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BLAGDEN CHEMICALS LIMITED
(Formerly Blagden Campbell Chemicals Limited)
Report and Accounts for the 52 weeks ended
31st December 1989



BLAGDEN CHEMICALS LIMITED

DIRECTORS

D.T. Wilkinson
R.J. Buckland
R.J.B. Creed
W.J. Chiddicks
R.G. Turton
H.A. Walpole
A.R. Ariss (Appointed 1st September 1989)
J.B. Scanlan (Appointed 1st September 1989)

REPORT OF THE DIRECTORS

The directors submit herewith their report and the accounts for the 52 weeks ended 31st December, 1989.

CHANGE OF NAME

The company changed its name on the 25th August 1989 from Blagden Campbell Chemicals Limited to Blagden Chemicals Limited.

ACTIVITIES

The company continued throughout the period to manufacture, distribute and merchant chemicals together with allied products. There were no significant changes in activities during the period.

BUSINESS REVIEW

The overall performance of the company's activities during the period was a little better than that of the previous year. Results for 1990 will benefit from a £8 million investment in a new formaldehyde/resin plant at Cowie, Scotland. This plant is tied to the supply of resins to a major particleboard customer whose site it adjoins. The plant was commissioned in early 1990.

FINANCIAL REVIEW

(a) Profit

The profit and loss account for the period shows:

	£000
Profit on ordinary activities before taxation	2,803
Tax on profit on ordinary activities	(969)
Profit after taxation	1,834
Dividend	(4,000)
Transferred from reserves	(2,166)

(b) Fixed Assets

Movements in the tangible fixed assets of the company during the period are set out on page 9 note 7.

In the opinion of the directors the market value of freehold and leasehold land and buildings owned at 31st December 1989 was £1,200,000 (book value £442,000).

BLAGDEN CHEMICALS LIMITED

REPORT OF THE DIRECTORS (CONTINUED)

OTHER MATTERS

(a) Directors

Mr. J.B. Scanlan and Mr. A.R. Ariss were appointed to the board of directors on the 1st September 1989, and in accordance with the Articles of Association retire at the first Annual General Meeting following their appointment and, being eligible, offer themselves for re-election.

Mr. H.A. Walpole and Mr. F.J.B. Creed retire by rotation and, being eligible, offer themselves for re-election.

The directors, excluding directors of the ultimate holding company, had the following interests in shares of the company's ultimate holding company, Blagden Industries PLC, at the beginning and end of the period:

<u>Blagden Industries PLC</u> <u>25p Ordinary shares</u>	<u>Unexercised Share Options</u>	
	<u>1.1.1989</u>	<u>31.12.1989</u>
W.J. Chiddicks	9,700	14,200
R.G. Turton	12,500	17,500
H.A. Walpole	8,400	11,900
R.J.B. Creed	8,400	12,000
J.B. Scanlan	10,500	11,000
A.R. Ariss	6,500	9,800

There were no significant contracts entered into by the company either during or at the end of the financial period in which any of the directors had a material interest.

(b) Auditors

Deloitte Haskins & Sells are in the process of merging with Coopers & Lybrand. In the meantime they have adopted Coopers & Lybrand Deloitte as their business name and have signed their audit report in that name.

In accordance with Section 384 of the Companies Act 1985, a resolution proposing the reappointment of Coopers & Lybrand Deloitte as auditors to the Company will be put to the Annual General Meeting.

BY ORDER OF THE BOARD

J.F. WILKINSON
Secretary

Tonman House,
63-77 Victoria Street,
St. Albans,
AL1 3LR

2nd April 1990

BLAGDEN CHEMICALS LIMITED

REPORT OF THE AUDITORS
TO THE MEMBERS OF BLAGDEN CHEMICALS LIMITED

We have audited the accounts set out on pages 4 to 12 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31st December 1989 and of its result and source and application of funds for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand Deloitte

COOPERS & LYBRAND DELOITTE
Chartered Accountants

London

2nd April 1990

BLAGDEN CHEMICALS LIMITED

ACCOUNTING POLICIES

(a) BASIS OF ACCOUNTING

The company prepares its annual accounts on the historical cost basis of accounting.

(b) TAXATION

Taxation is provided on the basis of the profits included in the profit and loss account adjusted for fiscal purposes. Provision for deferred taxation is made, using the liability method, for all timing differences, to the extent that it is probable that these will reverse in the foreseeable future. No provision is made for the liabilities which may arise in respect of Capital Gains deferred under Section 115, Capital Gains Tax Act 1979.

(c) DEPRECIATION OF TANGIBLE FIXED ASSETS

No depreciation is provided on freehold land. With this exception, depreciation is calculated to reduce by equal annual instalments the amounts of the tangible fixed assets to their estimated realisable value during their working lives and is charged at the following principal rates per annum:

Plant and equipment	6.6% - 12.0%
Motor vehicles	20.0%
Freehold	2.0%

(d) STOCK VALUATION

Stocks are valued at the lower of cost and net realisable value, on a basis consistent with previous years. Cost consists of direct material costs and where appropriate an addition for labour, works and administrative overheads.

(e) TURNOVER

Turnover comprises the invoiced value of goods sold and amounts charged to external customers for services rendered. Taxes levied on turnover are excluded.

(f) RESEARCH AND DEVELOPMENT

Research and development expenditure is written off as incurred against profit on ordinary activities before taxation.

(g) PENSIONS

Pensions for existing employees are funded, at rates determined by independent actuaries, on a projected funding basis by annual contributions from employees and from participating companies. Company contributions are charged to profit and loss account so as to spread the cost of pensions at a substantially level percentage of payroll costs over employees' estimated service lives within the company. The various schemes are set up under separate trusts and their assets are completely separate from the assets of the group companies.

(h) TRANSLATION OF FOREIGN CURRENCIES

Current assets and liabilities in overseas currencies are translated into sterling at the rates effective at the balance sheet date. Exchange differences arising from trading operations are accounted for within operating profit in the period in which they occur.

(i) GOODWILL

Goodwill being the excess of the purchase consideration over the fair value of net tangible assets at the date of their acquisition, is written off to reserves in the period in which it arises.

(j) LEASES

Operating lease costs are charged to the profit and loss account as incurred.

BLAGDEN CHEMICALS LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE 52 WEEKS ENDED 31ST DECEMBER 1989

	<u>NOTES</u>	<u>1989</u> (52 weeks) £000	<u>1988</u> (53 weeks) £000
TURNOVER	1	35,054	32,318
Cost of sales		(29,751)	(27,497)
GROSS PROFIT		5,303	4,821
Distribution costs		(1,731)	(1,726)
Administrative expenses		(919)	(840)
Other operating income		64	2
OPERATING PROFIT	2	2,717	2,257
Exceptional item	3	-	347
PROFIT BEFORE INTEREST		2,717	2,604
Net interest receivable	5	86	46
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,803	2,650
Taxation	6	(969)	(866)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		1,834	1,784
DIVIDENDS		(4,000)	-
TRANSFERRED (FROM)/TO RESERVES	13	(2,166)	1,784

BLAGDEN CHEMICALS LIMITED

BALANCE SHEET AS AT 31ST DECEMBER 1989

	<u>Notes</u>	<u>1989</u> £000	<u>1988</u> £000
FIXED ASSETS			
Tangible assets	7	12,711	4,262
CURRENT ASSETS			
Stocks	8	4,557	3,629
Debtors	9	7,247	6,859
Cash at bank and in hand		1,016	1,196
		-----	-----
		12,820	11,684
CREDITORS: amounts falling due within one year	10	(21,586)	(10,685)
		-----	-----
NET CURRENT ASSETS		(8,766)	999
		-----	-----
TOTAL ASSETS LESS CURRENT LIABILITIES		3,945	5,261
PROVISION FOR LIABILITIES AND CHARGES			
Deferred taxation	11	(1,223)	(373)
		-----	-----
NET ASSETS		2,722	4,888
		=====	=====
CAPITAL AND RESERVES			
Called up share capital	12	1	1
Share premium account		128	128
Profit and loss account	13	2,593	4,759
		-----	-----
SHAREHOLDERS' FUNDS		2,722	4,888
		=====	=====

The accounts on pages 4 to 12 were approved by the Board of Directors on 2nd April 1990 and are signed on its behalf by:


D.T. Wilkinson


R.J. Buckland

)
) Directors
)

BLAGDEN CHEMICALS LIMITED

NOTES TO THE ACCOUNTS

1. GEOGRAPHICAL ANALYSIS OF TURNOVER

	<u>1989</u> £000	<u>1988</u> £000
United Kingdom	32,653	29,340
Western Europe	1,659	1,745
Other	742	1,233
	-----	-----
	35,054	32,318
	=====	=====

2. OPERATING PROFIT

(a) The operating profit is arrived at after taking into account:

Directors' emoluments (note 2(b))	261	169
Depreciation of tangible fixed assets	457	366
Operating lease rentals:		
Plant and equipment	335	322
Land and buildings	86	75
Auditors' remuneration	30	28
(Profit)/Loss on disposal of tangible fixed assets	(2)	23
	=====	=====

(b) Directors' emoluments:

The emoluments of the directors, excluding pension contributions, were as follows:

	<u>1989</u> £000	<u>1988</u> £000
Highest paid director	68	62
	=====	=====

Others:

	<u>Number</u>	<u>Number</u>
Up to £5,000	2	1
£5,001 to £10,000	-	2
£20,001 to £25,000	-	2
£25,001 to £30,000	2	1
£30,001 to £35,000	2	-
£35,001 to £40,000	1	-
	=====	=====

3. EXCEPTIONAL ITEMS

	<u>1989</u> £000	<u>1988</u> £000
Insurance claim in respect of loss of profits and reinstatement of plant following Hexamine plant fire	-	347
	=====	=====

BLAGDEN CHEMICALS LIMITED

NOTES TO THE ACCOUNTS (Continued)

4. EMPLOYEES

	<u>1989</u> <u>Number</u>	<u>1988</u> <u>Number</u>
(a) Average number of employees during the period	126 =====	121 =====
(b) Employee costs, including director's emoluments:		
	<u>1989</u> <u>£000</u>	<u>1988</u> <u>£000</u>
Wages and salaries	1,637	1,430
Social security costs	138	115
Pension costs	168	124
	----- 1,943 =====	----- 1,669 =====

5. NET INTEREST RECEIVABLE

Interest receivable	91	51
Interest payable	(5)	(5)
	----- 86 =====	----- 46 =====

6. TAX CHARGE ON ORDINARY ACTIVITIES

Corporation tax at 35%

Charge for the period	116	886
Adjustments of prior periods	3	(20)
Deferred	850	-
	----- 969 =====	----- 866 =====

The charge for the period is stated after allowing for an excess of capital allowances over depreciation amounting to £642,000 (1988 - £54,000). The charge has been reduced by £228,000 (1988 NIL) in respect of capitalised items available for offset against profit for fiscal purposes.

BLAGDEN CHEMICALS LIMITED

NOTES TO THE ACCOUNTS (Continued)

7. TANGIBLE FIXED ASSETS

	<u>Freehold land and buildings</u> £000	<u>Plant, machinery and equipment</u> £000	<u>Total</u> £000
<u>COST</u>			
At 1st January 1989	958	6,001	6,959
Additions	-	8,948	8,948
Disposals	-	(94)	(94)
	-----	-----	-----
At 31st December 1989	958	14,855	15,813
	=====	=====	=====
<u>DEPRECIATION</u>			
At 1st January 1989	484	2,213	2,697
Charges to profit and loss account	32	425	457
Disposals	-	(52)	(52)
	-----	-----	-----
At 31st December 1989	516	2,586	3,102
	-----	-----	-----
<u>NET BOOK VALUE</u>			
31st December 1989	442	12,269	12,711
	=====	=====	=====
1st January 1989	474	3,788	4,262
	=====	=====	=====

Expenditure on plant and equipment during the period includes an amount of £440,000 in respect of capitalised interest.

	<u>1989</u> £000	<u>1988</u> £000
Capital expenditure authorised by the directors and not provided for in the accounts	43	6,520
	=====	=====
of which contracts have been placed for	-	-
	=====	=====

8. STOCKS

Raw materials	788	781
Finished goods	3,769	2,848
	-----	-----
	4,557	3,629
	=====	=====

BLADEN CHEMICALS LIMITED

NOTES TO THE ACCOUNTS (Continued)

	<u>1989</u> £000	<u>1988</u> £000
9. DEBTORS		
Amounts falling due within one year:		
Trade debtors	7,033	6,270
Amounts owed by group companies	8	214
Prepayments and accrued income	123	153
Other debtors	83	222
	-----	-----
	7,247	6,859
	=====	=====
10. CREDITORS		
Amounts falling due within one year:		
Bank loans and overdrafts	12	-
Trade creditors	5,784	4,374
Amounts owed to group companies	14,467	5,872
Corporation tax	100	83
Other taxes and social security	205	202
Accruals	1,018	154
	-----	-----
	21,586	10,685
	=====	=====
11. DEFERRED TAXATION		
Amount Provided		
Tax effect of timing differences due to:		
Accelerated capital allowances	1,156	306
Capital gains	67	67
	-----	-----
	1,223	373
	=====	=====
Full Potential		
Tax effect of timing differences due to:		
Accelerated capital allowances	1,619	981
Capital gains	67	67
	-----	-----
	1,686	1,048
	=====	=====
Movements during the period:		
At 2nd January 1989	373	
Charges to profit and loss account	850	

At 31st December 1989	1,223	
	=====	

BLAGDEN CHEMICALS LIMITED

NOTES TO THE ACCOUNTS (Continued)

12. SHARE CAPITAL

Authorised, allotted, called up and fully paid
1,000 ordinary shares of £1 each

<u>1989</u>	<u>1988</u>
<u>£000</u>	<u>£000</u>

1	1
====	====

13. RESERVES

At 2nd January 1989
Transferred to profit and loss account

4,759
(2,166)

At 31st December 1989

2,593
=====

14. PENSION COMMITMENTS

The group operates pension funds for the company's employees of the defined benefit type. This covers the majority of company employees, and contributions are based on pension costs across the group as a whole. Information regarding the fund is set out in the financial statements of Blagden Industries Plc.

15. LEASING COMMITMENTS

The company had annual commitments at 31st December, 1989 under operating leases expiring as follows:

	<u>Land and</u> <u>Buildings</u>		<u>Plant and</u> <u>Equipment</u>	
	<u>1989</u>	<u>1988</u>	<u>1989</u>	<u>1988</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Within one year	3	-	274	271
Between one and five years	85	75	56	42
After five years	-	-	10	9
	---	---	---	---
	88	75	340	322
	===	===	===	===

The total annual commitments under operating leases amount to £428,000 (1988 £397,000).

16. ULTIMATE HOLDING COMPANY

The company's ultimate holding company is Blagden Industries PLC, incorporated in Great Britain.

BLAGDEN CHEMICALS LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE 52 WEEKS ENDED 31st DECEMBER 1989

	<u>1989</u> £000	<u>1988</u> £000
SOURCE OF FUNDS:		
Profit on ordinary activities before taxation	2,803	2,650
Items not involving the movement of funds:		
Depreciation	457	366
(Surplus)/Loss on disposal of tangible fixed assets	(2)	23
	-----	-----
Total generated from trading operations	3,258	3,039
FUNDS FROM OTHER SOURCES:		
Proceeds on disposal of tangible fixed assets	44	13
	-----	-----
	3,302	3,052
	-----	-----
APPLICATION OF FUNDS:		
Dividend paid	(4,000)	-
Purchase of tangible fixed assets	(8,948)	(1,379)
Group relief paid	-	(1,180)
Tax paid	(102)	-
	-----	-----
	(13,051)	2,559
	-----	-----
INCREASE IN WORKING CAPITAL	(9,748)	493
	=====	=====
Comprising:		
Increase in stocks	928	748
Increase in debtors	594	883
(Decrease)/Increase in amounts due from group companies	(206)	214
(Increase) in trade creditors, other taxes and social security, and accruals	(2,277)	(694)
(Increase) in amounts due to group companies	(8,595)	(1,286)
	-----	-----
	(9,556)	(135)
Movement in net liquid funds:		
(Decrease)/Increase in bank balances	(180)	628
Increase in bank overdrafts	(12)	-
	-----	-----
(Decrease)/Increase in liquid funds	(192)	628
	-----	-----
	(9,748)	493
	=====	=====