

ARTHUR
ANDERSEN

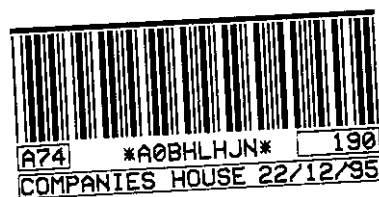
ARTHUR ANDERSEN & CO, SC

Applied Chemicals Limited

Accounts 30 June 1995

together with directors' and auditors' reports

Registered number: 473219



Directors' report

For the year ended 30 June 1995

The directors present their annual report on the affairs of the company, together with the accounts and auditors' report for the year ended 30 June 1995.

Principal activity and business review

The principal activity of the company is the manufacture and distribution of chemicals, lubricants, industrial cleaning fluids and associated equipment. The company has experienced a decline in some of its markets during the year, however, improvements are anticipated in the forthcoming year.

Results and dividends

The company made a profit on ordinary activities before tax of £8,102 (1994: £266,473). The total transfer to reserves was £22,315 (1994: £184,233).

The directors do not recommend the payment of a dividend (1994: £9.00 per ordinary share paid).

Fixed assets

The movements in fixed assets during the year are shown in note 10 to the accounts.

Directors and their interests

The directors who served during the year were as follows:

I W Hicks (Australian) (Chairman)
A J Williams
K G Sansom
D Maher (appointed 6 February 1995)
F G Holt (appointed 6 February 1995)
M R Parkinson (appointed 1 March 1995)
E F Dwyer (Australian) (appointed 22 May 1995)
R F Smith (resigned 31 December 1994)
R Horrocks CBE (resigned 7 February 1995)
A G Williams (resigned 7 April 1995)

No director had any interest in the ordinary shares or preference shares of the company or in Chemiks Pty Limited, the ultimate parent company during the year, with the exception of Mr I W Hicks who held 13,380,202 fully paid shares of A\$1 in the ultimate parent company.

Mr A J Williams has an option to purchase 30,000 ordinary A\$1 shares in the ultimate parent company. This option is at A\$3.45 and has no time limit. No options were exercised or granted in the year.

Charitable donations

The company made contributions to charities of £1,660 (1994 - £1,125) during the year.

Directors' report (continued)

Directors' responsibilities

Company law requires the directors to prepare accounts 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 accounts, 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 accounts; and
- prepare the accounts 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 accounts 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.

Auditors

The directors will place a resolution before the annual general meeting to reappoint Arthur Andersen as auditors for the ensuing year.

Applied House
Wilsons Lane
Coventry
CV6 6JA

By order of the Board,



R D Batty

Secretary

19 October 1995

Auditors' report

Birmingham

To the Shareholders of Applied Chemicals Limited:

We have audited the accounts on pages 4 to 18 which have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

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

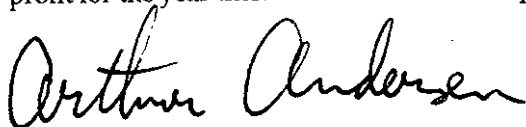
Basis of opinion

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 at 30 June 1995 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen

Chartered Accountants and Registered Auditors

1 Victoria Square
Birmingham
B1 1BD

19 October 1995

Profit and loss account

For the year ended 30 June 1995

	Notes	1995 £	1994 £
Turnover	2	13,586,068	14,341,419
Change in stocks of finished goods and goods held for resale		18,104	(79,199)
Raw materials and consumables		(5,754,423)	(5,830,017)
		<u>7,849,749</u>	<u>8,432,203</u>
Staff costs	3	(2,890,981)	(3,120,054)
Depreciation	10	(128,421)	(116,020)
Other operating charges		(4,859,733)	(4,959,915)
Operating (loss) profit		<u>(29,386)</u>	<u>236,214</u>
Interest receivable	5	85,595	117,907
Interest payable	6	(48,107)	(87,648)
Profit on ordinary activities before taxation	7	<u>8,102</u>	<u>266,473</u>
Tax on profit on ordinary activities	8	<u>14,213</u>	<u>7,760</u>
Profit for the financial year		<u>22,315</u>	<u>274,233</u>
Dividends paid and proposed	9	-	(90,000)
Retained profit for the financial year		<u>22,315</u>	<u>184,233</u>
Retained profit, beginning of the year		3,387,257	3,203,024
Transfer from revaluation reserve		<u>10,661</u>	<u>-</u>
Retained profit, end of year		<u>3,420,233</u>	<u>3,387,257</u>

Statement of total recognised gains and losses

For the year ended 30 June 1995

	1995 £	1994 £
Profit for the financial year	22,315	274,233
Unrealised gain on revaluation of fixed assets	-	535,980
Total recognised gains and losses relating to the financial year	<u>22,315</u>	<u>810,213</u>

The accompanying notes are an integral part of these accounts.

Note of historical cost profits and losses

For the year ended 30 June 1995

	1995 £	1994 £
Profit before taxation	8,102	266,473
Difference between the historical cost depreciation charge and the depreciation charge calculated on the revalued amount	10,661	-
Historical cost profit on ordinary activities before taxation	<u>18,763</u>	<u>266,473</u>
Historical cost retained profit for the financial year	<u>32,976</u>	<u>184,233</u>

The accompanying notes are an integral part of these accounts.

Balance sheet

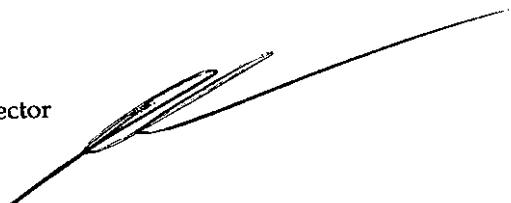
30 June 1995

	Notes	1995 £	1994 £
Fixed assets	10	911,140	1,020,000
Tangible assets	11	93,386	130,127
Intangible assets		<u>1,004,526</u>	<u>1,150,127</u>
Current assets	12	-	78,650
Assets held for resale	13	951,795	883,159
Stocks	14	3,051,668	3,332,117
Debtors: Amounts falling due within one year	14	2,046,336	2,036,846
Debtors: Amounts falling due after more than one year		264,452	379,186
Cash at bank and in hand		<u>6,314,251</u>	<u>6,709,958</u>
Creditors: Amounts falling due within one year	15	<u>(3,209,594)</u>	<u>(3,754,133)</u>
Net current assets		<u>3,104,657</u>	<u>2,955,825</u>
Total assets less current liabilities		4,109,183	4,105,952
Creditors: Amounts falling due after more than one year	16	-	(4,871)
Provisions for liabilities and charges	17	<u>(153,627)</u>	<u>(167,840)</u>
Net assets		<u>3,955,556</u>	<u>3,933,241</u>
Capital and reserves	18	10,004	10,004
Called-up share capital	19	525,319	535,980
Revaluation reserve		3,420,233	3,387,257
Profit and loss account	20	<u>3,955,556</u>	<u>3,933,241</u>
Total capital employed			
Analysis of shareholders' funds		3,955,552	3,933,237
Equity interests		4	4
Non equity interests		<u>3,955,556</u>	<u>3,933,241</u>

Signed on behalf of the Board

A J Williams

Director



19 October 1995

The accompanying notes are an integral part of these accounts.

Notes to accounts

30 June 1995

1 Accounting policies

The accounts have been prepared under the historical cost convention modified to include the revaluation of plant and machinery and are in accordance with applicable accounting standards. The following accounting policies have been applied consistently throughout the year and the preceding year.

Under the provisions of Financial Reporting Standard 1, the company has not prepared a cash flow statement because its immediate parent company, Lorikeet Limited, which is registered in England and Wales, has prepared consolidated accounts which include the accounts of the company for the year ended 30 June 1995 and which contain a cash flow statement.

a) Turnover

Turnover comprises the value of sales (excluding VAT and similar taxes and trade discounts) of goods and services in the normal course of business.

b) Fixed assets

Fixed assets are shown at original historical cost or subsequent professional revaluation. Depreciation is provided to write off the cost or valuation of all fixed assets over their expected useful lives after taking account of estimated residual values. Depreciation is calculated on the original cost or valuation of the assets on a straight line basis at the following rates:

Motor vehicles	33 ¹ / ₃ % per annum
Plant and equipment	10 - 33 ¹ / ₃ % per annum

Surpluses arising on the revaluation of tangible fixed assets are credited to a non-distributable revaluation reserve. Where depreciation charges have increased following a revaluation, an amount equal to such increase is transferred annually from this reserve to the profit and loss account. On disposal of a revalued fixed asset, any remaining surplus corresponding to that asset is also transferred to the profit and loss account.

c) Stocks

Stocks are stated at the lower of cost and net realisable value. Cost incurred in bringing each product to its present location and condition is based on:

Raw materials	- purchase cost on a first-in, first-out basis
Finished goods	- cost of direct materials plus a reasonable proportion of production overheads based on normal levels of activity.

d) Foreign currency

Foreign currency transactions are recorded in sterling at the rates ruling at the date of transaction. Foreign currency monetary assets and liabilities are translated at the prevailing rates of exchange at the balance sheet date. Any gains or losses relating to subsequent changes in exchange rates are taken to the profit and loss account.

Notes to accounts (continued)

1 Accounting policies (continued)

e) *Taxation*

Corporation tax payable is provided on taxable profits at the current rate. The company is part of a UK group and accordingly may make use of the group relief provisions whereby current taxable profits can be offset by current taxable losses arising in other companies in the group. The group's policy is that there shall be no payments made for taxable losses surrendered under the group relief provisions.

Advance corporation tax on dividends paid or proposed is written off, except where recoverability against corporation tax payable is considered to be reasonably assured.

Deferred taxation (which arises from differences in the timing of the recognition of items, principally depreciation, in the accounts and by the tax legislation) has been calculated on the liability method. Deferred taxation is provided on timing differences which will probably reverse, at the rates of tax likely to be in force at the time of reversal.

Deferred tax is not provided on timing differences which, in the opinion of the directors, will probably not reverse.

f) *Pension costs*

The company operates a defined contribution scheme for its directors, providing benefits based upon the contributions paid and a defined benefit scheme, providing benefits based on final pensionable pay, for other employees. The amount charged to the profit and loss account for the defined contribution scheme is the contributions payable in the year. For the defined benefit scheme the charge is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The regular cost is calculated so that it represents a substantially level percentage of future pensionable payroll. Variations from regular cost are charged to the profit and loss account over the estimated average remaining service life of scheme members.

g) *Leases*

The company enters into operating and finance leases. Assets held under finance leases are initially reported at the fair value of the assets, with an equivalent liability categorised as appropriate under creditors due within or after one year. The asset is depreciated over the shorter of the lease term and its useful economic life. Finance charges are allocated to accounting periods over the period of the lease to produce a constant rate of charge on the outstanding balance. Rentals are apportioned between finance charges and reduction of the liability. Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

h) *Goodwill*

Goodwill, which represents the difference between the fair value of the purchase consideration and the fair value of assets acquired, is capitalised and amortised over its estimated useful life of five years.

Notes to accounts (continued)

2 Turnover

All turnover was derived from the company's principal activity.

The analysis of turnover by geographical area is as follows:

	1995 £	1994 £
United Kingdom	12,697,757	13,545,425
Rest of Europe	753,299	688,380
Middle East and other regions	135,012	107,614
	<u>13,586,068</u>	<u>14,341,419</u>

3 Staff costs

The average weekly number of employees of the company during the year, including executive directors, was as follows:

	1995 Number	1994 Number
Manufacturing and distribution	19	20
Marketing and sales	101	111
Supporting functions	36	38
	<u>156</u>	<u>169</u>

Staff costs for all employees, including executive directors, consist of:

	1995 £	1994 £
Wages and salaries	2,453,181	2,674,346
Social security costs	239,059	275,758
Other pension costs	102,332	91,924
Redundancy costs	96,409	78,026
	<u>2,890,981</u>	<u>3,120,054</u>

Notes to accounts (continued)

4 Directors' remuneration

Emoluments of the directors of the company were as follows:

	1995 £	1994 £
Remuneration for management services	234,645	225,610
Pension contributions	22,350	24,216
Compensation for loss of office	58,000	-
	<u>314,995</u>	<u>249,826</u>

Emoluments (excluding pension contributions) of the Chairman and highest paid director were:

	1995 £	1994 £
Chairman	<u>30,000</u>	<u>30,000</u>
Highest paid director	<u>66,088</u>	<u>101,811</u>

The emoluments (excluding pension contributions) of all directors fell into the following ranges:

	1995 Number	1994 Number
Up to £ 5,000	4	2
£ 10,001 - £ 15,000	-	1
£ 15,001 - £ 20,000	1	-
£ 20,001 - £ 25,000	1	-
£ 25,001 - £ 30,000	1	1
£ 40,001 - £ 45,000	1	-
£ 45,001 - £ 50,000	1	-
£ 65,001 - £ 70,000	1	-
£ 70,001 - £ 75,000	-	1
£100,001 - £105,000	-	1

Notes to accounts (continued)

5 Interest receivable

	1995 £	1994 £
Interest from short term bank deposits and other loans	435	90,611
Interest from loans to group companies	85,160	27,296
	<u>85,595</u>	<u>117,907</u>

6 Interest payable

	1995 £	1994 £
Interest element of charges payable under finance leases	3,113	2,723
On bank overdrafts and other loans repayable within five years, not by instalments	44,994	84,925
	<u>48,107</u>	<u>87,648</u>

7 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	1995 £	1994 £
Depreciation		
- on assets held under finance leases	17,625	8,102
- on other assets	110,796	107,918
	<u>128,421</u>	<u>116,020</u>
Amortisation of goodwill	36,741	36,741
Loss on sale of assets held for resale	33,650	-
Hire of assets under operating leases	739,742	842,035
Product license payments	355,113	375,746
Auditors' remuneration		
- for audit services	15,750	15,000
- other services	4,600	11,400
and after crediting:		
Rent receivable	<u>(72,010)</u>	<u>(49,442)</u>

Notes to accounts (continued)

8 Tax on profit on ordinary activities

The tax credit is based on the profit for the year and comprises:

	1995 £	1994 £
Deferred taxation arising from:		
- capital allowances	11,402	11,040
- other timing differences	2,811	(3,280)
	<u>14,213</u>	<u>7,760</u>

The taxable profit arising in the current and preceding years was relieved against the losses of other group undertakings for no consideration.

9 Dividends paid and proposed

	1995 £	1994 £
Ordinary		
Final paid of £nil (1994 - £9.00) per ordinary share	<u>-</u>	<u>90,000</u>

10 Tangible fixed assets

	Motor vehicles £	Plant and equipment £	Total £
Cost or valuation			
Beginning of year	30,218	1,020,000	1,050,218
Additions	-	19,561	19,561
Disposals	(6,696)	(12,124)	(18,820)
End of year	<u>23,522</u>	<u>1,027,437</u>	<u>1,050,959</u>
Accumulated depreciation			
Beginning of year	30,218	-	30,218
Charge	-	128,421	128,421
Disposals	(6,696)	(12,124)	(18,820)
End of year	<u>23,522</u>	<u>116,297</u>	<u>139,819</u>
Net book value			
End of year	<u>-</u>	<u>911,140</u>	<u>911,140</u>
Beginning of year	<u>-</u>	<u>1,020,000</u>	<u>1,020,000</u>

Notes to accounts (continued)

10 Tangible fixed assets (continued)

Plant and equipment were revalued on the basis of value to the business in continuing use (net current replacement cost) at 30 June 1994 by Edward Rushton Son and Kenyan, International Valuers and Surveyors. The surplus arising on the revaluation of £535,980 was credited to the revaluation reserve.

The original cost of plant and equipment included at valuation was £2,676,128. At the balance sheet date, accumulated depreciation, based on cost, was £2,330,297.

The net book value of tangible fixed assets includes an amount of £123,375 (1994- £141,000) in respect of assets held under finance leases.

11 Intangible fixed assets

Intangible fixed assets represent purchased goodwill with an original cost of £187,237.

	1995 £	1994 £
Net book value, beginning of year	130,127	166,868
Amortisation	(36,741)	(36,741)
Net book value, end of year	<u>93,386</u>	<u>130,127</u>

Purchased goodwill is amortised over five years, which the directors estimate to be a prudent period over which the benefits may reasonably be expected to accrue.

12 Assets held for resale

Assets held for resale comprised fixed assets expected to be sold within one year.

13 Stocks

	1995 £	1994 £
Raw materials and consumables	372,105	321,573
Finished goods and goods held for resale	579,690	561,586
	<u>951,795</u>	<u>883,159</u>

In the opinion of the directors, there is no material difference between the replacement cost of stocks and their value as stated above.

Notes to accounts (continued)

14 Debtors

a) Amounts falling due within one year

	1995 £	1994 £
Trade debtors	2,710,396	2,901,540
Amounts owed by group undertakings	163,766	188,579
Other debtors	108,902	179,893
ACT recoverable	22,500	22,500
Withholding tax	16,076	-
Prepayments and accrued income	30,028	39,605
	<u>3,051,668</u>	<u>3,332,117</u>

b) Amounts falling due after more than one year

	1995 £	1994 £
Amounts owed by group undertakings	<u>2,046,336</u>	<u>2,036,846</u>
Total debtors	<u>5,098,004</u>	<u>5,368,963</u>

At 30 June 1995 the company has a loan of £870,000 (1994: £1,000,000) to Applied Chemicals International Pty Limited, a company incorporated in Australia in which Mr I W Hicks has a material interest. The maximum amount of the loan during the year was £1,000,000. The loan is unsecured and becomes repayable on 30 June 1997. The rate of interest on this loan is 9% per annum, with annual reviews.

15 Creditors: Amounts falling due within one year

	1995 £	1994 £
Obligations under finance leases	4,870	18,112
Bank overdraft	910,180	1,414,904
Trade creditors	1,807,809	1,707,861
Amounts owed to group undertaking	1,432	-
Other tax and social security	76,755	84,138
VAT	194,039	251,841
Accruals and deferred income	214,509	277,277
	<u>3,209,594</u>	<u>3,754,133</u>

The bank overdraft is secured by a fixed and floating charge on the company's assets.

Notes to accounts (continued)

16 Creditors: Amounts falling due after more than one year

	1995 £	1994 £
Obligations under finance leases, payable within 2 - 5 years	-	4,871

17 Provisions for liabilities and charges

Provisions for liabilities and charges comprises deferred taxation, as follows:

	1995 £	1994 £
Excess of tax allowances over book depreciation of fixed assets	66,458	77,860
Capital gains rolled over	75,900	75,900
Other timing differences related to current assets and liabilities	11,269	14,080
	<u>153,627</u>	<u>167,840</u>

The movement on deferred taxation comprises:

	1995 £	1994 £
Beginning of year	167,840	175,600
Credited to profit and loss, in respect of		
- capital allowances	(11,402)	(11,040)
- other timing differences	(2,811)	3,280
End of year	<u>153,627</u>	<u>167,840</u>

No deferred tax has been provided in respect of the revaluation reserve since the directors consider that no liability to tax will arise in the foreseeable future. The value of unprovided deferred tax in respect of the revaluation reserve is £173,000 (1994: £177,000). There is no other unprovided deferred tax at either year end.

Notes to accounts (continued)

18 Called-up share capital

	1995 £	1994 £
<i>Authorised</i>		
10,000 ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>
1,000 redeemable preference shares of £1 each	<u>1,000</u>	<u>1,000</u>
<i>Allotted, called-up and fully-paid</i>		
10,000 ordinary shares of £1 each	10,000	10,000
4 redeemable preference shares of £1 each	<u>4</u>	<u>4</u>
	<u>10,004</u>	<u>10,004</u>

The preference shares, which carry an entitlement to a dividend of 7% per annum, are non-cumulative and are redeemable at any time at the option of the company.

19 Reserves

Movement in reserves for the year was as follows:

	Revaluation reserve £	Profit and loss account £	Total £
Beginning of year	535,980	3,387,257	3,923,237
Amortisation of revaluation surplus	(10,661)	10,661	-
Retained profit for the year	-	22,315	22,315
End of year	<u>525,319</u>	<u>3,420,233</u>	<u>3,945,552</u>

The revaluation reserve is non-distributable.

Notes to accounts (continued)

20 Reconciliation of movement in shareholders' funds

The movement in shareholders' funds was as follows:

	1995 £	1994 £
Profit for the financial year	22,315	274,233
Dividends	-	(90,000)
	<u>22,315</u>	<u>184,233</u>
Surplus on revaluation of fixed assets	-	535,980
Net additions to shareholders' funds	22,315	720,213
Opening shareholders' funds	3,933,241	3,213,028
Closing shareholders' funds	<u>3,955,556</u>	<u>3,933,241</u>

21 Guarantees and other financial commitments

At 30 June 1995, the company had minimum annual commitments under non-cancellable operating leases as follows:

	1995			1994	
	Land and buildings £	Motor vehicles £	Other £	Land and buildings £	Motor vehicles £
Operating leases which expire:					
- Within 1 year	-	166,329	1,260	-	126,456
- Within 2 and 5 years	-	261,196	28,485	-	325,851
- After more than 5 years	305,000	-	-	305,000	-
	<u>305,000</u>	<u>427,525</u>	<u>29,745</u>	<u>305,000</u>	<u>452,307</u>

The lessor of the land and buildings occupied by the company is a fellow subsidiary undertaking in which Mr I W Hicks has a material interest.

22 Transactions involving directors and related parties

Rentals on a property amounting to £40,000 (1994 - £40,000) were paid to Mr I W Hicks during the year.

Product license payments of £340,810 (1994 - £341,435) were paid to a fellow group undertaking during the year.

Notes to accounts (continued)

23 Contingent liabilities

- a) The company has given a guarantee of up to IR £36,000 (1993 - IR £36,000) in respect of a bank overdraft of another group company. The balance on that company's overdraft at 30 June 1995 was IR £32,278 (1994 - IR £40,667).
- b) At 30 June 1995 there was a cross guarantee between the company and its immediate holding company to National Australia Bank Limited for the indebtedness of both companies. Applied Chemicals Limited's liability at this date was £nil (1994 - £nil).
- c) At 30 June 1995 there was a guarantee in favour of Her Majesty's Customs and Excise, given by the company's bankers on behalf of the company. The maximum liability of the company under this guarantee is £200,000.

24 Pensions

The company operates a defined contribution scheme for its directors, providing benefits based upon the contributions paid, and a defined benefit pension scheme for other employees, providing benefits based on final pensionable pay. The assets of both schemes are held separately from those of the company and are managed by independent fund managers.

Contributions to the defined contribution scheme during the year amounted to £22,350 (1994 - £24,216).
Contributions to the defined benefit scheme amounted to £79,982 (1994 - £67,708).

The pension costs for the defined benefit scheme are assessed in accordance with the advice of a professionally qualified actuary. The latest actuarial valuation was at 6 April 1993 and used the defined accrued benefits method. The main actuarial assumptions were that (a) salaries would increase by 8.0% per annum; (b) pensions in payment would increase by 3.0% per annum; and (c) the return on scheme investments would be 10.0% per annum.

At the date of the last actuarial valuation, the market value of the assets of the scheme was £798,364 and the actuarial value of the assets was sufficient to cover 100% of the benefits that had accrued to the members after allowing for future increases in earnings.

25 Ultimate parent company

Chemiks Pty Limited, a company incorporated in Australia, is regarded by the directors as being the ultimate parent company. The largest group into which the results of Applied Chemicals Limited are consolidated is that headed by Applied Chemicals International Pty Limited. The smallest group into which the results of Applied Chemicals Limited are consolidated is that headed by Lorikeet Limited, a company registered in England and Wales.