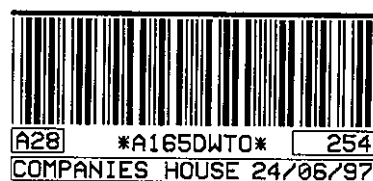


**Stafford - Miller Limited**  
**Annual Report**  
**for the year ended 31<sup>st</sup> December 1996**

**Registered No: 318499**



# **Stafford - Miller Ltd**

## **Annual report for the year ended 31 December 1996**

	<b>Pages</b>
<b>Directors and advisers</b>	<b>1</b>
<b>Directors' report</b>	<b>2 - 4</b>
<b>Statement of directors' responsibilities</b>	<b>5</b>
<b>Report of the auditors</b>	<b>6</b>
<b>Profit and loss account</b>	<b>7</b>
<b>Statement of total recognised gains and losses</b>	<b>8</b>
<b>Balance sheet</b>	<b>9</b>
<b>Cash flow statement</b>	<b>10</b>
<b>Notes to the financial statements</b>	<b>11 - 28</b>

## **Stafford - Miller Ltd**

### **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

## **Stafford - Miller Limited**

### **Directors' report for the year ended 31 December 1996**

The directors present their report and the audited financial statements for the year ended 31 December 1996.

#### **Principal activities**

The principal activities of the company are 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 £83,042,000 compared with sales for 1995 of £74,535,000. Advertising and selling expenditure amounted to £34,595,000 for 1996, compared with expenditure of £30,465,000 for 1995. A loss before tax for 1996 of £1,361,000 was achieved, compared with a loss of £245,000 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 being developed.

#### **Dividends and transfers to reserves**

The directors have not declared a dividend in 1996 (1995 : £2,000,000).

#### **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.

## **Stafford - Miller Limited**

### **Directors' report for the year ended 31 December 1996 ( continued)**

#### **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 £7,203,000 (1995: £7,307,000) 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 the appreciation of these accounts.

#### **Directors**

The directors of the company who served throughout the year 31 December 1996 are listed on page 1.

#### **Directors' interests**

No director had at any time during the year ended 31 December 1996 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 £1,320 (1995: £1,623). 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 became disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

## **Stafford - Miller Ltd**

### **Directors' report for the year ended 31 December 1996 (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.

#### **Creditor payment policy**

It is company policy to pay suppliers promptly. The company usually pays invoices at the end of the month following the date of the invoice.

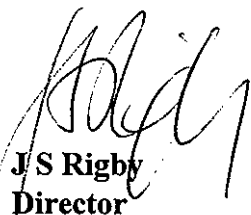
#### **Close company provisions**

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**



**J S Rigby**  
**Director**

**12 June 1997**

## **Stafford - Miller Limited**

### **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 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**  
**12 June 1997**

## **Stafford - Miller Ltd**

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

We have audited the financial statements on pages 7 to 28.

#### **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 1996 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**  
**12 June 1997**



## Stafford - Miller Ltd

### Profit and loss account for the year ended 31 December 1996

	Notes	1996 £'000	1995 £'000
<b>Turnover</b>	2	83,042	74,535
Cost of sales		<u>(35,527)</u>	<u>(32,547)</u>
<b>Gross profit</b>		47,515	41,988
Selling and distribution costs		(37,267)	(32,831)
Administrative expenses		(7,384)	(6,751)
Other operating income		19	368
Other operating costs		<u>(2,343)</u>	<u>(1,744)</u>
<b>Operating profit</b>	3	540	1,030
Interest receivable and similar income		7	38
Interest payable and similar charges	6	<u>(1,908)</u>	<u>(1,313)</u>
<b>Loss on ordinary activities before taxation</b>	2	<u>(1,361)</u>	<u>(245)</u>
Tax on loss on ordinary activities	7	<u>404</u>	<u>(246)</u>
<b>Loss on ordinary activities after taxation</b>		(957)	(491)
Dividend paid		-	(2,000)
<b>Loss retained for the financial year</b>		<u>(957)</u>	<u>(2,491)</u>
<b>Statement of retained profits</b>			
Retained profits at 1 January		11,055	13,702
Exchange movement		(189)	(156)
Loss retained for the financial year		<u>(957)</u>	<u>(2,491)</u>
<b>Retained profits at 31 December</b>		<u>9,909</u>	<u>11,055</u>

**Continuing operations:** All items dealt with in arriving at the loss on ordinary activities before taxation for 1996 and 1995 relate to continuing operations.

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

## Stafford - Miller Ltd

### Statement of total recognised gains and losses

	1996 £'000	1995 £'000
Loss retained for the financial year	(957)	(2,491)
Exchange loss on retranslation of opening net assets of Australian branch	<u>(189)</u>	<u>(156)</u>
Total recognised losses relating to the year	<u><u>(1,146)</u></u>	<u><u>(2,647)</u></u>

# Stafford - Miller Ltd

## Balance sheet at 31 December 1996

	Notes	1996 £'000	1995 £'000
<b>Fixed assets</b>			
Intangible assets	8	4,217	4,394
Tangible assets	9	<u>13,946</u>	<u>13,729</u>
		<u>18,163</u>	<u>18,123</u>
<b>Current assets</b>			
Stocks	10	12,461	13,140
Debtors	11	20,953	17,602
Cash at bank and in hand		<u>226</u>	<u>19</u>
		<u>33,640</u>	<u>30,761</u>
<b>Creditors: amounts falling due within one year</b>	12	<u>(40,105)</u>	<u>(36,198)</u>
<b>Net current liabilities</b>		<u>(6,465)</u>	<u>(5,437)</u>
<b>Total assets less current liabilities</b>		<u>11,698</u>	<u>12,686</u>
<b>Creditors: amounts falling due after more than one year</b>	14	(302)	(186)
<b>Provisions for liabilities and charges</b>	16	<u>(567)</u>	<u>(525)</u>
<b>Net assets</b>		<u>10,829</u>	<u>11,975</u>
<b>Capital and reserves</b>			
Called up share capital	19	920	920
Profit and loss account		<u>9,909</u>	<u>11,055</u>
<b>Equity shareholders' funds</b>	20	<u>10,829</u>	<u>11,975</u>

The financial statements on pages 7 to 28 were approved by the board of directors on and were signed on its behalf by:-

  
**J S Rigby**  
**Director**  
**12 June 1996**

# Stafford - Miller Ltd

## Cash flow statement for the year ended 31 December 1996

	Notes	1996 £'000	1995 £'000
<b>Net cash inflow from operating activities</b>	22	<u>2,133</u>	<u>799</u>
<b>Returns on investments and servicing of finance</b>			
Interest received		7	38
Interest paid		(1,864)	(1,283)
Interest paid on finance leases		(44)	(30)
Dividends paid		<u>-</u>	<u>(2,000)</u>
<b>Net cash outflow from returns on investments and servicing of finance</b>		<u>(1,901)</u>	<u>(3,275)</u>
<b>Taxation</b>			
UK corporation tax paid (including ACT)		<u>(364)</u>	<u>(927)</u>
<b>Tax paid</b>		<u>(364)</u>	<u>(927)</u>
<b>Investing activities</b>			
Purchase of intangible fixed assets		-	(5,050)
Purchase of tangible fixed assets		(1,845)	(1,848)
Proceeds from sale of tangible fixed assets		<u>55</u>	<u>159</u>
<b>Net cash outflow from investing activities</b>		<u>(1,790)</u>	<u>(6,739)</u>
<b>Net cash outflow before financing</b>		<u>(1,922)</u>	<u>(10,142)</u>
<b>Financing</b>			
Repayment of principle under finance leases	23	(114)	(58)
New finance leases	23	283	152
Finance leases disposed of during the year		<u>-</u>	<u>(61)</u>
<b>Net cash inflow from financing</b>		<u>169</u>	<u>33</u>
<b>Decrease in cash and cash equivalents</b>	24	<u>(1,753)</u>	<u>(10,109)</u>

## **Stafford - Miller Ltd**

### **Notes to the financial statements for the year ended 31 December 1996**

#### **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.

#### **Changes in presentation of financial information**

FRS 8 'Related party disclosures' requires the disclosure of the details of material transactions between the reporting entity and any related parties. The new standard comes into effect for all accounting periods commencing on or after 23 December 1995.

The company has taken advantage of the exemption from disclosing such information about group transactions since it is a wholly owned subsidiary. Other disclosures required by FRS 8 are dealt with in note 27.

#### **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	20%

Freehold land is not depreciated.

## **Stafford - Miller Ltd**

### **Notes to the financial statements for the year ended 31 December 1996 (continued)**

#### **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.

#### **Intangible fixed assets**

The expected useful life of goodwill associated with brands acquired in 1995 was reassessed during the year and extended to 40 years. This is considered by the directors to be the period over which the company will benefit from the goodwill purchased. This has been effected by writing down the net book value at 1 January 1996 over the remaining useful economic life of 39 years. This has resulted in a reduced depreciation charge in the year of £15,000.

#### **Stocks and work in progress**

Stocks and works 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 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 1996. Differences on exchange arising from the re-translation 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.

## **Stafford - Miller Ltd**

### **Notes to the financial statements for the year ended 31 December 1996 (continued)**

#### **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 is expected to 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.

#### **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 costs are spread over the expected average remaining service lives of members of the scheme.

# Stafford - Miller Ltd

## Notes to the financial statements for the year ended 31 December 1996 (continued)

### 2 Turnover and loss on ordinary activities before taxation

	1996		1995	
	Turnover	Loss	Turnover	Loss
	£'000	before tax £'000	£'000	before tax £'000
<b>Principal activities :-</b>				
Dental	65,892	(1,300)	59,852	(285)
Consumer products	7,403	(58)	5,924	9
Ethical and pharmaceutical	8,553	46	7,285	65
Household products	1,194	(49)	1,474	(34)
	<u>83,042</u>	<u>(1,361)</u>	<u>74,535</u>	<u>(245)</u>

### Geographical analysis of turnover :-

	1996	1995
	£'000	£'000
United Kingdom	42,821	37,024
Rest of Europe	18,468	17,454
Africa and Middle East	10,665	9,822
Australia and Asia	9,868	9,396
Other	1,220	839
	<u>83,042</u>	<u>74,535</u>



# Stafford - Miller Ltd

## Notes to the financial statements for the year ended 31 December 1996 (continued)

### 3 Operating profit

	1996 £'000	1995 £'000
<b>Operating profit is stated after crediting:</b>		
(Loss)/Profit on disposal of tangible fixed assets	(48)	52
Rent receivable	20	20
Government grant	-	50
Foreign exchange (loss)/ gain	(967)	184
<b>And after charging:</b>		
Auditors' remuneration:		
For audit services	45	56
For other services	61	73
Depreciation:		
- Tangible owned fixed assets	1,403	1,298
- Tangible fixed assets held under finance leases	81	75
Amortisation of intangible fixed assets	177	788
Hire of plant and equipment - operating leases	246	228
Hire of other assets - operating leases	1,099	1,209
Research and development expenditure	<u>507</u>	<u>778</u>

### 4 Directors' emoluments

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

	1996 £'000	1995 £'000
Other emoluments (including pension contributions and benefits in kind)	609	471

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

	1996 £'000	1995 £'000
The chairman	Nil	Nil
The highest - paid director	<u>211</u>	<u>158</u>

## Stafford - Miller Ltd

### Notes to the financial statements for the year ended 31 December 1996 (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:

	1996	1995
£0 to £5,000	2	2
£60,001 to £65,000	-	1
£70,001 to £75,000	1	-
£80,001 to £85,000	-	2
£85,001 to £90,000	-	1
£90,001 to £95,000	1	-
£95,001 to £100,000	2	-
£155,001 to £160,000	-	1
£210,001 to £215,000	1	-

#### 5 Employee information

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

	1996	1995
Production and distribution	348	353
Marketing and selling	155	146
Administration	53	51
	<u>556</u>	<u>550</u>

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

	1996 £'000	1995 £'000
Gross wages and salaries	7,832	10,080
Social security costs	711	685
Other pension costs (see note 18)	602	783
	<u>9,145</u>	<u>11,548</u>

# Stafford - Miller Ltd

## Notes to the financial statements for the year ended 31 December 1996 (continued)

### 6 Interest payable and similar charges

	1996 £'000	1995 £'000
On bank loans and overdrafts:		
Repayable within 5 years, not by instalments	677	112
Repayable within 5 years by instalments	-	16
	<u>677</u>	<u>128</u>
On finance leases	43	30
To group companies	<u>1,188</u>	<u>1,155</u>
Total interest payable	<u><u>1,908</u></u>	<u><u>1,313</u></u>

### 7 Tax on loss on ordinary activities

The charge for taxation is made up as follows:-

	1996 £'000	1995 £'000
On loss for the year:		
United Kingdom corporation tax at 33% (1995:33%)		
Current	(370)	135
Deferred	200	110
(Over)/under provision in respect of prior years:		
Current	<u>(234)</u>	<u>1</u>
	<u><u>(404)</u></u>	<u><u>246</u></u>

# **Stafford - Miller Ltd**

## **Notes to the financial statements for the year ended 31 December 1996 (continued)**

### **Fixed Assets**

#### **8 Intangible assets**

	<b>Goodwill £'000</b>
<b>Cost</b>	
At 1 January 1996	5,381
Additions	-
<b>At 31 December 1996</b>	<b><u>5,381</u></b>
<b>Amortisation</b>	
At 1 January 1996	987
Charge for year	177
<b>At 31 December 1996</b>	<b><u>1,164</u></b>
<b>Net book value</b>	
<b>At 31 December 1996</b>	<b><u>4,217</u></b>
 At 1 January 1996	 <b><u>4,394</u></b>

# Stafford - Miller Ltd

## Notes to the financial statements for the year ended 31 December 1996 (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
<b>Cost</b>					
At 1 January 1996	8,466	11,373	1,885	292	22,016
Exchange rate adjustment	-	(53)	(17)	(9)	(79)
Additions	65	776	757	249	1,847
Disposals	-	(637)	(212)	(75)	(924)
<b>At 31 December 1996</b>	<b><u>8,531</u></b>	<b><u>11,459</u></b>	<b><u>2,413</u></b>	<b><u>457</u></b>	<b><u>22,860</u></b>
<b>Depreciation</b>					
At 1 January 1996	1,159	6,016	1,033	79	8,287
Exchange rate adjustment	-	(28)	(7)	(2)	(37)
Charge for the year	169	985	248	82	1,484
Disposals	-	(614)	(168)	(38)	(820)
<b>At 31 December 1996</b>	<b><u>1,328</u></b>	<b><u>6,359</u></b>	<b><u>1,106</u></b>	<b><u>121</u></b>	<b><u>8,914</u></b>
<b>Net book value</b>					
<b>At 31 December 1996</b>	<b><u>7,203</u></b>	<b><u>5,100</u></b>	<b><u>1,307</u></b>	<b><u>336</u></b>	<b><u>13,946</u></b>
<b>At 1 January 1996</b>	<b><u>7,307</u></b>	<b><u>5,357</u></b>	<b><u>852</u></b>	<b><u>213</u></b>	<b><u>13,729</u></b>

(b) Included in the above are assets held under finance lease with a net book value of £408,000 (1995: £244,000)

# Stafford - Miller Ltd

## Notes to the financial statements for the year ended 31 December 1996 (continued)

### 10 Stocks

	1996 £'000	1995 £'000
Raw materials and packaging materials	4,823	4,139
Work in progress	918	515
Finished goods	6,559	8,305
Sundries	161	181
	<u>12,461</u>	<u>13,140</u>

### 11 Debtors

	1996 £'000	1995 £'000
<b>Amounts falling due within one year:</b>		
Trade debtors	14,895	13,646
Amounts owed by fellow subsidiary companies	3,463	1,782
Other debtors	1,055	1,612
Taxation (note 13)	800	-
Prepayments and accrued income	740	562
	<u>20,953</u>	<u>17,602</u>

# Stafford - Miller Ltd

## Notes to the financial statements for the year ended 31 December 1996

### 12 Creditors: amounts falling due within one year

	1996 £'000	1995 £'000
Unsecured;		
Bank overdraft	1,823	8,816
Short term loans	8,928	-
Trade creditors	4,217	3,188
Obligations under finance leases	126	80
Amounts owed to group companies:		
Parent company	1,729	2,340
Fellow subsidiary companies	19,398	18,046
Taxation (note 13)	-	147
Payroll and other taxes	1,121	1,120
Accruals and deferred income	2,279	1,610
Other creditors	484	851
	<u>40,105</u>	<u>36,198</u>

### 13 Taxation

The (debtor)/creditor for taxation is made up as follows:-

	1996 £'000	1995 £'000
United Kingdom corporation tax	(1,031)	(504)
ACT on dividends	-	362
Income tax	231	289
	<u>(800)</u>	<u>147</u>

### 14 Creditors: amounts falling due after more than one year

	1996 £'000	1995 £'000
Obligations under finance leases	<u>302</u>	<u>186</u>

# Stafford - Miller Ltd

## Notes to the financial statements for the year ended 31 December 1996

### 15 Lease commitments

- (a) Included in creditors at 31 December 1996 are the following amounts relating to capitalised finance leases:-

	1996 £'000	1995 £'000
Falling due within one year	126	80
Falling due after more than one year	302	186
	<u>428</u>	<u>266</u>
Gross lease commitments:		
Due within one year	165	105
Due within 2 to 5 years	162	99
Due after more than 5 years	163	101
	<u>490</u>	<u>305</u>
Less: future finance charges	(62)	(39)
	<u>428</u>	<u>266</u>

- (b) At 31 December the company has annual commitments under non-cancellable operating leases as follows:

	1996		1995	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
Expiry dates of lease contracts:				
Within one year	24	116	-	101
Between 2 and 5 years	53	152	-	110
Over 5 years	-	167	610	37
	<u>77</u>	<u>435</u>	<u>610</u>	<u>248</u>



# Stafford - Miller Ltd

## Notes to the financial statements for the year ended 31 December 1996 (continued)

### 16 Provision for liabilities charges

	1996 £'000	1995 £'000
Deferred taxation (note 17)	473	351
Australian provision for long service leave	94	174
	<u>567</u>	<u>525</u>

### 17 Deferred taxation

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

	1996		1995	
	Provided £'000	Unprovided £'000	Provided £'000	Unprovided £'000
Accelerated capital allowances	551	1,054	351	1,178
Advanced corporation tax	(78)	-	-	-
	<u>473</u>	<u>1,054</u>	<u>351</u>	<u>1,178</u>

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

	1996 £'000	1995 £'000
At 1 January	351	241
Transferred from profit and loss account	200	110
Advanced corporation tax	(78)	-
At 31 December	<u>473</u>	<u>351</u>

## **Stafford - Miller Ltd**

### **Notes to the financial statements for the year ended 31 December 1996 (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 1995.

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 £602,000 (1995: £571,000) 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 1996 is based on the most recent actuarial review which took place as at 31 December 1995 and used the projected unit method. The most significant actuarial assumptions were:-

Rate of return on investments	8.5% pa
Rate of increase in pay levels	6.5% pa
Rate of increase in state Lower and Upper Earnings Limits	4.5% pa
Dividend growth	4.0% pa

The actual method and assumptions used for the 1995 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 £8,213,000 as at 31 December 1995 but their long-term value, as used for the purpose of the actuarial valuation, was £7,473,000. This actuarial value of assets represented 102% 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.

## Stafford - Miller Ltd

### Notes to the financial statements for the year ended 31 December 1996 (continued)

#### 19 Called up share capital

	1996 £'000	1995 £'000
<b>Authorised:</b>		
92,000 shares of £10 each	<u>920</u>	<u>920</u>
<b>Allotted, called up and fully paid:</b>		
91,980 shares of £10 each	<u>920</u>	<u>920</u>

#### 20 Reconciliation of movements in shareholders' funds

	1996 £'000	1995 £'000
Loss for the financial year	(957)	(491)
Dividends and appropriations	<u>-</u>	<u>(2,000)</u>
	(957)	(2,491)
Other net recognised losses retained in the financial year	<u>(189)</u>	<u>(156)</u>
Net reduction in shareholders' funds	(1,146)	(2,647)
Opening shareholders' funds	<u>11,975</u>	<u>14,622</u>
Closing shareholders' funds	<u>10,829</u>	<u>11,975</u>

#### 21 Post balance sheet events

On the 5th of February 1997 it was announced that the manufacturing plant in Cwmbran would be closed as part of a consolidation of manufacturing plants. At present, it is not practical to make an estimate of the financial effect of this decision.

# Stafford - Miller Ltd

## Notes to the financial statements for the year ended 31 December 1996 (continued)

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

	1996 £'000	1995 £'000
Operating profit	540	1,030
Amortisation of intangible fixed assets	177	788
Depreciation of tangible fixed assets	1,484	1,373
Loss/(Profit) on sale of tangible fixed assets	48	(52)
Decrease/ (increase) in stocks	614	(1,141)
Increase in debtors	(2,637)	(2,041)
Increase in creditors	1,983	836
Decrease/(increase) in provisions	(76)	6
<b>Net cash inflow from operating activities</b>	<b><u>2,133</u></b>	<b><u>799</u></b>

### 23 Analysis of changes in financing during the year

Finance lease obligations are as follows;	1996 £'000	1995 £'000
As at 1 January	266	241
Currency translation adjustment	(7)	(8)
New finance lease contracts	283	152
Finance leases disposed of during the year	-	(61)
Repayment of principle in finance leases	(114)	(58)
<b>As at 31 December</b>	<b><u>428</u></b>	<b><u>266</u></b>

# Stafford - Miller Ltd

## Notes to the financial statements for the year ended 31 December 1996 (continued)

### 24 Cash and cash equivalents

	1996 £'000	1995 £'000
<b>Changes during the year</b>		
At 1 January	(8,797)	1,345
Net cash outflow before adjustments for the effects of foreign exchange rates	(1,753)	(10,109)
Effect of foreign exchange rates	25	(33)
<b>At 31 December</b>	<b><u>(10,525)</u></b>	<b><u>(8,797)</u></b>

### 25 Cash and cash equivalents (continued)

	1996 £'000	1995 £'000	Change in year £'000
<b>Analysis of balances</b>			
Cash at bank and in hand	226	19	207
Bank overdrafts and loans repayable within 3 months	(10,751)	(8,816)	(1,935)
<b>At 31 December</b>	<b><u>(10,525)</u></b>	<b><u>(8,797)</u></b>	<b><u>(1,728)</u></b>

### 26 Capital commitments

	1996 £'000	1995 £'000
Capital expenditure that has been contracted for but not provided in the financial statements	203	549

## **Stafford - Miller Ltd**

### **Notes to the financial statements for the year ended 31 December 1996 (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.