

FORWARD CHEMICALS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2006

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FORWARD CHEMICALS LIMITED

COMPANY INFORMATION

Directors	G Hale Mrs V M Hale J E Moseley F J A Cox Mrs L Shepherd P Hale M S Doran
Secretary	J E Moseley
Company number	1428569
Registered office	P O Box 12 12 Tanhouse Lane Widnes Cheshire WA8 0RD
Auditors	PKF (UK) LLP 5 Temple Square Temple Street Liverpool L2 5RH
Bankers	Barclays Bank plc City Office Business Centre P O Box 357 57 Mosley Street Manchester M60 2AU

FORWARD CHEMICALS LIMITED

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FORWARD CHEMICALS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2006

The directors present their report and the financial statements for the year ended 31 December 2006

Principal activities and business review

The company's principal activity during the year was the production and sale of industrial and laundry chemicals

During the year turnover decreased from £5,333,510 to £5,111,477 and the profit on ordinary activities before taxation was £130,159 compared to a loss on ordinary activities before taxation of £81,097 in 2005

Principal risks and uncertainties arise from a competitive market

The market is expected to remain extremely competitive for the foreseeable future

The company will continue to develop its product range to meet market needs

Results

The profit for the year, after taxation, amounted to £132,239 (2005 - Loss £34,935)

Directors

The directors who served during the year were

G Hale
Mrs V M Hale
J E Moseley
F J A Cox
Mrs L Shepherd
P Hale
M S Doran

Financial instruments

The company does not actively use financial instruments as part of its financial risk management. It is exposed to the usual credit risk and cash flow risk associated with selling on credit and manages this through credit control procedures. The nature of its financial instruments means that they are not subject to price or liquidity risk.

The company does not enter into forward contracts for foreign currencies. Therefore, the foreign exchange risk is that associated with exchange rate fluctuations when buying and selling goods in foreign currencies.

Provision of information to auditors

So far as each of the directors is aware at the time the report is approved

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

FORWARD CHEMICALS LIMITED

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2006**

Auditors

The auditors, PKF (UK) LLP, are deemed to be reappointed in accordance with section 386 of the Companies Act 1985 by virtue of an elective resolution passed by the members on 16 September 1994

This report was approved by the board on 17 August 2007 and signed on its behalf



J E Moseley
Secretary

FORWARD CHEMICALS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE YEAR ENDED 31 DECEMBER 2006

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments 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 that 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.

FORWARD CHEMICALS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FORWARD CHEMICALS LIMITED

We have audited the financial statements of Forward Chemicals Limited for the year ended 31 December 2006 which comprise the profit and loss account, the balance sheet, the cashflow statement, the statement of total recognised gains and losses and the related notes. The financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

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 ("United Kingdom Generally Accepted Accounting Practice") 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 International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions 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 audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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.

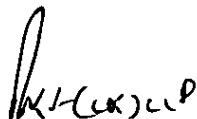
FORWARD CHEMICALS LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FORWARD CHEMICALS LIMITED

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements



PKF (UK) LLP

Registered auditors

Liverpool, UK

24 August 2007



FORWARD CHEMICALS LIMITED

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2006**

	Note	2006 £	2005 £
TURNOVER	1,2	5,111,477	5,333,510
Cost of sales		<u>(3,660,176)</u>	<u>(3,787,554)</u>
GROSS PROFIT		1,451,301	1,545,956
Selling and distribution costs		<u>(582,657)</u>	<u>(551,210)</u>
Administrative expenses		<u>(976,036)</u>	<u>(1,213,107)</u>
OPERATING LOSS	3	(107,392)	(218,361)
EXCEPTIONAL ITEMS			
Net profit on sale of tangible fixed assets	8	<u>79,933</u>	<u>-</u>
LOSS ON ORDINARY ACTIVITIES BEFORE INTEREST		(27,459)	(218,361)
Interest receivable		69,627	56,354
Interest payable	6	(9)	(90)
Other finance income	7	<u>88,000</u>	<u>81,000</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		130,159	(81,097)
Tax on profit/(loss) on ordinary activities	9	<u>2,080</u>	<u>46,162</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION	16	<u>132,239</u>	<u>(34,935)</u>

All amounts relate to continuing operations

The notes on pages 10 to 23 form part of these financial statements

FORWARD CHEMICALS LIMITED

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2006**

	Note	2006 £	2005 £
PROFIT/(LOSS) FOR THE FINANCIAL YEAR		132,239	(34,935)
Actuarial gain related to pension scheme	22	179,000	(195,000)
Deferred tax attributable to actuarial gain		(53,700)	58,500
TOTAL RECOGNISED GAINS AND LOSSES RELATING TO THE YEAR		257,539	(171,435)

**NOTE OF HISTORICAL COST PROFITS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2006**

	2006 £	2005 £
REPORTED PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	130,159	(81,097)
Difference between a historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	6,034	6,034
HISTORICAL COST PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	136,193	(75,063)
HISTORICAL PROFIT/(LOSS) FOR THE YEAR AFTER TAXATION	138,273	(28,901)

The notes on pages 10 to 23 form part of these financial statements

FORWARD CHEMICALS LIMITED

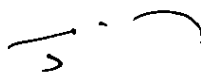
**BALANCE SHEET
AS AT 31 DECEMBER 2006**

	Note	£	2006 £	£	2005 £
FIXED ASSETS					
Tangible fixed assets	10		1,354,910		1,525,257
Fixed asset investments	11		10,102		10,102
			<u>1,365,012</u>		<u>1,535,359</u>
CURRENT ASSETS					
Stocks		683,383		542,571	
Debtors	12	1,356,533		984,928	
Cash at bank		1,451,135		888,231	
		<u>3,491,051</u>		<u>2,415,730</u>	
CREDITORS , amounts falling due within one year	13	(2,982,937)		(2,216,123)	
NET CURRENT ASSETS			<u>508,114</u>		<u>199,607</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>1,873,126</u>		<u>1,734,966</u>
PROVISIONS FOR LIABILITIES					
Deferred tax	14		(42,676)		(42,355)
NET ASSETS EXCLUDING PENSION SCHEME ASSETS			<u>1,830,450</u>		<u>1,692,611</u>
Defined benefit pensions scheme asset	22		744,100		624,400
NET ASSETS INCLUDING PENSION SCHEME ASSETS			<u>2,574,550</u>		<u>2,317,011</u>
CAPITAL AND RESERVES					
Called up share capital	15		838,200		838,200
Revaluation reserve	16		570,218		576,252
Profit and loss account	16		1,166,132		902,559
SHAREHOLDERS' FUNDS - All equity	17		<u>2,574,550</u>		<u>2,317,011</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on
17 August 2007



G Hale
Director



J E Moseley
Director

The notes on pages 10 to 23 form part of these financial statements

FORWARD CHEMICALS LIMITED

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2006**

	Note	2006 £	2005 £
Net cash flow from operating activities	18	(1,104,993)	572,850
Returns on investments and servicing of finance	19	69,618	56,264
Taxation		3,733	(44,148)
Capital expenditure and financial investment	19	189,492	(38,032)
(DECREASE)/INCREASE IN CASH IN THE YEAR		<u><u>(842,150)</u></u>	<u><u>546,934</u></u>

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT
FOR THE YEAR ENDED 31 DECEMBER 2006**

	2006 £	2005 £
(Decrease)/Increase in cash in the year	(842,150)	546,934
MOVEMENT IN NET DEBT IN THE YEAR	(842,150)	546,934
Net funds/(debt) at 1 January 2006	442,436	(104,498)
NET (DEBT)/FUNDS AT 31 DECEMBER 2006	<u><u>(399,714)</u></u>	<u><u>442,436</u></u>

The notes on pages 10 to 23 form part of these financial statements

FORWARD CHEMICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

1 ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention as modified by the revaluation of land and buildings and in accordance with applicable accounting standards

The company is itself a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of section 228 of the Companies Act 1985. These financial statements therefore present information about the company as an individual and not about its group.

1.2 Turnover

Turnover comprises revenue recognised by the company in respect of goods and services supplied, exclusive of Value Added Tax and trade discounts.

1.3 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold property	-	2%	On cost
Plant, machinery, fixtures, fittings and office equipment	-	20%	reducing balance
Motor vehicles	-	25%	On cost
Research and development facility	-	20%	reducing balance
Computer equipment	-	20%	On cost

Freehold land is not depreciated.

1.4 Revaluation of tangible fixed assets

As permitted by the transitional provisions of FRS 15 Tangible Fixed Assets the company has elected not to adopt a policy of revaluation of tangible fixed assets. The company will retain the book value of land and buildings, previously revalued at 31 December 1996 and will not update that valuation.

1.5 Investments

- (i) **Subsidiary Undertakings**
Investments in subsidiaries are valued at cost less provision for impairment.
- (ii) **Other investments**
Investments held as fixed assets are shown at cost less provisions for their impairment.

1.6 Operating leases

Operating lease rentals are charged in the profit and loss account on a straight line basis over the lease term.

FORWARD CHEMICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

1 ACCOUNTING POLICIES (continued)

1.7 Stocks

Stocks and work in progress are stated at the lower of cost and net realisable value. Raw materials and consumables are valued at purchase cost on a first in, first out basis including transport costs. Net realisable value is based on estimated selling price allowing for all further costs of completion and disposal. Finished goods are valued at the cost of direct materials used. Provision is made for obsolete, slow-moving and defective items where appropriate.

1.8 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

Deferred tax is not provided on timing differences arising from the revaluation of fixed assets in the financial statements.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

1.9 Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date.

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction.

Exchange gains and losses are recognised in the profit and loss account.

1.10 Pensions

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

The company operates a defined benefits pension scheme and the pension charge is based on a full actuarial valuation dated 1 January 2004.

Variations from regular costs are allocated to the profit and loss account on a prudent basis over a period not exceeding employee's average remaining service lives.

The company has fully adopted Financial Reporting Standard 17 for the defined benefits pension scheme. The extent to which the scheme's assets exceed its liabilities is shown as a surplus in the balance sheet to the extent that the surplus is recoverable by the company. Actuarial gains and losses are recognised in the statement of total recognised gains and losses.

FORWARD CHEMICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

2 TURNOVER

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

3. OPERATING LOSS

The operating loss is stated after charging/(crediting)

	2006 £	2005 £
Depreciation of tangible fixed assets		
- owned by the company	60,788	66,179
Auditors' remuneration	15,135	9,731
Operating lease rentals		
- plant and machinery	41,292	35,670
Difference on foreign exchange	33,121	(2)
Auditors' Remuneration - Other	17,791	19,107
	<u>177,127</u>	<u>130,687</u>

4 STAFF COSTS

Staff costs, including directors' remuneration, were as follows

	2006 £	2005 £
Wages and salaries	1,986,472	2,213,166
Social security costs	230,877	260,636
Other pension costs (Note 22)	403,690	189,972
	<u>2,621,039</u>	<u>2,663,774</u>

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

	2006 No	2005 No
Production	35	36
Sales & Distribution	6	6
Administration	21	21
	<u>62</u>	<u>63</u>

FORWARD CHEMICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

5 DIRECTORS' REMUNERATION

	2006 £	2005 £
Emoluments	<u>1,026,832</u>	<u>1,247,088</u>
Company pension contributions to money purchase pension schemes	<u>215,000</u>	<u>19,700</u>

During the year retirement benefits were accruing to 1 director (2005 - 1) in respect of money purchase pension schemes

During the year retirement benefits were accruing to 3 directors (2005 - 3) in respect of defined benefit pension schemes

The highest paid director received remuneration of £700,390 (2005 - £925,918)

6 INTEREST PAYABLE

	2006 £	2005 £
On bank loans and overdrafts	<u>9</u>	<u>90</u>

7 OTHER FINANCE INCOME

	2006 £	2005 £
Expected return on pension scheme assets	229,000	211,000
Interest on pension scheme liabilities	(141,000)	(130,000)
	<u>88,000</u>	<u>81,000</u>

8 EXCEPTIONAL ITEMS

	2006 £	2005 £
Profit on disposal of fixed assets	<u>79,933</u>	<u>-</u>

FORWARD CHEMICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

9 TAXATION

	2006 £	2005 £
Analysis of tax charge/(credit) in the year		
Current tax (see note below)		
UK corporation tax charge/(credit) on profit/(loss) for the year	-	(13,602)
Adjustments in respect of prior periods	-	(32,317)
Total current tax	-	(45,919)
Deferred tax		
Origination and reversal of timing differences	320	57
Deferred tax movements on actuarial loss	(2,400)	(300)
Total deferred tax (see note 14)	(2,080)	(243)
Tax on loss on ordinary activities	(2,080)	(46,162)

Factors affecting tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK (30%). The differences are explained below

	2006 £	2005 £
Profit/(loss) on ordinary activities before tax	130,159	(81,097)
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005 - 30%)	39,048	(24,329)
Effects of:		
Marginal relief	-	(3,843)
Depreciation in excess of capital allowances	5,282	4,604
Profit/(loss) on disposal of tangible fixed assets	(23,980)	400
Permanent timing differences	17,066	5,723
Group loss relief	(39,816)	(28,319)
Adjustments to tax charge in respect of prior periods	-	(155)
FRS 17 adjustment	2,400	-
Current tax charge/(credit) for the year (see note above)	-	(45,919)

Factors that may affect future tax charges

There were no factors that may affect future tax charges

FORWARD CHEMICALS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006**

10 TANGIBLE FIXED ASSETS

	Land and buildings £	Motor vehicles £	Furniture, fittings and equipment £	Total £
Cost or valuation				
At 1 January 2006	1,581,221	28,215	1,346,837	2,956,273
Additions	-	-	23,441	23,441
Disposals	(133,000)	(13,500)	-	(146,500)
At 31 December 2006	<u>1,448,221</u>	<u>14,715</u>	<u>1,370,278</u>	<u>2,833,214</u>
Depreciation				
At 1 January 2006	183,306	19,737	1,227,973	1,431,016
Charge for the year	24,144	2,795	33,849	60,788
On disposals	-	(13,500)	-	(13,500)
At 31 December 2006	<u>207,450</u>	<u>9,032</u>	<u>1,261,822</u>	<u>1,478,304</u>
Net book value				
At 31 December 2006	<u>1,240,771</u>	<u>5,683</u>	<u>108,456</u>	<u>1,354,910</u>
At 31 December 2005	<u>1,397,915</u>	<u>8,478</u>	<u>118,864</u>	<u>1,525,257</u>

Cost or valuation at 31 December 2006 is as follows

	Land and buildings £
At cost	1,042,594
At valuation	
31 December 1996 based on open market value	<u>405,627</u>
	<u>1,448,221</u>

A valuation of the freehold land and buildings was undertaken, based on open market value at 31 December 2006. In accordance with the transitional rules of FRS 15 the valuation has not been updated.

If the land and buildings had not been included at valuation they would have been included under the historical cost convention as follows

	2006 £	2005 £
Cost	1,042,594	1,104,698
Accumulated depreciation	(315,145)	(297,035)
Net book value	<u>727,449</u>	<u>807,663</u>

FORWARD CHEMICALS LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006**

11. FIXED ASSET INVESTMENTS

	Shares in group under- takings £	Sub total carried forward £
Cost or valuation		
At 1 January 2006 and 31 December 2006	102	102
	Sub total brought forward £	Unlisted invest- ments £
Cost or valuation		Total £
At 1 January 2006 and 31 December 2006	102	10,000
	10,102	

Subsidiary undertaking

The following was a subsidiary undertaking of the company

Maintenance Chemicals Limited

The aggregate of the share capital and reserves as at 31 December 2006 and of the profit or loss for the year ended on that date for the subsidiary undertaking was as follows

	Aggregate of share capital and reserves £	Profit/(loss) £
Maintenance Chemicals Limited	102	-

Maintenance Chemicals remained dormant during the year

12 DEBTORS

	2006 £	2005 £
Trade debtors	854,979	747,240
Amounts owed by group undertakings	465,171	202,529
Other debtors	16,367	19,297
Prepayments and accrued income	20,016	15,862
	1,356,533	984,928

FORWARD CHEMICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

13 CREDITORS

Amounts falling due within one year

	2006 £	2005 £
Bank loans and overdrafts	1,850,849	445,795
Trade creditors	287,301	355,370
Amounts owed to group undertakings	102	596,320
Social security and other taxes	176,610	176,891
Other creditors	52,760	64,382
Accruals and deferred income	615,315	577,365
	<u>2,982,937</u>	<u>2,216,123</u>

Bank security details are shown in note 21

14 DEFERRED TAXATION

	2006 £	2005 £
At 1 January 2006	42,355	42,298
Charge for the year	321	57
	<u>42,676</u>	<u>42,355</u>
At 31 December 2006		

The provision for deferred taxation is made up as follows

	2006 £	2005 £
Accelerated capital allowances	5,988	5,408
Other timing differences	36,688	36,947
	<u>42,676</u>	<u>42,355</u>

15. SHARE CAPITAL

	2006 £	2005 £
Authorised, allotted, called up and fully paid		
838,200 Ordinary shares of £1 each	<u>838,200</u>	<u>838,200</u>

FORWARD CHEMICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

16 RESERVES

	Revaluation reserve £	Profit and loss account £
At 1 January 2006	576,252	902,559
Profit retained for the year		132,239
Pension reserve movement		125,300
Transfer between Revaluation reserve and P/L account	(6,034)	6,034
At 31 December 2006	<u>570,218</u>	<u>1,166,132</u>

The closing balance on the profit and loss account includes a £744,100 (2005 - £624,400) credit, stated after deferred taxation of £318,900 (2005 - £267,600), in respect of pension scheme liabilities of the company pension scheme

17 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2006 £	2005 £
Opening shareholders' funds (as previously stated)	2,317,011	1,726,846
Prior year adjustment relating to pension scheme	-	761,600
Opening shareholders' funds (as restated)	<u>2,317,011</u>	<u>2,488,446</u>
Profit/(loss) for the year	132,239	(34,935)
Other recognised gains and losses during the year	125,300	(136,500)
Closing shareholders' funds	<u>2,574,550</u>	<u>2,317,011</u>

18. NET CASH FLOW FROM OPERATING ACTIVITIES

	2006 £	2005 £
Operating loss	(107,392)	(218,361)
Depreciation of tangible fixed assets	60,788	66,179
Loss on disposal of tangible fixed assets	-	1,334
Increase in stocks	(140,813)	(8,653)
Decrease/(increase) in debtors	41,946	(18,189)
Increase in amounts owed by group undertakings	(669,966)	(207,700)
(Decrease)/increase in creditors	(42,023)	384,550
(Decrease)/increase in amounts owed to group undertakings	(343,533)	491,690
Increase in net pension assets/liabilities	96,000	82,000
Net cash (outflow)/inflow from operations	<u>(1,104,993)</u>	<u>572,850</u>

FORWARD CHEMICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

19 ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT

	2006 £	2005 £
Returns on investments and servicing of finance		
Interest received	69,627	56,354
Interest paid	(9)	(90)
Net cash inflow from returns on investments and servicing of finance	69,618	56,264
	2006 £	2005 £
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(23,441)	(39,932)
Sale of tangible fixed assets	212,933	1,900
Net cash inflow/(outflow) from capital expenditure	189,492	(38,032)

20 ANALYSIS OF CHANGES IN NET DEBT

	1 January 2006 £	Cash flow £	Other non-cash changes £	31 December 2006 £
Cash at bank and in hand	888,231	562,904	-	1,451,135
Bank overdraft	(445,795)	(1,405,054)	-	(1,850,849)
Net funds/(debt)	442,436	(842,150)	-	(399,714)

21. CONTINGENT LIABILITIES

The company's bankers hold unlimited cross guarantees in favour of fellow subsidiary undertaking Rexodan International Limited, subsidiary undertaking Maintenance Chemicals Limited, and Bell Sons & Co (Druggists) Limited, a company under common control

FORWARD CHEMICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

22 PENSION COMMITMENTS

Defined contribution scheme disclosures

The company operates defined contribution pension schemes, the assets of which are held separately from those of the company in independently administered funds

A money purchase pension scheme covering other of the company's employees which limits benefits to those that can be provided by the available assets is also maintained. There is no liability in excess of contributions paid.

A private small self-administered scheme is maintained for the benefit of Mrs V M Hale and Mr P 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 company in excess of contributions paid.

The company operates a defined benefit pension scheme

The company sponsors the Forward Chemicals Limited Pension & Life Assurance Scheme which is a defined benefit scheme which is funded by the payment of contributions to a separate trustee administered fund. The contributions to the scheme are determined with the advice of independent qualified actuaries on the basis of triennial valuations using the 'Attained Age Method'. At 1 January 2004, the latest valuation date, the actuarial valuation of the scheme's assets was 143% of the value of the benefits accrued to members after allowing for future increases in earnings. The market value of the scheme's assets at the valuation date was £1,953,000.

In arriving at the actuarial valuation, the following long-term annual rates were assumed:

Pre retirement rate of interest	6.0%
Post retirement rate of interest	5.0%
Pension increases	5.0%
Salary increases	5.0%
Rate of inflation	3.0%

The surplus in the scheme is being recognised as a variation from regular cost over 11 years, the average expected remaining service lives of the employees.

The contributions to the scheme over the financial year have been £43,000. The contribution rate is 14% of pensionable salaries plus the cost of death in service benefits. This contribution rate is to continue until review following the publication of results of the next triennial valuation of the scheme due with an effective date of 1 January 2007.

The company has fully adopted Financial Reporting Standard 17 "Retirement Benefits" (FRS 17). FRS 17 requires that the company includes the assets and liabilities of these arrangements in the company's balance sheet. Current service costs, curtailment and settlement gains and losses, and net financial returns are included in the profit and loss account in the period to which they relate. Actuarial gains and losses are recognised in the statement of recognised gains and losses.

The company's total pension cost included within operating loss was £403,690 (2005 - £189,972, as restated), being £139,000 (2005 - £82,000, as restated) in respect of its defined benefit pension arrangements and £264,690 (2005 - £107,972, as restated) in respect of its defined contribution pension arrangements.

The amounts in the financial statements for the year ended 31 December 2006, relating to pensions, are based on a full actuarial valuation dated 1 January 2004.

FORWARD CHEMICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

22. PENSION COMMITMENTS (continued)

The main financial assumptions used in the actuarial valuation were.

	2006 %	2005 %	2004 %
Inflation	3.0	3.0	3.0
Rate of increase in salaries	4.0	4.0	4.0
Rate of increase for pensions	5.0	5.0	5.0
Discount rate for liabilities	5.1	4.8	5.3
Revaluation rate for deferred pensioners	5.0	5.0	5.0

The assets in the scheme and the expected rates of return were.

	Long-term rate of return expected at 2006 %	Value at 2006 £	Long-term rate of return expected at 2005 %	Value at 2005 £	Long-term rate of return expected at 2004 %	Value at 2004 £
Insurance policy	6.0	4,268,000	6.0	3,787,000	6.0	3,503,000
Irrecoverable surplus	-	(181,000)	-	-	-	-
Total market value of assets		4,087,000		3,787,000		3,503,000
Present value of scheme liabilities		(3,024,000)		(2,895,000)		(2,415,000)
Surplus in the scheme		1,063,000		892,000		1,088,000
Related deferred tax liability		(318,900)		(267,600)		(326,400)
Net pension asset		744,100		624,400		761,600

The scheme's assets are held in an insurance contract of a type making it inappropriate to give a breakdown of assets by class

The adoption of FRS 17 has the following impact on the company's net assets and profit and loss reserve at 31 December 2006 and 31 December 2005

	2006 £	2005 £
Net assets excluding pension scheme assets	1,830,450	1,692,611
Defined benefit pensions scheme asset	744,100	624,400
Net assets including pension scheme assets	2,574,550	2,317,011
Profit and loss reserve excluding pension scheme assets	422,032	278,159
Pension reserve	744,100	624,400
Profit and loss reserve	1,166,132	902,559

FORWARD CHEMICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

22 PENSION COMMITMENTS (continued)

The following amounts have been recognised in the financial statements in the year to 31 December 2006 and 31 December 2005 under the requirements of FRS17

	2006 £	2005 £
Operating loss		
Current service cost	139,000	124,000
Total operating charge	<u>139,000</u>	<u>124,000</u>
Analysis of amount recognised in the Statement of total recognised gains and losses (STRGL)		
Actual return less expected return on pension scheme assets	209,000	31,000
Experience gains and losses arising on the scheme liabilities	192,000	(2,000)
Changes in assumptions underlying the present value of the scheme liabilities	(222,000)	(224,000)
Actuarial gain/(loss) recognised in STRGL	<u>179,000</u>	<u>(195,000)</u>
	2006 £	2005 £
Movements in surplus during the year		
Surplus in scheme at beginning of year	892,000	1,088,000
Current year service cost	(139,000)	(124,000)
Contributions	43,000	42,000
Other finance income	88,000	81,000
Actuarial gain/(loss)	179,000	(195,000)
Surplus in scheme at end of year	<u>1,063,000</u>	<u>892,000</u>

History of experience gains and losses in the scheme

	2006	2005	2004	2003
Difference between the expected and actual return on scheme assets				
Amount (£)	209,000	31,000	33,000	417,000
Percentage of scheme assets	5.1 %	0.8 %	0.9 %	12.9 %
Experience gains and losses on scheme liabilities				
Amount (£)	192,000	(2,000)	149,000	(28,000)
Percentage of the present value of the scheme liabilities	6.3 %	(0.1) %	6.2 %	1.4 %
Total amount recognised in statement of total recognised gains and losses				
Amount (£)	179,000	(195,000)	(105,000)	357,000
Percentage of the present value of the scheme liabilities	5.9 %	(6.7) %	(4.3) %	17.3 %

FORWARD CHEMICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

23. OPERATING LEASE COMMITMENTS

At 31 December 2006 the company had annual commitments under non-cancellable operating leases as follows

	2006 £	2005 £
Expiry date:		
Within 1 year	-	13,962
Between 2 and 5 years	25,766	6,431

24. RELATED PARTY TRANSACTIONS

There have been transactions throughout the year with Bell Sons & Co (Druggists) Limited, a company of which the ultimate shareholders are the same as those of Forward Chemicals Limited, and also with Rexodan International Limited and Rexodan International (HK) Limited fellow subsidiaries

	2006 £	2005 £
Sales to Rexodan International Limited	1,008,746	1,105,961
Sales to Rexodan International (HK) Limited	111,840	202,529
Sales to Bell Sons & Co (Druggists) Limited	138,991	128,184
Amount due from/(to) Rexodan International Limited	229,065	(596,218)
Amount due from/(to) Rexodan International (HK) Limited	236,106	202,529
Amount due from/(to) Bell Sons & Co (Druggists) Limited	198,593	43,954

L Shepherd and P Hale are directors of Forward Chemicals Limited and partners of the Forward Partnership. During the year, the company sold land with a total value of £133,000 to the Forward Partnership.

25. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The company's immediate parent undertaking is Hale Group Industries Limited. The ultimate parent undertaking is Viewbreeze Limited which changed its name to Hale Group Holdings Limited on 4 January 2007. In the opinion of the directors this is the company's ultimate controlling party.