



ARTHUR ANDERSEN

Applied Chemicals Limited

Accounts 30 June 2000

together with directors' and auditors' reports

Registered number: 473219



Directors' report

For the year ended 30 June 2000

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 2000.

Principal activity and business review

The principal activity of the company continues to be the manufacture and distribution of chemicals, industrial cleaning fluids and associated equipment. The directors expect the general level of activity to improve in the coming year.

Results and dividends

The company made a loss on ordinary activities before taxation of £308,473 (1999 – profit of £1,634,175).

The directors do not recommend payment of a dividend (1999 - £4,164,133).

Directors and their interests

The directors who served during the year and subsequently were as follows:

I W Hicks (Australian) (Chairman)

D Maher

F G Holt (resigned 30 September 1999)

E F Dwyer (Australian)

D C Dean (Australian) (resigned 25 February 2000)

M R Lloyd

No director had any interest in the ordinary or preference share capital of the company or in that of the ultimate parent undertaking during the year, with the exception of Mr I W Hicks who holds 12,970,202 fully paid shares of A\$1 in the ultimate parent undertaking.

Charitable donations

The company made contributions to charities of £940 (1999 - £1,211) during the year.

Year 2000

The company recognised the century date change issue, and established comprehensive plans to deal with all of the issues involved. To date, no significant issues have been identified, and progress will continue to be monitored throughout 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.

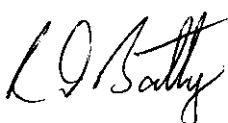
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company 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

14 August 2000

To the Shareholders of Applied Chemicals Limited:

We have audited the accounts on pages 4 to 17 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 accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

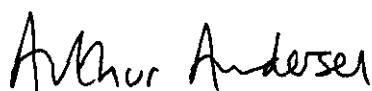
Basis of opinion

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 2000 and of its loss 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

14 August 2000

Profit and loss account

For the year ended 30 June 2000

	Notes	2000 £	1999 £
Turnover	2	10,224,189	11,685,856
Change in stocks of finished goods and goods held for resale	2	(48,999)	211,544
Raw materials and consumables	2	(4,062,978)	(4,922,977)
		<u>6,112,212</u>	<u>6,974,423</u>
Staff costs	2,3	(2,519,909)	(3,088,922)
Depreciation	2	(182,327)	(169,681)
Other operating expenses (net)	2	(3,639,027)	(3,888,563)
Operating loss	2	(229,051)	(172,743)
Profit on sale of discontinued operations	2	-	1,816,452
		<u>(229,051)</u>	<u>1,643,709</u>
Interest receivable	5	1,582	49,764
Interest payable and similar charges	6	(81,004)	(59,298)
(Loss) profit on ordinary activities before taxation	7	(308,473)	1,634,175
Tax on (loss) profit on ordinary activities	8	-	-
(Loss) profit on ordinary activities after taxation		<u>(308,473)</u>	<u>1,634,175</u>
Dividends paid	9	-	(4,164,133)
Retained loss for the year	18	<u>(308,473)</u>	<u>(2,529,958)</u>

There are no recognised gains or losses in either year other than the result for that year.

A statement of movements on reserves is given in note 18 to the accounts.

The accompanying notes are an integral part of this profit and loss account.

Note of historical cost profits and losses

For the year ended 30 June 2000

	2000 £	1999 £
Reported (loss) profit on ordinary activities before taxation	(308,473)	1,634,175
Difference between an historical cost depreciation charge and the actual depreciation charge for the year	89,662	81,765
Historical cost (loss) profit on ordinary activities before taxation	<u>(218,811)</u>	<u>1,715,940</u>
Historical cost loss for the year retained after taxation and dividends	<u>(218,811)</u>	<u>(2,448,193)</u>

The accompanying notes are an integral part of this note of historical cost profits and losses.

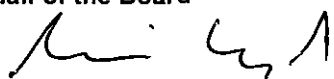
Balance sheet

30 June 2000

	Notes	2000 £	1999 £
Fixed assets			
Intangible assets	10	133,035	155,835
Tangible assets	11	496,844	563,537
		<u>629,879</u>	<u>719,372</u>
Current assets			
Stocks	12	752,996	703,997
Debtors - due within one year	13	2,139,055	2,668,552
- due after one year	13	766,442	766,442
Cash at bank and in hand		248,465	8,649
		<u>3,906,958</u>	<u>4,147,640</u>
Creditors: Amounts falling due within one year	14	<u>(2,726,189)</u>	<u>(2,780,082)</u>
Net current assets		<u>1,180,769</u>	<u>1,367,558</u>
Total assets less current liabilities		<u>1,810,648</u>	<u>2,086,930</u>
Creditors: Amounts falling due after more than one year	15	<u>(32,191)</u>	<u>-</u>
Net assets		<u>1,778,457</u>	<u>2,086,930</u>
Capital and reserves			
Called-up share capital	17	10,004	10,004
Revaluation reserve	18	207,898	297,560
Profit and loss account	18	1,560,555	1,779,366
Shareholders' funds	19	<u>1,778,457</u>	<u>2,086,930</u>
Analysis of shareholders' funds			
Equity interests		1,778,453	2,086,926
Non-equity interests	17	4	4
		<u>1,778,457</u>	<u>2,086,930</u>

Signed on behalf of the Board

M R Lloyd



Director

14 August 2000

The accompanying notes are an integral part of this balance sheet.

Notes to accounts

30 June 2000

1 Accounting policies

The principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, are set out below.

a) Basis of accounting

The accounts have been prepared under the historical cost convention, modified to include the revaluation of plant and machinery, and in accordance with applicable accounting standards.

b) Goodwill

Purchased 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 the directors' estimate of its estimated useful life, which is ten years.

c) Tangible fixed assets

Tangible fixed assets are shown at original historical cost or valuation. 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. It 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

The company has taken advantage of the transitional provisions of Financial Reporting Standard No. 15 and retained the book amounts of certain plant and machinery which was revalued prior to implementation of that standard. The plant and machinery was last revalued at 30 June 1994 and the valuation has not subsequently been updated.

Surpluses arising on the revaluation of tangible fixed assets are credited to a non-distributable revaluation reserve. Where depreciation charges are increased following a revaluation, an amount equal to the increase is transferred annually from the revaluation reserve to the profit and loss account as a movement on reserves. On disposal of a revalued fixed asset, any related balance in the revaluation reserve is also transferred to the profit and loss account as a movement on reserves.

d) Stocks

Stocks are stated at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are 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.

Notes to accounts (continued)

1 Accounting policies (continued)

e) *Foreign currency*

Foreign currency transactions are recorded in sterling at the rates ruling at the date of the 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.

f) *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 tax losses surrendered under the group relief provisions.

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

g) *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.

h) *Leases*

The company enters into operating and finance leases. Assets held under finance leases are initially reported at the fair value of the asset, 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.

i) *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.

j) *Cash flow statement*

Under the provisions of Financial Reporting Standard No. 1, no cash flow statement is presented as the results of the company are included in the consolidated accounts of Applied Chemicals International Pty Limited.

Notes to accounts (continued)

2 Turnover and operating profit

All turnover was derived from the company's principal activity. The detailed analysis of turnover by geographical area has been omitted as the directors believe that this information would be seriously prejudicial to the company's interests.

On 29 January 1999, the company disposed of the trade and certain assets of its lubricants division, resulting in a profit on disposal of £1,816,452.

Continuing and discontinued operations in 1999 are analysed as follows:

	Continuing operations £	Discontinued operations £	Total £
Turnover	10,508,643	1,177,213	11,685,856
Change in stocks of finished goods and goods held for resale	211,544	-	211,544
Raw materials and consumables	(4,391,183)	(531,794)	(4,922,977)
	<u>6,329,004</u>	<u>645,419</u>	<u>6,974,423</u>
Staff costs	(2,709,080)	(379,842)	(3,088,922)
Depreciation	(169,681)	-	(169,681)
Other operating expenses (net)	(4,010,566)	122,003	(3,888,563)
Operating (loss) profit	<u>(560,323)</u>	<u>387,580</u>	<u>(172,743)</u>

3 Staff costs

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

	2000 Number	1999 Number
Manufacturing and distribution	22	22
Marketing and sales	59	82
Supporting functions	24	21
	<u>105</u>	<u>125</u>

Notes to accounts (continued)

3 Staff costs (continued)

Their aggregate remuneration comprised:

	2000 £	1999 £
Wages and salaries	2,193,319	2,649,240
Social security costs	201,685	241,726
Other pension costs	104,076	123,072
Redundancy costs	20,829	74,884
	<u>2,519,909</u>	<u>3,088,922</u>

4 Directors' remuneration

Remuneration

The remuneration of the directors was as follows:

	2000 £	1999 £
Emoluments	264,581	355,628
Company contributions to money purchase pension schemes	11,644	11,514
	<u>276,225</u>	<u>367,142</u>
Compensation for loss of office	<u>25,000</u>	<u>-</u>

Pensions

The number of directors who were members of company pension schemes was as follows:

	2000 Number	1999 Number
Money purchase schemes	<u>1</u>	<u>1</u>
Defined benefit schemes	<u>1</u>	<u>1</u>

Highest-paid director

The above amounts for remuneration include the following in respect of the highest paid director:

	2000 £	1999 £
Emoluments	<u>85,599</u>	<u>127,581</u>

Notes to accounts (continued)

5 Interest receivable

	2000 £	1999 £
Short term bank deposits and other loans	419	23,123
Loans to group undertakings	1,163	26,641
	<u>1,582</u>	<u>49,764</u>

6 Interest payable and similar charges

	2000 £	1999 £
Bank loans and overdrafts	16,226	11,917
Loans from group undertakings	61,505	46,491
Finance leases and hire purchase contracts	3,273	655
Other	-	235
	<u>81,004</u>	<u>59,298</u>

7 (Loss) profit on ordinary activities before taxation

(Loss) profit on ordinary activities before taxation is stated after charging:

	2000 £	1999 £
Depreciation		
- on assets held under finance leases	9,376	11,117
- on owned assets	172,951	158,564
Amortisation of goodwill	22,800	22,800
Hire of assets under operating leases		
- plant and machinery	261,960	314,305
- other	290,000	293,300
Auditors' remuneration		
- audit services	16,000	16,000
- other services	8,750	5,550
	<u>8,750</u>	<u>5,550</u>

Notes to accounts (continued)

8 Tax on (loss) profit on ordinary activities

	2000 £	1999 £
Corporation tax on ordinary activities	(2,783)	-
Underprovision in respect of prior years	2,783	-
	<u>-</u>	<u>-</u>

9 Dividends paid

	2000 £	1999 £
Dividends paid	<u>-</u>	<u>4,164,133</u>

10 Intangible fixed assets

	Purchased goodwill £
Cost	
Beginning and end of year	<u>419,072</u>
Amortisation	
Beginning of year	263,237
Charge for the year	22,800
End of year	<u>286,037</u>
Net book value	
End of year	<u>133,035</u>
Beginning of year	<u>155,835</u>

Purchased goodwill of £187,237 which arose in 1993 is now fully amortised.

Purchased goodwill of £231,835 which arose in 1996 is being amortised over its useful economic life of ten years.

Notes to accounts (continued)

11 Tangible fixed assets

	Motor vehicles £	Plant and equipment £	Total £
Cost or valuation			
Beginning of year	27,547	1,262,274	1,289,821
Additions	-	115,634	115,634
Disposals	(27,547)	-	(27,547)
End of year	-	1,377,908	1,377,908
Depreciation			
Beginning of year	27,547	698,737	726,284
Charge for the year	-	182,327	182,327
Disposals	(27,547)	-	(27,547)
End of year	-	881,064	881,064
Net book value			
End of year	-	496,844	496,844
Beginning of year	-	563,537	563,537

The net book value of plant and equipment includes an amount of £42,369 (1999 - £1,853) in respect of assets held under finance leases.

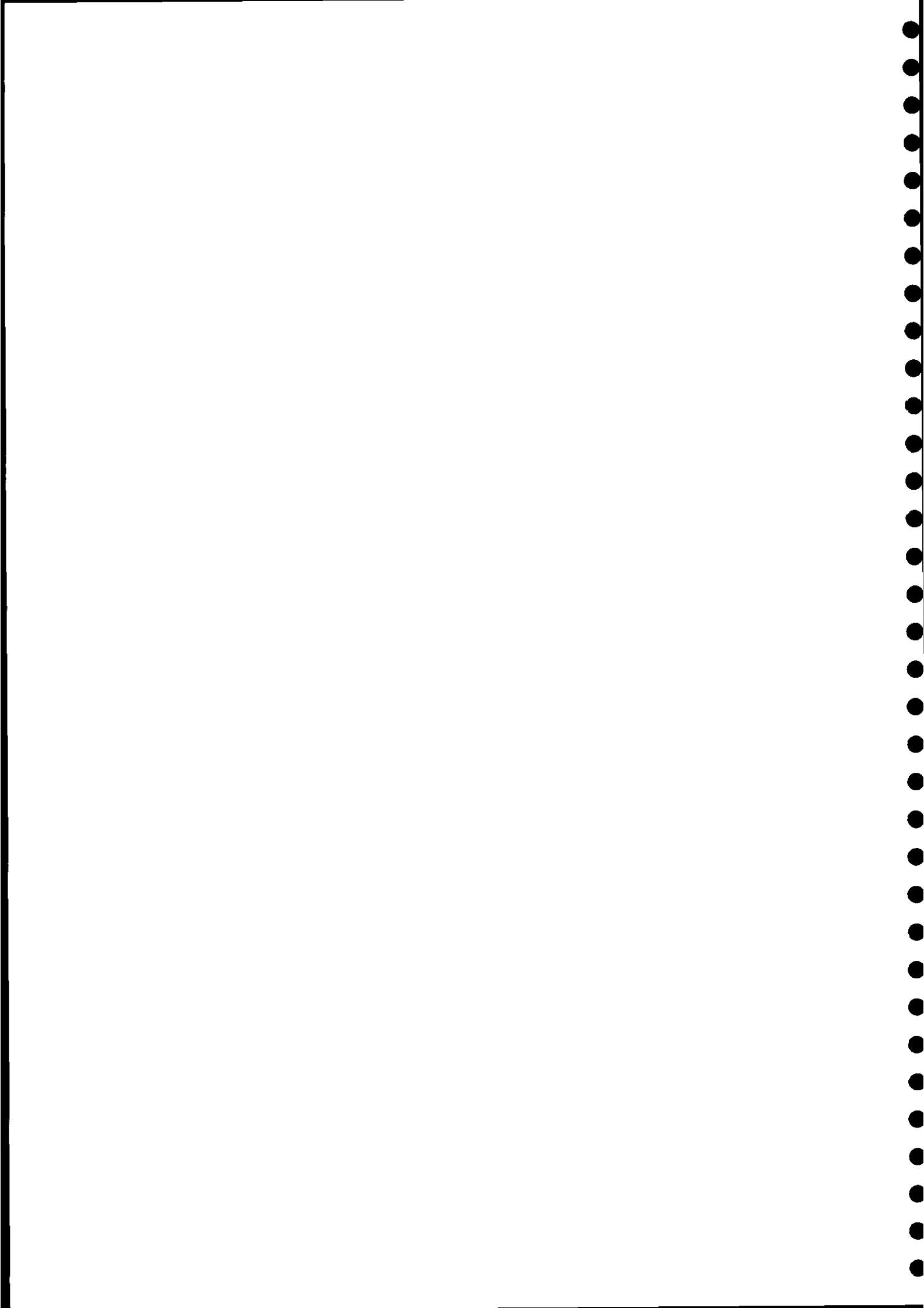
Plant and equipment were revalued on the basis of value to the business in continuing use (net current replacement cost) at 30 June 1994 by Edward Rushton Son and Kenyan, International Valuers and Surveyors. The surplus arising on the revaluation of £535,980 was credited to the revaluation reserve.

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 £2,663,368.

12 Stocks

	2000 £	1999 £
Raw materials and consumables	325,647	304,987
Finished goods and goods held for resale	427,349	399,010
	<u>752,996</u>	<u>703,997</u>

In the opinion of the directors, there is no material difference between the replacement cost of stocks and their net book value.



Notes to accounts (continued)

13 Debtors

a) Amounts falling due within one year

	2000 £	1999 £
Trade debtors	1,806,202	2,003,810
Amounts owed by group undertakings	114,050	188,559
Other debtors	17,464	18,258
Prepayments and accrued income	201,339	457,925
	<u>2,139,055</u>	<u>2,668,552</u>

b) Amounts falling due after more than one year

	2000 £	1999 £
Amounts owed by group undertakings	<u>766,442</u>	<u>766,442</u>

14 Creditors: Amounts falling due within one year

	2000 £	1999 £
Obligations under finance leases and hire purchase contracts	9,347	-
Bank overdraft	-	268,451
Trade creditors	1,070,248	1,131,346
Amounts owed to group undertakings	1,270,538	788,090
Other tax and social security	78,600	81,652
VAT	100,101	140,314
Accruals and deferred income	197,355	370,229
	<u>2,726,189</u>	<u>2,780,082</u>

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

15 Creditors: Amounts falling due after more than one year

	2000 £	1999 £
Obligations under finance leases and hire purchase contracts	<u>32,191</u>	<u>-</u>

Notes to accounts (continued)

16 Provisions for liabilities and charges

No deferred taxation 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 taxation in respect of the revaluation reserve is £62,000 (1999 - £89,000). There is no other unprovided deferred taxation at either year end.

17 Called-up share capital

	2000 £	1999 £
<i>Authorised</i>		
10,000 ordinary shares of £1 each	10,000	10,000
1,000 redeemable preference shares of £1 each	1,000	1,000
<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	4	4
	10,004	10,004

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.

18 Reserves

	Revaluation reserve £	Profit and loss account £	Total £
Beginning of year	297,560	1,779,366	2,076,926
Amortisation of revaluation surplus	(89,662)	89,662	-
Retained loss for the year	-	(308,473)	(308,473)
End of year	207,898	1,560,555	1,768,453

19 Reconciliation of movement in shareholders' funds

	2000 £	1999 £
Retained loss for the year	(308,473)	(2,529,958)
Net reduction in shareholders' funds	(308,473)	(2,529,958)
Opening shareholders' funds	2,086,930	4,616,888
Closing shareholders' funds	1,778,457	2,086,930

Notes to accounts (continued)

20 Guarantees and other financial commitments

At the end of the year, the company had minimum annual commitments under non-cancellable operating leases as follows:

	2000			1999		
	Land and buildings £	Motor vehicles £	Other £	Land and buildings £	Motor vehicles £	Other £
Operating leases which expire:						
- Within one year	-	27,235	6,280	-	63,102	1,131
- Within two to five years	-	132,665	93,837	-	143,207	100,117
- After five years	305,000	-	-	305,000	-	-
	<u>305,000</u>	<u>159,900</u>	<u>100,117</u>	<u>305,000</u>	<u>206,309</u>	<u>101,248</u>

21 Transactions involving directors

Rentals on a property amounting to £40,000 (1999 - £40,000) were paid to Mr I W Hicks during the year.

22 Contingent liabilities

At 30 June 2000 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 £20,000 (1999 - £20,000).

23 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 £6,945 (1999 - £19,483). Contributions to the defined benefit scheme amounted to £92,432 (1999 - £98,754).

The pension costs for the defined benefit scheme are assessed in accordance with the advice of a professionally qualified actuary. The latest market valuation was at 6 April 1999 and used the defined accrued benefits method. The main actuarial assumptions were that salaries would increase by 4.0% per annum and the return on scheme investments would be 6.5% per annum; pension increases for pension accrued prior to 6 April 1997 of 3.0% per annum and pension increases for pension accrued since 6 April 1997 at 4.0 per annum.

At the date of the last actuarial valuation, the market value of the assets of the scheme was £2,181,338 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.

24 Ultimate parent undertaking and controlling party

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

25 Related party transactions

Transactions involving directors are disclosed in note 21 to the accounts.