



ANDERSEN

Applied Chemicals Limited

Annual report and financial statements
for the year ended 31 December 2001

Registered number: 473219



BIR
COMPANIES HOUSE

B7WA4FIP

0446
31/10/02

Directors' report

For the year ended 31 December 2001

The directors present their annual report and financial statements for the year ended 31 December 2001.

Review of the business

The company's principal activity is the distribution of chemicals, industrial cleaning fluids and associated equipment.

During the year the company closed its manufacturing facility located in Coventry. Production requirements are now sourced from a fellow group undertaking.

Results and dividends

The trading loss for the year, before taxation, amounted to £17,000 (2000 - £798,000).

The directors do not recommend the payment of a dividend (2000 - £nil).

Review of the business and future developments

The directors anticipate that the company will continue in its activities as described above, and that it is well placed to take advantage of developments in the market.

Directors and their interests

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

M Pearson

R E Wild

S Bignell (appointed 6 June 2001)

A Ducker (appointed 6 June 2001)

The directors have no interest in the share capital of the company. Their interests in the share capital of the parent company are disclosed in the financial statements of that company.

Spring Road
Smethwick
West Midlands
B66 1PT

By order of the Board,



A Ducker

Secretary

31 July 2002

Directors' responsibilities

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 results of the company for that year. 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; and
- 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 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.

To the shareholders of Applied Chemicals Limited

We have audited the financial statements of Applied Chemicals Limited for the year ended 31 December 2001, which comprise the Profit and loss account, Balance sheet and the related notes numbered 1 to 20. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of opinion

We conducted our audit in accordance with United Kingdom 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 circumstances of the company, 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.

Independent auditors' report (continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 31 December 2001 and of the company's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink that reads "Arthur Andersen". The signature is written in a cursive, flowing style.

Arthur Andersen

Chartered Accountants and Registered Auditors

Four Brindleyplace
Birmingham
B1 2HZ

31 July 2002

Profit and loss account

For the year ended 31 December 2001

	Notes	12 months ended 31 December 2001 £'000	6 months ended 31 December 2000 £'000
Turnover	1	9,210	4,531
Cost of sales		(3,486)	(1,885)
Gross profit		5,724	2,646
Distribution costs		(646)	(399)
Administration expenses	2	(5,092)	(3,036)
Operating profit (loss) before exceptional operating administration expenses		435	(3,036)
Exceptional operating administration expenses		(449)	-
Operating loss		(14)	(789)
Interest payable	6	(4)	(10)
Interest receivable		1	1
Loss on ordinary activities before taxation	3	(17)	(798)
Taxation on loss on ordinary activities	7	-	(3)
Loss on ordinary activities after taxation, being the retained loss for the year	15	(17)	(801)

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

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

Statement of recognised gains and losses

For the year ended 31 December 2001

	12 months to 31 December 2001 £'000	6 months to 31 December 2000 £'000
Retained loss for the financial year	(17)	(801)
Reversal of prior year revaluation	-	(207)
Total recognised gains and losses relating to the year	(17)	(1,008)

Note of historical cost profit and losses

For the year ended 31 December 2001

	12 months ended 31 December 2001 £'000	6 months ended 31 December 2000 £'000
Reported loss on ordinary activities before taxation	(17)	(798)
Difference between an historical cost depreciation charge and the actual depreciation charge for the year	-	87
Historical cost loss on ordinary activities before taxation	(17)	(711)
Historical cost loss for the year retained after taxation	(17)	(218)

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

Balance sheet
31 December 2001

	Notes	2001 £'000	2000 £'000
Fixed assets			
Intangible assets	8	-	122
Tangible assets	9	108	279
		<u>108</u>	<u>401</u>
Current assets			
Stocks	10	548	622
Debtors	11	1,901	1,723
Cash at bank and in hand		68	101
		<u>2,517</u>	<u>2,446</u>
Creditors: amounts falling due within one year	12	<u>(1,420)</u>	<u>(1,598)</u>
Net current assets		<u>1,097</u>	<u>848</u>
Total assets less current liabilities		<u>1,205</u>	<u>1,249</u>
Creditors: amounts falling due after more than one year	13	<u>-</u>	<u>(27)</u>
Net assets		<u>1,205</u>	<u>1,222</u>
Capital and reserves			
Called-up share capital	14	462	462
Profit and loss account	15	743	760
Equity shareholders' funds	15	<u>1,205</u>	<u>1,222</u>

The financial statements on pages 5 to 18 were approved by the board of directors on 31 July 2002 and were signed on its behalf by:

R E Wild
Director



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

Statement of accounting policies

31 December 2001

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding period.

Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable Accounting Standards.

The company has taken advantage of the exemption from preparing a cash flow statement afforded by FRS 1 as the company is a wholly owned subsidiary of Victoria International Group Limited which prepares consolidated financial statements which are publicly available.

Tangible fixed assets

Tangible fixed assets are shown at historic cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible assets at rates calculated to write off the cost, less estimated residual value of each asset evenly over its expected useful life, as follows:

Plant and machinery	-	3 – 10 years
---------------------	---	--------------

Goodwill

Goodwill arising on the acquisition of businesses, which represents the difference between the purchase consideration and the fair value of assets acquired, is capitalised and amortised over the directors' estimate of its useful life, which is ten years. Provision is made for any impairment.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes all direct costs and an appropriate proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date or at the extracted rate if covered by a forward exchange contract. Transactions in foreign currencies are translated into sterling at the rate prevailing at the date on which the transaction took place. Differences arising are taken to the profit and loss account.

Statement of accounting policies (continued)

Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred taxation is provided using the liability method on all timing differences which are expected to reverse in the future, calculated at the rate at which it is estimated that tax will be payable.

Leasing and hire purchase commitments

Assets obtained under finance leases and hire purchase contracts are capitalised in the balance sheet as tangible fixed assets and are depreciated over their useful lives. The capital element of future lease obligations are recorded as liabilities, while the interest element of the rental obligations is charged to income over the period of the lease to produce a constant rate of charge on the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to income on a straight-line basis.

Pensions

The company operates a defined benefit pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the scheme rules.

The company operates a defined pension scheme which requires contributions to be made to a separately administered fund. Contributions to this fund are charged in the profit and loss account so as to spread the cost of pensions over the employees' working lives. Variations in pension cost, which are identified as a result of actuarial valuations, are amortised over the average expected remaining working lives of employees in proportion to their expected payroll costs. Differences between the amounts funded and the amounts charged in the profit and loss account are treated as either provisions or prepayments in the balance sheet.

Notes to the financial statements

31 December 2001

1 Turnover

Turnover represents the amounts derived from the provision of goods and services which fall within the company's ordinary activities, and is stated net of value added tax. The analysis of turnover by geographical area is as follows:

	12 months ended 31 December 2001 £'000	6 months ended 31 December 2000 £'000
United Kingdom	8,651	4,262
Europe	531	241
Other	28	28
	<u>9,210</u>	<u>4,531</u>

2 Administration expenses

Included in administration expenses are exceptional operating costs of £449,000 (2000 - £nil) relating to redundancy costs incurred during the year amounting to £350,000 and impairment of goodwill amounting to £99,000.

3 Loss on ordinary activities before taxation

This is stated after charging:

	12 months ended 31 December 2001 £'000	6 months ended 31 December 2000 £'000
Auditors' remuneration		
- audit services	22	15
Depreciation of owned fixed assets	175	294
Depreciation of assets held under hire purchase and finance leases	-	8
Amortisation of goodwill	23	11
Impairment of goodwill	99	-
Operating lease rentals		
- land and buildings	32	149
- other	246	132
	<u></u>	<u></u>

Notes to the financial statements (continued)

4 Directors' remuneration and transactions

Remuneration

The remuneration of the directors was as follows:

	12 months ended 31 December 2001 £'000	6 months ended 31 December 2000 £'000
Emoluments	78	87
Company contributions to money purchase pension schemes	6	10
	<u>84</u>	<u>97</u>

Pensions

	12 months ended 31 December 2001 £'000	6 months ended 31 December 2000 £'000
The number of directors to whom company pension benefits were accruing	<u>1</u>	<u>1</u>

5 Staff costs

The average monthly number of employees (including executive directors) was:

	12 months ended 31 December 2001 Number	6 months ended 31 December 2000 Number
Management	12	22
Administration and sales	53	60
Production	14	22
	<u>79</u>	<u>104</u>

Notes to the financial statements (continued)

5 Staff costs (continued)

Their aggregate remuneration comprised:

	12 months ended 31 December 2001 £'000	6 months ended 31 December 2000 £'000
Wages and salaries	1,755	1,024
Social security costs	159	97
Pension costs	143	187
	<u>2,057</u>	<u>1,308</u>

6 Interest payable

	12 months ended 31 December 2001 £'000	6 months ended 31 December 2000 £'000
Finance charges payable under finance leases	3	2
Interest on bank loans and overdraft	1	-
Interest on other loans	-	8
	<u>4</u>	<u>10</u>

7 Tax on loss on ordinary activities

The tax charge comprises:

	12 months ended 31 December 2001 £'000	6 months ended 31 December 2000 £'000
Irrecoverable withholding tax	-	3

Notes to the financial statements (continued)

8 Intangible fixed assets

	Purchased goodwill £'000
Cost	
At 31 December 2000 and 31 December 2001	419
Amortisation	
At 31 December 2000	297
Charge for the year	23
Provision for impairment	99
At 31 December 2001	419
Net book value	
At 31 December 2001	-
At 31 December 2000	122

9 Tangible fixed assets

	Plant and machinery £'000
Cost	
At 31 December 2000	1,254
Additions	40
Disposals	(52)
At 31 December 2001	1,242
Depreciation	
At 31 December 2000	975
Charge for the year	175
Disposals	(16)
At 31 December 2001	1,134
Net book value	
At 31 December 2001	108
At 31 December 2000	279

Notes to the financial statements (continued)

9 Tangible fixed assets (continued)

Included in the net book value are amounts relating to assets held under hire purchase and finance leases as follows:

	2001 £'000	2000 £'000
Plant and machinery	-	38

10 Stocks

	2001 £'000	2000 £'000
Raw materials and consumables	-	237
Goods for resale	548	385
	<u>548</u>	<u>622</u>

There is no material difference between the balance sheet value of stocks and their replacement cost.

11 Debtors

Amounts falling due within one year:

	2001 £'000	2000 £'000
Trade debtors	1,495	1,461
Amounts due from group undertakings	179	47
Corporation tax recoverable	3	3
Other debtors	20	15
Prepayments and accrued income	204	197
	<u>1,901</u>	<u>1,723</u>

Notes to the financial statements (continued)

12 Creditors: Amounts falling due within one year

	2001 £'000	2000 £'000
Obligations under finance leases and hire purchase contracts	-	10
Amounts due to group undertakings	526	-
Trade creditors	299	892
Other taxes and social security costs	91	68
Other creditors	234	110
Accruals and deferred income	270	518
	<u>1,420</u>	<u>1,598</u>

13 Creditors: amounts falling after more than one year

	2001 £'000	2000 £'000
Obligations under finance leases and hire purchase contracts	-	27
	<u>-</u>	<u>27</u>
	2001 £'000	2000 £'000
Amounts payable:		
Within one year	-	12
In the second to fifth years inclusive	-	43
	<u>-</u>	<u>55</u>
Less finance charges allocated to future periods	-	(18)
	<u>-</u>	<u>37</u>
Finance leases are analysed as follows:		
Current obligations	-	10
Non-current obligations	-	27
	<u>-</u>	<u>37</u>

Notes to the financial statements (continued)

14 Called-up share capital

	Authorised		Allotted, called up and fully paid	
	2001 No	2000 No	2001 £	2000 £
Ordinary shares of £1 each	462,440	462,440	462,440	462,440
Preference shares of £1 each	1,000	1,000	4	4

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.

15 Reconciliation of movement in shareholders' funds

	Share capital £'000	Profit and loss account £'000	Total shareholders funds £'000
At 31 December 2000	462	760	1,222
Loss for the financial year	-	(17)	(17)
Balance carried forward	462	743	1,205

16 Other financial commitments

	Land and buildings 2001 £'000	Other 2001 £'000	Land and buildings 2000 £'000	Other 2000 £'000
Annual commitments under operating leases which expire:				
- within one year	8	86	265	115
- within two to five years	-	208	-	236
	8	294	265	351

17 Parent undertaking and related party transactions

The ultimate parent company is Victoria International Group Limited which is incorporated and registered in England. Copies of the financial statements of Victoria International Group Limited may be obtained from Victoria International Group Limited, Spring Road, Smethwick, West Midlands, B66 1PT.

As the company is a wholly owned subsidiary of Victoria International Group Limited, the company has taken advantage of the exemption contained in FRS8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties).

Notes to the financial statements (continued)

18 Contingent liabilities

At 31 December 2001 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 the guarantee is £20,000 (2000: £20,000).

The company is party to a cross-guarantee in respect of certain of the borrowings of the parent undertaking which, at 31 December 2001, amounted to £14,400,000 (2000: £14,000,000).

19 Pension commitments

The company participates in the Victoria International Group Pension Plan, which is a defined contribution scheme, and is open to the majority of its employees. In addition, the company operates a defined benefit pension scheme for other employees, providing benefits based on final pensionable pay. This scheme is closed to new members. 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 period amounted to £8,794 (2000: £3,995). Contributions to the defined benefit scheme amounted to £131,565 (2000: £68,389).

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 pensions accrued prior to 6 April 1997 of 3.0% per annum and pension increases for pensions accrued since 6 April 1997 at 4.0% per annum.

At the date of the last actuarial valuations 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.

Financial Reporting Standard 17 – Transitional Disclosures

Additional disclosures regarding the company's defined benefit pension scheme are required under the transitional provisions of Financial Reporting Standard 17 "Retirement Benefits" ("FRS17") and these are set out below. The disclosures relate to the first year of the transitional provisions. They provide information which will be necessary for full implementation of FRS17 in the year ending 31 December 2003.

Notes to the financial statements (continued)

19 Pension commitments (continued)

Financial Reporting Standard 17 – Transitional Disclosures (continued)

The actuarial valuation described above has been updated at 31 December 2001 by a qualified actuary using revised assumptions that are consistent with the requirements of FRS17. Investments have been valued for this purpose at market value.

Main assumptions (% pa)	2001
- Rate of increase in salaries	3.5
- Rate of increase in pensions in payment	2.5
- Discount rate	5.9
- Inflation assumption	2.5

The fair value of the assets in the scheme, the present value of the liabilities in the scheme and the expected rate of return at the balance sheet date were:

	2001 %	2001 £'000
Equities	6.0	1,688
Bonds and cash	4.7	371
Total fair value of assets		2,059
Present value of scheme liabilities		(2,903)
Deficit in the scheme		(844)
Related deferred tax assets		-
Net pension liability		(844)

20 Prior year comparatives

The prior year comparatives were audited by a firm other than Arthur Andersen and are presented here for comparative purposes only.