

FORWARD CHEMICALS LIMITED
ANNUAL REPORT
YEAR ENDED 31 DECEMBER 1994

COMPANY NUMBER: 1428569



**PANNELL
KERR
FORSTER**
CHARTERED ACCOUNTANTS

FORWARD CHEMICALS LIMITED
ANNUAL REPORT
YEAR ENDED 31 DECEMBER 1994

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DIRECTORS' REPORT

The directors present their report together with the audited financial statements for the year ended 31 December 1994.

1 RESULTS AND DIVIDEND

The profit for the year after tax amounted to £55,961 (1993 £15,134).

The directors do not recommend the payment of a dividend.

2 REVIEW OF THE BUSINESS

The principal activities of the company are the production and sale of chemicals and laundry products.

During the year turnover increased from £6,037,379 to £6,378,384.

The directors recommend that the profit for the year of £55,961 be added to the accumulated reserves brought forward.

The directors expect the level of activity to increase in the forthcoming year.

3 DIRECTORS

The directors throughout the year were as follows:-

G Hale (Chairman)
Mrs V M Hale
J E Moseley
F J A Cox
Miss L Hale
B E Lunt

During the years ending 31 December 1994 and 31 December 1993, none of the directors held any interest in the shares of the company.

Directors who are not directors of the ultimate parent company, Hale Group plc, hold the following ordinary 10 pence shares in that company:-

	Number 31 December 1994	Number 31 December 1993
Miss L Hale	125,000	125,000

DIRECTORS' REPORT (continued)

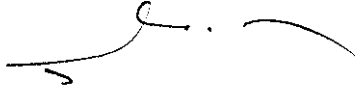
4 FIXED ASSETS

Movements in fixed assets during the year are detailed in notes 9 and 10 to the financial statements.

5 AUDITORS

The elective resolutions provisions of the Companies Act 1985 (amended) have been undertaken by the company. The obligation to appoint auditors annually has been dispensed with.

BY ORDER OF THE BOARD



J E Moseley
Secretary

11 MAY 1995

STATEMENT OF 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 profit or loss of the company for that period. 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;
- * 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 to 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.

AUDITORS' REPORT TO THE SHAREHOLDERS

We have audited the financial statements on pages 5 to 14 which have been prepared under the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of 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.

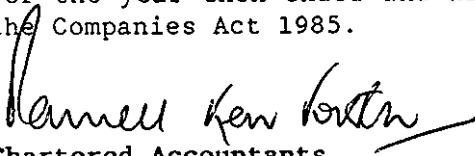
Basis of opinion

We conducted our audit in accordance with Auditing Standards. 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 affairs of the company as at 31 December 1994 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Chartered Accountants

Registered Auditors

Liverpool 11 MAY 1995.

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 1994

	Notes	1994	1993
TURNOVER	1g/2	6,378,384	6,037,379
Cost of sales		(4,561,423)	(4,186,758)
		<hr/>	<hr/>
GROSS PROFIT		1,816,961	1,850,621
Net operating expenses	3	(1,716,652)	(1,788,672)
		<hr/>	<hr/>
OPERATING PROFIT		100,309	61,949
Interest payable	4	(25,195)	(51,132)
Interest receivable	5	15,930	12,401
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	6	91,044	23,218
Taxation	8	(35,083)	(8,084)
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	16	£55,961	£15,134
		=====	=====

NOTE OF HISTORICAL COST PROFITS

Reported profit on ordinary activities before taxation	91,044	23,218
Difference between actual depreciation charge based on revalued amount and a historical cost charge	6,554	6,562
	<hr/>	<hr/>
Historical cost profit on ordinary activities before taxation	£97,598	£29,780
	=====	=====
Historical cost profit for the year after taxation	£62,515	£21,696
	=====	=====

Movements in reserves are shown in note 16.

All amounts relate to continuing operations.

The company has no recognised gains or losses other than the profit for the year.

BALANCE SHEET

31 DECEMBER 1994

	Notes	1994	1993
FIXED ASSETS			
Tangible assets	9	1,084,661	1,120,347
Investments	10	24,102	24,102
		<hr/>	<hr/>
		1,108,763	1,144,449
CURRENT ASSETS			
Stocks	11	396,998	420,808
Debtors	12	1,369,768	1,399,030
Cash at bank and in hand		526	204
		<hr/>	<hr/>
		1,767,292	1,820,042
CREDITORS: amounts falling due within one year	13	(1,433,580)	(1,577,977)
		<hr/>	<hr/>
NET CURRENT ASSETS		333,712	242,065
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,442,475	1,386,514
PROVISIONS FOR LIABILITIES AND CHARGES	14	-	-
		<hr/>	<hr/>
NET ASSETS		£1,442,475 =====	£1,386,514 =====
CAPITAL AND RESERVES			
Called up share capital	15	838,200	838,200
Revaluation reserve	16	653,632	653,632
Profit and loss account	16	(49,357)	(105,318)
		<hr/>	<hr/>
EQUITY SHAREHOLDERS' FUNDS	17	£1,442,475 =====	£1,386,514 =====

Approved by the board on 11 MAY 1995

G Hale

J E Moseley

) Directors

NOTES AND ACCOUNTING POLICIES

YEAR ENDED 31 DECEMBER 1994

1 ACCOUNTING POLICIES

a. Basis of Accounting

The accounts have been prepared under the historical cost convention as modified by the revaluation of certain tangible fixed assets. No consolidated accounts have been prepared as the company is itself wholly owned by its parent company Hale Group plc.

b. Depreciation

Depreciation is provided at rates calculated to write off the cost or valuation of fixed assets, less estimated residual value, over their estimated useful lives as follows:-

Freehold buildings	- 2% on cost
Plant and machinery	- 20% reducing balance
Motor vehicles	- 25% on cost
Fixtures and fittings	- 20% reducing balance
Computer equipment	- 20% on cost
Research facility	- 20% reducing balance

c. Investments

Fixed asset investments (other than investments in subsidiaries) are shown at directors' valuation.

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 is based on:

Raw materials - purchase cost on a first-in, first-out basis,
and consumables including transport.

Finished goods - cost of direct materials.

Net realisable value is based on estimated normal selling price less further costs expected to be incurred to completion and disposal.

Provision is made for obsolete, slow-moving and defective items where appropriate.

e. Taxation

Provision is made for deferred tax, using the liability method, for timing differences except where there is reasonable probability that such taxation will not become payable in the foreseeable future. Deferred taxation is computed at the rates of tax estimated to be applicable when the timing differences reverse.

f. Pension costs

It is the policy of the company to fund pension liabilities, on the advice of external actuaries, by payments to independent trusts or to insurance companies. Payments made to the funds and charged in the accounts (the regular pension cost) comprise current and past service contributions. Variations from regular costs are allocated to the profit and loss account on a prudent basis over a period not exceeding employees' average remaining service lives.

NOTES AND ACCOUNTING POLICIES

YEAR ENDED 31 DECEMBER 1994

1 ACCOUNTING POLICIES (continued)

g. Turnover

Turnover comprises the value of sales of goods and services in the normal course of business excluding VAT and trade discounts.

h. Operating leases

Leasing charges in respect of operating leases are recognised in the profit and loss account over the lives of the lease agreements as incurred.

2 SEGMENTAL INFORMATION

The analysis of turnover and other details by activity and geographical location have been omitted as the directors consider that this would be prejudicial to the interests of the company's trade.

3	NET OPERATING EXPENSES	1994	1993
	Selling, marketing and distribution costs	630,699	553,973
	Administrative expenses	1,085,953	1,234,699
		<u>£1,716,652</u>	<u>£1,788,672</u>
		=====	=====
4	INTEREST PAYABLE AND SIMILAR CHARGES	1994	1993
	On bank loans, overdrafts and other loans all repayable within five years, not by instalments	£25,195	£51,132
		=====	=====
5	INTEREST RECEIVABLE	1994	1993
	Bank interest received	£15,930	£12,401
		=====	=====
6	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	1994	1993
	The profit on ordinary activities before taxation is after charging/(crediting):	£	£
	Profit on disposal of fixed assets	(5,550)	(40)
	Depreciation:-		
	- Cost of sales	40,280	44,161
	- Other operating expenses	29,855	36,360
	Auditors' remuneration	8,550	9,200
	Operating lease charges	55,130	54,948
		=====	=====

NOTES AND ACCOUNTING POLICIES

YEAR ENDED 31 DECEMBER 1994

7	DIRECTORS AND EMPLOYEES	1994	1993
	Directors' emoluments:		
	Fees and salaries	387,788	446,654
	Other emoluments (including pension contributions)	<u>197,150</u>	<u>378,256</u>
		£584,938	£824,910
		=====	=====
	Remuneration, excluding pension contributions:		
	Chairman and highest paid director	£387,091	£356,026
		=====	=====
	Number of other directors whose remuneration, excluding pension contributions, was within the ranges:	1994	1993
	£0 - £5,000	2	2
	£30,001 - £35,000	1	1
	£35,001 - £40,000	-	1
	£40,001 - £45,000	1	-
	£50,001 - £55,000	-	1
	£55,001 - £60,000	1	-
		==	==
	Employee information:		
	Aggregate amounts for both staff and directors paid in respect of:		
	Wages and salaries	1,332,570	1,377,464
	Social security costs	130,259	137,667
	Other pension costs	<u>118,217</u>	<u>406,916</u>
		£1,581,046	£1,922,047
		=====	=====
	Average weekly number of persons employed in the year:		
	Production	33	34
	Distribution	2	2
	Sales	8	8
	Administration	<u>23</u>	<u>23</u>
		66	67
		==	==
8	TAXATION		
	The taxation charge in the profit and loss account is made up as follows:-	1994	1993
	Based on the results for the year:		
	UK Corporation tax charge at 27.0% (1993 25%)	(35,000)	(13,000)
	Underprovision relating to prior years	(83)	(2,584)
	Release of deferred taxation (note 14)	<u>-</u>	<u>7,500</u>
		£(35,083)	£(8,084)
		=====	=====

NOTES AND ACCOUNTING POLICIES

YEAR ENDED 31 DECEMBER 1994

9 TANGIBLE FIXED ASSETS

Cost or valuation	At 1 January 1994	Additions	Disposals	At 31 December 1994
Freehold land - valuation	350,000	-	-	350,000
Freehold buildings - see below	618,380	-	-	618,380
Fixtures and fittings	240,231	-	-	240,231
Plant and machinery	586,343	24,131	-	610,474
Motor vehicles	164,598	9,938	(40,213)	134,323
R & D facility	19,642	380	-	20,022
	<u>£1,979,194</u>	<u>£34,449</u>	<u>£(40,213)</u>	<u>£1,973,430</u>
	=====	=====	=====	=====

Depreciation	At 1 January 1994	Charge for year	Eliminated on disposals	At 31 December 1994
Freehold land	-	-	-	-
Freehold buildings	48,824	12,360	-	61,184
Fixtures and fittings	217,117	4,632	-	221,749
Plant and machinery	440,892	38,993	-	479,885
Motor vehicles	144,942	11,560	(40,213)	116,289
R & D facility	7,072	2,590	-	9,662
	<u>£858,847</u>	<u>£70,135</u>	<u>£(40,213)</u>	<u>£888,769</u>
	=====	=====	=====	=====

Net book value	At 1 January 1994	At 31 December 1994
Freehold land	350,000	350,000
Freehold buildings	569,556	557,196
Fixtures and fittings	23,114	18,482
Plant and machinery	145,451	130,589
Motor vehicles	19,656	18,034
R & D facility	12,570	10,360
	<u>£1,120,347</u>	<u>£1,084,661</u>
	=====	=====

The freehold land and buildings were revalued at open market value in 1989 at £600,000 for freehold buildings and £350,000 for freehold land. Freehold buildings include subsequent additions at cost. The comparable amounts under the historical cost basis are - Freehold land £153,200 (1993 £153,200) and Freehold buildings £133,850 (1993 £139,656).

NOTES AND ACCOUNTING POLICIES

YEAR ENDED 31 DECEMBER 1994

10	FIXED ASSET INVESTMENTS	1994	1993
	Investments at directors' valuation	24,000	24,000
	Investment in subsidiary undertaking	102	102
		<hr/>	<hr/>
		£24,102	£24,102
		=====	=====

The company owns 100% of the issued share capital of Maintenance Chemicals Limited, a company registered in England and Wales, which was dormant throughout the year.

11	STOCKS	1994	1993
	Raw materials and consumables	229,710	221,399
	Finished goods	167,288	199,409
		<hr/>	<hr/>
		£396,998	£420,808
		=====	=====

12	DEBTORS		
	Due within one year:	1994	1993
	Trade debtors	697,382	688,705
	Other debtors:		
	- prepayments	17,749	16,464
	- sundry debtors	6,470	3,897
	- corporation tax recoverable	-	84,459
	Amount owed by related company	24,779	-
		<hr/>	<hr/>
		746,380	793,525
	Due after more than one year:		
	Amount owed by group undertaking	623,388	605,505
		<hr/>	<hr/>
		£1,369,768	£1,399,030
		=====	=====

NOTES AND ACCOUNTING POLICIES

YEAR ENDED 31 DECEMBER 1994

13 CREDITORS

Amounts falling due within one year:	1994	1993
Bank overdrafts	412,316	572,588
Trade creditors	420,802	362,026
Amount owed to group undertakings	102	20,839
Corporation tax payable	35,000	-
Other taxation and social security	146,034	243,011
Other creditors	85,652	216,333
Accruals	333,674	163,180
	<u>£1,433,580</u>	<u>£1,577,977</u>
	=====	=====

14 PROVISIONS FOR LIABILITIES AND CHARGES

Deferred taxation	1994	1993
Balance at 1 January 1994	-	7,500
Credited to profit and loss account:		
Accelerated capital allowances	-	(7,500)
	<u>£Nil</u>	<u>£Nil</u>
	=====	=====

The company does not provide deferred taxation in respect of the excess of industrial buildings allowances over related depreciation. The potential liability for such deferred taxation is approximately £81,000 (1993 £78,000).

No potential tax liability associated with the revaluation of land and buildings has been disclosed as there is no intention to dispose of the property in the foreseeable future.

15 CALLED UP SHARE CAPITAL	1994	1993
Authorised, issued and fully paid:-		
Ordinary shares of £1 each	£838,200	£838,200
	=====	=====

NOTES AND ACCOUNTING POLICIES

YEAR ENDED 31 DECEMBER 1994

16 RESERVES

1994

Revaluation Reserve

Balance at 1 January 1994 and 31 December 1994

£653,632
=====

Profit and Loss Account

Balance at 1 January 1994

(105,318)

Profit for year

55,961

Balance at 31 December 1994

£(49,357)
=====

17 RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

1994

1993

Profit for the financial year

55,961

15,134

Balance at 1 January 1994

1,386,514

1,371,380

Balance at 31 December 1994

£1,442,475
=====£1,386,514
=====

18 OPERATING LEASE COMMITMENTS

The following amounts are due in respect of operating leases in the year to 31 December 1994:

On leases expiring after more than
five years

1994

1993

Buildings

£54,800
=====£54,800
=====

19 CONTINGENT LIABILITIES AND CHARGES

The company's freehold property provides security for a bank loan of £384,295 (1993 £751,269) incurred by Rexodan International Limited, a group undertaking. A floating charge over the assets also exists in respect of the above loan.

The company's bankers hold unlimited cross guarantees in favour of fellow subsidiary undertakings Rexodan International Limited and Bells Sons and Co (Druggists) Limited, and Maintenance Chemicals Limited, a subsidiary undertaking.

NOTES AND ACCOUNTING POLICIES

YEAR ENDED 31 DECEMBER 1994

20 PENSION ARRANGEMENTS

The company maintains a defined benefits pension scheme covering certain of its employees. This scheme is the Forward Chemicals Limited - Pension and Life Assurance Fund.

Actuarial valuations are performed at least every three years on going concern and discontinuance bases by Commercial Union Assurance Company plc. The last actuarial valuation performed at 1 December 1992 showed that the scheme was fully funded on a discontinuance and a going concern basis.

A private pension scheme is also maintained for the benefit of Mr G Hale and Mrs V M Hale. The benefits provided by the scheme are limited to those which can be provided by the available assets and there is no accrued liability on the group in excess of contributions paid.

21 ULTIMATE PARENT COMPANY

The ultimate parent company is Hale Group plc, a company registered in England and Wales.

Forward Chemicals Limited is exempt from the requirement to prepare a cash flow statement. Details of the company's cash flows are incorporated into the group cash flow statement of Hale Group plc.