
As at 31 December 1995	266	16,500

Notes to the financial statements for the year ended 31 December 1995 (continued)

24 Cash and cash equivalents

	1995 £'000	1994 £'000
Changes during the year		
At 1 January	1,345	(5,740)
Net cash (outflow)/inflow before adjustments for the effects of foreign exchange rates	(10,109)	7,010
Effect of foreign exchange rates	(33)	75
At 31 December	(8,797)	1,345

25 Cash and cash equivalents (continued)

	1995 £'000	1994 £'000	Change in year £'000
Analysis of balances			
Cash at bank and in hand	19	1,345	(1,326)
Bank overdrafts	(8,816)	-	(8,816)
At 31 December	(8,797)	1,345	(10,142)

26 Capital commitments

	1995 £'000	1994 £'000
Capital expenditure that has been contracted for but not provided in the financial statement	549	388
Capital expenditure that has been authorised by directors but not yet contracted for	37	Nil

**Notes to the financial statements
for the year ended 31 December 1995 (continued)**

27 Ultimate parent undertaking

The company's ultimate parent company is Block Drug Company, Inc., a company incorporated in the United States of America. Copies of the financial statements of the company can be obtained from 257 Cornelison Avenue, Jersey City, N.J., 07302-9988, U.S.A.