

Applied Chemicals Limited

Accounts 30 June 1999

together with directors' and auditors' reports

Registered number: 473219



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Directors' report

For the year ended 30 June 1999

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 1999.

Principal activity and business review

On 29 January 1999, the company disposed of the trade and certain assets of its lubricants division. 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 profit on ordinary activities before taxation of £1,634,175 (1998 - £53,569).

A dividend of £4,164,133 was paid during the year (1998 - £nil).

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
E F Dwyer (Australian)
D C Dean (Australian)
M R Lloyd (appointed 20 July 1998)

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 £1,211 (1998 - £1,652) during the year.

Year 2000

The company has recognised the century date change issue, and has established comprehensive plans to deal with all the issues involved. The costs involved are not expected to be material.

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.

Applied House
Wilsons Lane
Coventry
CV6 6JA

By order of the Board



R D Batty

Secretary

10 November 1999

Auditors' report

Birmingham

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. 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 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen

Arthur Andersen
Chartered Accountants and Registered Auditors

1 Victoria Square
Birmingham
B1 1BD

10 November 1999

Profit and loss account

For the year ended 30 June 1999

	Notes	1999 Continuing operations £	1999 Discontinued operations £	1999 Total £	1998 Total £
Turnover	2	10,508,643	1,177,213	11,685,856	12,951,777
Change in stocks of finished goods and goods held for resale	2	211,544	-	211,544	(5,207)
Raw materials and consumables	2	(4,391,183)	(531,794)	(4,922,977)	(5,336,156)
		<u>6,329,004</u>	<u>645,419</u>	<u>6,974,423</u>	<u>7,610,414</u>
Staff costs	2,4	(2,709,080)	(379,842)	(3,088,922)	(3,262,733)
Depreciation	2	(169,681)	-	(169,681)	(161,800)
Other operating expenses (net)	2	(4,010,566)	122,003	(3,888,563)	(4,122,024)
Operating (loss) profit	2	(560,323)	387,580	(172,743)	63,857
Profit on sale of discontinued operations	3	-	1,816,452	1,816,452	-
		<u>(560,323)</u>	<u>2,204,032</u>	<u>1,643,709</u>	<u>63,857</u>
Interest receivable	6			49,764	72,072
Interest payable and similar charges	7			(59,298)	(82,360)
Profit on ordinary activities before taxation	8			1,634,175	53,569
Tax on profit on ordinary activities	9			-	9,039
Profit on ordinary activities after taxation				1,634,175	62,608
Dividends paid	10			(4,164,133)	-
Retained (loss) profit for the year	18			<u>(2,529,958)</u>	<u>62,608</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 1999

	1999 £	1998 £
Reported profit on ordinary activities before taxation	1,634,175	53,569
Difference between an historical cost depreciation charge and the actual depreciation charge for the year	<u>81,765</u>	<u>76,129</u>
Historical cost profit on ordinary activities before taxation	<u>1,715,940</u>	<u>129,698</u>
Historical cost (loss) profit for the year retained after taxation and dividends	<u>(2,448,193)</u>	<u>138,737</u>

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

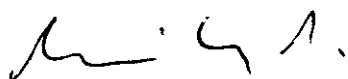
Balance sheet

30 June 1999

	Notes	1999 £	1998 £
Fixed assets			
Intangible assets	11	155,835	178,635
Tangible assets	12	563,537	601,493
		<u>719,372</u>	<u>780,128</u>
Current assets			
Stocks	13	703,997	915,541
Debtors - due within one year	14	2,668,552	3,073,636
- due after more than one year	14	766,442	2,711,795
Cash at bank and in hand		8,649	11,159
		<u>4,147,640</u>	<u>6,712,131</u>
Creditors: Amounts falling due within one year	15	<u>(2,780,082)</u>	<u>(2,875,371)</u>
Net current assets		<u>1,367,558</u>	<u>3,836,760</u>
Total assets less current liabilities		<u>2,086,930</u>	<u>4,616,888</u>
Net assets		<u>2,086,930</u>	<u>4,616,888</u>
Capital and reserves			
Called-up share capital	17	10,004	10,004
Revaluation reserve	18	297,560	379,325
Profit and loss account	18	1,779,366	4,227,559
Shareholders' funds	19	<u>2,086,930</u>	<u>4,616,888</u>
Analysis of shareholders' funds			
Equity interests		2,086,926	4,616,884
Non-equity interests	17	4	4
		<u>2,086,930</u>	<u>4,616,888</u>

Signed on behalf of the Board

M R Lloyd Director



10 November 1999

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

Notes to accounts

30 June 1999

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.

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

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.

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.

Notes to accounts (continued)

1 Accounting policies (continued)

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.

Continuing and discontinued operations in 1998 are analysed as follows:

	Continuing operations £	Discontinued operations £	Total £
Turnover	10,861,901	2,089,876	12,951,777
Change in stocks of finished goods and goods held for resale	16,080	(21,287)	(5,207)
Raw materials and consumables	(4,410,525)	(925,631)	(5,336,156)
	<u>6,467,456</u>	<u>1,142,958</u>	<u>7,610,414</u>
Staff costs	(2,613,837)	(648,896)	(3,262,733)
Depreciation	(161,800)	-	(161,800)
Other operating expenses (net)	(4,266,940)	144,916	(4,122,024)
	<u>(575,121)</u>	<u>638,978</u>	<u>63,857</u>
Operating (loss) profit			

3 Profit on sale of discontinued operations

On 29 January 1999, the company disposed of the trade and certain assets of its lubricants division. The results of the business up to this date, and the comparatives for the year ended 30 June 1998, are shown under discontinued operations. The disposal is analysed as follows:

	£
Net assets disposed of:	
Stocks	113,000
Debtors	439,000
Creditors	(164,000)
	<u>388,000</u>
Profit on disposal	<u>1,816,452</u>
Total consideration	<u>2,204,452</u>
Satisfied by:	
Cash	2,250,000
Disposal costs	(45,548)
	<u>2,204,452</u>

Notes to accounts (continued)

4 Staff costs

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

	1999 Number	1998 Number
Manufacturing and distribution	22	24
Marketing and sales	82	94
Supporting functions	21	23
	<u>125</u>	<u>141</u>

Their aggregate remuneration comprised:

	1999 £	1998 £
Wages and salaries	2,649,240	2,891,723
Social security costs	241,726	253,849
Other pension costs	123,072	108,762
Redundancy costs	74,884	8,399
	<u>3,088,922</u>	<u>3,262,733</u>

5 Directors' remuneration

Remuneration

The remuneration of the directors was as follows:

	1999 £	1998 £
Emoluments	355,628	287,070
Compensation for loss of office	-	34,000
Company contributions to money purchase pension schemes	11,514	18,170
	<u>367,142</u>	<u>339,240</u>

Pensions

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

	1999 Number	1998 Number
Money purchase schemes	<u>1</u>	<u>2</u>
Defined benefit schemes	<u>1</u>	<u>2</u>

Notes to accounts (continued)

5 Directors' remuneration (continued)

Highest-paid director

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

	1999 £	1998 £
Emoluments	<u>127,581</u>	<u>117,519</u>

6 Interest receivable

	1999 £	1998 £
Short term bank deposits and other loans	23,123	162
Loans to group undertakings	<u>26,641</u>	<u>71,910</u>
	<u>49,764</u>	<u>72,072</u>

7 Interest payable and similar charges

	1999 £	1998 £
Bank loans and overdrafts	11,917	37,910
Loans from group undertakings	46,491	43,044
Finance leases	655	1,406
Other	<u>235</u>	<u>-</u>
	<u>59,298</u>	<u>82,360</u>

8 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	1999 £	1998 £
Depreciation		
- on assets held under finance leases	11,117	11,117
- on owned assets	158,564	150,683
Amortisation of goodwill	22,800	42,702
Hire of assets under operating leases		
- plant and machinery	314,305	357,681
- other	293,300	305,000
Auditors' remuneration		
- audit services	16,000	17,500
- other services	<u>5,550</u>	<u>2,900</u>

Notes to accounts (continued)

9 Tax on profit on ordinary activities

The tax charge (credit) comprises:

	1999 £	1998 £
Corporation tax on ordinary activities	-	7,191
Underprovision in respect of prior years	-	31,097
Deferred taxation arising from:		
- capital allowances	-	(42,275)
- other timing differences	-	(5,052)
	<u>-</u>	<u>(9,039)</u>

10 Dividends paid

	1999 £	1998 £
Dividends paid	<u>4,164,133</u>	<u>-</u>

11 Intangible fixed assets

	Purchased goodwill £
Cost	
Beginning and end of year	<u>419,072</u>
Amortisation	
Beginning of year	240,437
Charge for the year	<u>22,800</u>
End of year	<u>263,237</u>
Net book value	
End of year	<u>155,835</u>
Beginning of year	<u>178,635</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)

12 Tangible fixed assets

	Motor vehicles £	Plant and equipment £	Total £
Cost or valuation			
Beginning of year	27,547	1,156,544	1,184,091
Additions	-	131,725	131,725
Disposals	-	(25,995)	(25,995)
End of year	27,547	1,262,274	1,289,821
Depreciation			
Beginning of year	26,037	556,561	582,598
Charge for the year	1,510	168,171	169,681
Disposals	-	(25,995)	(25,995)
End of year	27,547	698,737	726,284
Net book value			
End of year	-	563,537	563,537
Beginning of year	1,510	599,983	601,493

The net book value of plant and equipment includes an amount of £1,853 (1998 - £12,970) 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 £2,625,531.

13 Stocks

	1999 £	1998 £
Raw materials and consumables	304,987	333,749
Finished goods and goods held for resale	399,010	581,792
	<u>703,997</u>	<u>915,541</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)

14 Debtors

a) Amounts falling due within one year

	1999 £	1998 £
Trade debtors	2,003,810	2,496,168
Amounts owed by group undertakings	188,559	85,595
Other debtors	18,258	18,413
Prepayments and accrued income	457,925	473,460
	<u>2,668,552</u>	<u>3,073,636</u>

b) Amounts falling due after more than one year

	1999 £	1998 £
Amounts owed by group undertakings	<u>766,442</u>	<u>2,711,795</u>

At 30 June 1999 the company had a loan of £95,883 (1998 - £14,195) to Applied Chemicals International Pty Limited. The loan is unsecured and becomes repayable on 30 June 2000. The rate of interest on this loan is 9% per annum and is subject to annual reviews.

15 Creditors: Amounts falling due within one year

	1999 £	1998 £
Obligations under finance leases and hire purchase contracts	-	11,738
Bank overdraft	268,451	339,919
Trade creditors	1,131,346	1,363,156
Amounts owed to group undertakings	788,090	614,859
Other tax and social security	81,652	91,829
VAT	140,314	210,708
Accruals and deferred income	370,229	243,162
	<u>2,780,082</u>	<u>2,875,371</u>

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

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 £89,000 (1998 - £114,000). There is no other unprovided deferred taxation at either year end.

17 Called-up share capital

	1999 £	1998 £
<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
	<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.

18 Reserves

	Revaluation reserve £	Profit and loss account £	Total £
Beginning of year	379,325	4,227,559	4,606,884
Amortisation of revaluation surplus	(81,765)	81,765	-
Retained loss for the year	-	(2,529,958)	(2,529,958)
End of year	<u>297,560</u>	<u>1,779,366</u>	<u>2,076,926</u>

19 Reconciliation of movement in shareholders' funds

	1999 £	1998 £
Retained (loss) profit for the year	(2,529,958)	62,608
Net (reduction) in addition to shareholders' funds	(2,529,958)	62,608
Opening shareholders' funds	4,616,888	4,554,280
Closing shareholders' funds	<u>2,086,930</u>	<u>4,616,888</u>

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:

	1999			1998		
	Land and buildings	Motor vehicles	Other	Land and buildings	Motor vehicles	Other
Operating leases which expire:						
- Within one year	-	63,102	1,131	-	49,877	-
- Within two to five years	-	143,207	100,117	-	237,777	132,071
- After five years	305,000	-	-	305,000	-	-
	<u>305,000</u>	<u>206,309</u>	<u>101,248</u>	<u>305,000</u>	<u>287,654</u>	<u>132,071</u>

21 Transactions involving directors

Rentals on a property amounting to £40,000 (1998 - £40,000) were paid to Mr I W Hicks during the year.

22 Contingent liabilities

At 30 June 1999 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 (1998 - £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 £19,483 (1998 - £18,170).

Contributions to the defined benefit scheme amounted to £98,754 (1998 - £90,592).

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 1996 and used the defined accrued benefits method. The main actuarial assumptions were that salaries would increase by 7.0% per annum; pensions in payment would increase by 3.0% per annum; and the return on scheme investments would be 9.0% per annum.

At the date of the last actuarial valuation, the market value of the assets of the scheme was £1,324,305 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.

Notes to accounts (continued)

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. The accounts are available to the public.

25 Related party transactions

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