547325

ALCOHOLS LIMITED

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 1996

F.W. STEPHENS & CO.
Chartered Accountants
10, Charterhouse Square
London EC1M 6LQ

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ALCOHOLS LIMITED

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FOR THE YEAR ENDED 31ST DECEMBER 1996

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ALCOHOLS LIMITED

OFFICERS AND ADVISORS

DIRECTORS	A.J. Wallis R.H. Ling
SECRETARY	R.H. Ling
REGISTERED OFFICE	10, Charterhouse Square London EC1M 6LQ
REGISTERED NUMBER	547325
REGISTERED AUDITORS	F.W. Stephens & Co. Chartered Accountants 10, Charterhouse Square London EC1M 6LQ
BANKERS	National Westminster Bank PLC 134, Aldersgate Street London EC1A 4JB
SOLICITORS	Whitehouse Gibson & Alton 25, Bedford Row London WC1R 4HE

ALCOHOLS LIMITED

DIRECTORS' REPORT
FOR THE YEAR ENDED 31ST DECEMBER 1996

DIRECTORS' RESPONSIBILITIES

Company law requires us to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, we are required to:

-select suitable accounting policies and then apply them consistently;

-make judgements and estimates that are reasonable and prudent;

-prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business.

We are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable us to ensure that the financial statements comply with the Companies Act 1985. We 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.

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £127,857 (1995 £79,197) and after transfers from reserves came to £127,857 (1995 £129,197).
An interim dividend of £28,000 (1995 £28,000) was paid during the year.
A final dividend of £32,000 (1995 £32,000) is proposed.

REVIEW OF THE BUSINESS

The company's principal activity is the manufacture of various alcohol products and the distribution of alcohols and solvents.
The company is a subsidiary of W.H. Palmer & Co. (Industries) Limited.
The directors consider the company's results for the year and its position at the year end to be satisfactory.

DIRECTORS AND THEIR INTERESTS

The directors of the company who served during the year had no beneficial interest in the share capital of the company. Their beneficial interest in the share capital of the parent company at the beginning and end of the year were as follows:

	Number of shares	
	31st December 1996	1st January 1996
R.J. Auger (resigned 1.8.96)	6,349	6,349
A.J. Wallis	7,500	7,500
R.H. Ling	-	-

In accordance with the Articles of Association, R.H. Ling retires by rotation and offers himself for re-election at the forthcoming Annual General Meeting.

DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31ST DECEMBER 1996

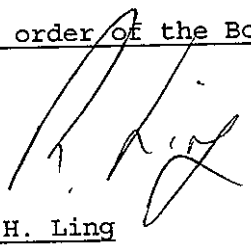
FIXED ASSETS

The movements in fixed assets during the year are set out in note 13 to the accounts.

AUDITORS

Messrs. F.W.Stephens & Co. have expressed their willingness to remain in office and in accordance with Section 385(2) Companies Act 1985, a resolution proposing the firm's reappointment will be placed before the members at the forthcoming Annual General Meeting.
As at 31st December 1996, a partner in the firm of Messrs. F.W. Stephens & Co. was a trustee of settlements which together owned 10,000 ordinary £1 shares in the parent company.

By order of the Board



R.H. Ling
Secretary

21st May 1997

AUDITORS REPORT TO THE SHAREHOLDERS OF

ALCOHOLS LIMITED

We have audited the financial statements on pages 5 to 14 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

Respective responsibilities of directors and auditors
As described on page 2 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion
In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31st December 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

F.W. Stephens & Co.

10, Charterhouse Square
London EC1M 6LQ

F.W. STEPHENS & CO.
Chartered Accountants and Registered Auditors

4 June 1997

ALCOHOLS LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31ST DECEMBER 1996

	Notes	1996 £	1996 £	1995 £	1995 £
TURNOVER FROM CONTINUING OPERATIONS	2		11,738,062		13,225,603
COST OF SALES			9,404,520		10,908,919
GROSS PROFIT			2,333,542		2,316,684
Selling and distribution costs		1,711,517		1,670,097	
Administrative expenses		433,569		443,802	
			2,145,086		2,113,899
			188,456		202,785
Other operating income	3		20,833		-
OPERATING PROFIT FROM CONTINUING OPERATIONS	4/6		209,289		202,785
Interest receivable	8	33,200		23,617	
Amount written off investments		(24,000)		-	
Interest payable	9	(10,632)		(19,724)	
			(1,432)		3,893
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION			207,857		206,678
Tax on ordinary activities	10		80,000		127,481
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION			127,857		79,197
Transfer from reserves			-		50,000
PROFIT FOR THE YEAR			127,857		129,197
Dividends	11		60,000		60,000
RETAINED PROFIT FOR THE YEAR			67,857		69,197
Retained profit brought forward			2,255,873		2,186,676
RETAINED PROFIT CARRIED FORWARD			£ 2,323,730		£ 2,255,873

There were no recognised gains or losses other than the profit for the year.

The attached notes form an integral part of these financial statements

ALCOHOLS LIMITED

BALANCE SHEET
AS AT 31ST DECEMBER 1996

	Notes	1996 £	1996 £	1995 £	1995 £
FIXED ASSETS					
Tangible assets	13		641,465		680,445
Investments	14		29,500		28,500
			670,965		708,945
CURRENT ASSETS					
Stocks	15	842,154		840,343	
Debtors	16	1,887,585		2,214,336	
Cash at bank and in hand		847,617		777,092	
		3,577,356		3,831,771	
CREDITORS - amounts falling due within one year	17	(1,675,610)		(1,974,281)	
NET CURRENT ASSETS			1,901,746		1,857,490
ASSETS LESS CURRENT LIABILITIES			2,572,711		2,566,435
CREDITORS - amounts falling due after more than one year	18	(7,731)		(67,312)	
Provisions for liabilities and charges	19	(90,250)	(97,981)	(92,250)	(159,562)
NET ASSETS			£2,474,730		£2,406,873
Financed by:					
CAPITAL AND RESERVES					
Called up share capital	20		1,000		1,000
Other reserve	21		150,000		150,000
Profit and loss account			2,323,730		2,255,873
			£2,474,730		£2,406,873

Approved by the board on 21st May 1997

Signed on their behalf:

A.J. Wallis)
) Directors
R.H. Ling)

The attached notes form an integral part of these financial statements.

ALCOHOLS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31ST DECEMBER 1996

1. ACCOUNTING POLICIES

1.1 Accounting conventions
The financial statements are prepared under the historical cost convention and are in accordance with applicable accounting policies.

1.2 Turnover
This represents the invoiced amounts of goods sold and provided, net of value added tax.

1.3 Consolidation
The company is entitled to the exemption conferred by Section 228 of the Companies Act 1985 from the requirement to prepare group accounts for the year ended 31st December 1996 as it is a subsidiary of W. H. Palmer & Co (Industries) Limited, a company incorporated and registered in England and Wales.

1.4 Associated undertakings
An undertaking is treated as an associated undertaking when the company holds a substantial interest in it for the long term, and exercises significant influence over its operating and financial policy decisions.

1.5 Depreciation of tangible fixed assets
Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, the principal rates being as follows:

Leasehold buildings:	over the lease term
Fixtures, fittings and equipment:	15% and 20% p.a.
Plant and machinery:	15%, 10% and 5% p.a.
Motor vehicles:	20% and 25% p.a.

1.6 Stocks
Stocks are stated at the lower of cost and net realisable value. Cost is based on purchase cost on a first in first out basis. Net realisable value is based upon estimated selling price less further costs expected to be incurred to completion and disposal.

1.7 Deferred taxation
Deferred taxation is provided under the liability method on all short-term timing differences. Provision is also made on long-term timing differences, except those which are not expected to reverse in the foreseeable future.

1.8 Leasing commitments
Assets obtained under lease purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives.
Interest on lease purchase contracts is charged to the profit and loss on a reducing balance basis over the term of the agreement.
Operating lease charges and annual rentals are charged to the profit and loss account as incurred.

1.9 Pension costs
The company operates a pension scheme in accordance with note 7.
Pension costs are charged to the profit and loss account as and when the liablity is recognised.

2. TURNOVER FROM CONTINUING OPERATIONS

The turnover and pre-tax profit are wholly attributable to the company's main activity.

An analysis of turnover by geographical market is as follows:	1996 £	1995 £
United Kingdom	11,514,762	13,025,337
Rest of the World	223,300	200,266
	£11,738,062	£13,225,603

3. OTHER OPERATING INCOME

	1996 £	1995 £
Management fees receivable	20,833	-

4. OPERATING PROFIT

This is stated after charging/(crediting):	1996 £	1995 £
Directors' emoluments (see note 6)	152,216	183,586
Auditors' remuneration	9,000	9,000
Depreciation	112,674	108,946
(Profit) on disposal of fixed assets	(896)	(8,757)
Operating lease rentals: plant and equipment	33,581	37,532
land and buildings	125,733	125,733

5. STAFF COSTS (including directors' remuneration)

	1996 £	1995 £
Wages and salaries	632,786	630,699
Social security costs	58,697	55,948
Other pension costs	31,211	42,392
	£ 722,694	£ 729,039

The average number of employees during the year was made up as follows:	No.	No.
Administration and management	7	7
Operational, selling and distribution	28	27
	35	34

6. DIRECTORS' EMOLUMENTS

	1996	1995
	£	£
Executive Remuneration	129,093	150,652
Pension contributions	6,195	10,682
Other emoluments	16,928	22,252
	£152,216	£183,586
Further details, excluding pension contributions:		
Chairman (and highest paid director 1995)	£ 46,700	£ 78,525
Highest paid director	£ 53,569	£ -
Other directors' emoluments fell within the following ranges:	No.	No.
£40,001 - £45,000	-	1
£45,001 - £50,000	1	-
£50,001 - £55,000	-	1

7. PENSION COSTS

The company operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company, being invested with insurance companies. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the attained age funding method. The most recent valuation was at 1st June 1996.

The assumptions made by the actuary which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pensions. The actuary has reviewed these assumptions for the purposes of SSAP 24 and his best estimates are that the return on investments will be 9.5% per annum, that salary increases would average 7% per annum and that current employees' pensions up to pensionable age would increase with commensurate benefit. The scheme is not index-linked for those already in receipt of pensions.

The most recent actuarial valuation showed that the market value of the scheme assets was £2.28 million, and the actuarial value of the assets represented 147% of the benefits accrued to members, after allowing for future increases in earnings. Due to the actuarial surplus within the fund, the company has not made any contributions to the fund since 1993. However, a charge of £26,803 (1995 £36,822) has been made to the profit and loss account in order to achieve a substantially level rate of pension cost based on the actuarial assumptions for the purposes of SSAP 24. The company's normal annual contribution would amount to 13.4% of the pensionable payroll. This contribution has been reduced to 3.6% due to the amortisation of the actuarial surplus over the average remaining service lives of current employees in the scheme. The pension scheme is non-contributory for employees.

8. INTEREST RECEIVABLE

	1996 £	1995 £
Bank deposit interest	33,200	23,617

9. INTEREST PAYABLE

	1996 £	1995 £
Lease purchase interest	7,367	12,758
Other interest	3,265	6,966
	£ 10,632	£ 19,724

10. TAXATION

	1996 £	1995 £
The tax charge on the profit on ordinary activities for the year was as follows:		
U.K corporation tax at 33% (1995 - 33%)	82,000	69,500
Deferred taxation	(2,000)	5,250
	80,000	74,750
Taxation underprovided in previous years:		
Corporation tax	-	52,731
	£ 80,000	£ 127,481

11. DIVIDENDS

	1996 £	1995 £
Interim dividend paid: 2,800p (1995 2,800p) per share.	28,000	28,000
Final dividend proposed: 3,200p (1995 3,200p) per share.	32,000	32,000
	£ 60,000	£ 60,000

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1996 £	1995 £
Profit for the financial year	127,857	79,197
Dividends	(60,000)	(60,000)
Net additions to shareholders' funds	67,857	19,197
Opening shareholders' funds	2,406,873	2,387,676
Closing shareholders' funds	£2,474,730	£2,406,873

13. TANGIBLE FIXED ASSETS

	Short leasehold land and buildings	Fixtures, fittings and equipment	Plant and machinery	Motor vehicles	Total
	£	£	£	£	£
Cost:					
At 1st January 1996	100,483	182,826	983,849	150,203	1,417,361
Additions	1,428	11,236	39,363	24,017	76,044
Disposals	-	(33,631)	-	(17,486)	(51,117)
At 31st December 1996	101,911	160,431	1,023,212	156,734	1,442,288
Depreciation:					
At 1st January 1996	41,883	103,272	492,990	98,771	736,916
Charge for year	4,956	21,019	63,126	24,469	113,570
Disposals	-	(33,631)	-	(16,032)	(49,663)
At 31st December 1996	46,839	90,660	556,116	107,208	800,823
Net book value at 31st December 1996	£ 55,072	£ 69,771	£467,096	£ 49,526	£ 641,465
Net book value at 31st December 1995	£ 58,600	£ 79,554	£490,859	£ 51,432	£ 680,445

Included in the amounts for plant and machinery above are the following amounts relating to assets subject to lease purchase agreements:

	1996	1995
	£	£
Depreciation charged for the year	16,150	16,150
Net book value at 31st December 1996	154,576	170,726

14. FIXED ASSET INVESTMENTS

	Group Undertakings	Associated Undertakings	Total
	£	£	£
As at 1st January 1996	28,500	-	28,500
Additions (see below)	-	25,000	25,000
Provision against investment	-	(24,000)	(24,000)
As at 31st December 1996	£ 28,500	£ 1,000	£ 29,500

14.1 Subsidiary undertakings

The company owns the entire issued share capital of Lang-Met Distillers Limited, a company registered in England and Wales - 25,000 £1 Ordinary shares. (1995 100% interest - 25,000 £1 Ordinary shares). The aggregate value of Lang-Met Distillers Limited capital and reserves at 31st December 1996, was £28,500 (1995: £28,500). The company is dormant.

The company owns the entire issued share capital of Langley Distillery Limited, which has not commenced trading (1995 - 100% interest). The company has issued 5,000 £1 ordinary shares, but to date, no monies have been called on them. The company is registered in England and Wales.

14.2 Associated undertakings

On 4th March 1996 the company was allotted 25,000 £1 Ordinary shares of Alcohols (North West) Limited, a company registered in England & Wales whose principal activity is the distribution of inorganic and speciality chemicals and solvents. This represents 50% of the ordinary share capital and voting rights. The company made a loss for the period of £55,613 and the aggregate value of the company's share capital and reserves at 31st December 1996 was (£5613).

Since the year-end the company has been allotted an additional 50,000 £1 Ordinary shares of Alcohols (North West) Limited, which increased the shareholding to 75%, and the investment is now considered to be a subsidiary undertaking.

15. STOCKS

	1996	1995
	£	£
Finished goods and goods for resale	842,154	840,343

16. DEBTORS

	1996	1995
	£	£
Trade debtors	1,825,108	2,168,795
Other debtors	205	200
Prepayments	62,272	45,341
	£1,887,585	£2,214,336

17. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	1996 £	1995 £
Obligations under lease purchase contracts	36,388	49,608
Trade creditors	1,152,696	1,517,207
Amount owed to group undertakings	29,492	28,996
Amounts owed to related companies	57,783	-
Corporation tax	79,530	66,500
Other taxes and social security costs	29,452	38,652
Other loans (see note 18)	23,192	23,192
Accruals	235,077	218,126
Proposed dividend	32,000	32,000
	£1,675,610	£1,974,281

18. CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1996 £	1995 £
Other loans	7,731	30,923
Obligations under lease purchase contracts	-	36,389
	£ 7,731	£ 67,312

The above balances are wholly repayable within 5 years.
The other loans consists of two separate agreements. Both are charged an interest rate of 1.5% over FHBR and are guaranteed by the parent company.

19. DEFERRED TAXATION

Analysis of provision made and amount unprovided

	1996 Provision made £	1996 Amount unprovided £	1995 Provision made £	1995 Amount unprovided £
Accelerated capital allowances	90,250	-	92,250	-
	£90,250	£ -	£ 92,250	£ -

Movements on the provision for deferred taxation are:-	£
At 1st January 1996	92,250
Transferred to profit and loss account	(2,000)
At 31st December 1996	£ 90,250

20. SHARE CAPITAL

	Authorised		Allotted, called up and fully paid	
	1996 No.	1995 No.	1996 £	1995 £
Ordinary shares of £1 each	1,000	1,000	1,000	1,000

21. OTHER RESERVES

	1996 £	1995 £
Balance as at 1st January 1996	150,000	200,000
Transfer to Profit and Loss account	-	(50,000)
At 31st December 1996	£150,000	£150,000

22. COMMITMENTS AND CONTINGENT LIABILITIES

OPERATING LEASES

The company has obligations to pay the following rentals in the year to 31st December 1997 under operating leases expiring:

	1996		1995	
	Land and buildings	Other	Land and buildings	Other
	£	£	£	£
Within one year	-	6,532	-	3,541
Within two to five years	-	15,106	-	29,363
After more than five years	125,733	-	125,733	-
	£125,733	£21,638	£125,733	£ 32,903

CONTINGENT LIABILITIES

The company has given guarantees in connection with a lease entered into by its associated undertaking. The annual payments due under this lease are £11,050.

23. ULTIMATE PARENT COMPANY

The company is a subsidiary of W.H. Palmer & Co. (Industries) Limited which is registered in England. The company is exempt from the requirement to produce a Cash Flow statement because the parent company has produced consolidated accounts including a consolidated Cash Flow statement.