

**FORWARD CHEMICALS LIMITED**

**ANNUAL REPORT**

**YEAR ENDED 31 DECEMBER 2001**



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COMPANIES HOUSE 27/07/02

**PKF**

# FORWARD CHEMICALS LIMITED

## COMPANY INFORMATION

<b>Directors</b>	G Hale (Chairman) Mrs V M Hale J E Moseley F J A Cox Mrs L Shepherd B E Lunt P Hale
<b>Secretary</b>	J E Moseley
<b>Company Number</b>	1428569
<b>Registered Office</b>	P O Box 12 12 Tanhouse Lane Widnes Cheshire WA8 0RD
<b>Auditors</b>	PKF 52 Mount Pleasant Liverpool L3 5UN
<b>Bankers</b>	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**  
**YEAR ENDED 31 DECEMBER 2001**

The directors submit their report and the financial statements for the year ended 31 December 2001.

**Results and dividends**

The profit for the year, after taxation, amounted to **£210,095** (2000 - £145,354).

The directors do not recommend the payment of a dividend.

**Principal activity and review of business**

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

The directors consider the results for the year to be satisfactory. During the year turnover decreased from £6,293,091 to £6,112,441 and the profit on ordinary activities before taxation was £318,401. (2000 - £215,364).

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

**Directors**

The directors who served during the year and their interests in the company's issued share capital at the balance sheet date and at the start of the year (or date of appointment, if later) were:

	<b>Ordinary Shares of £1 each</b>	
	<b>2001</b>	<b>2000</b>
G Hale (Chairman)	1	1
Mrs V M Hale	-	-
J E Moseley	-	-
F J A Cox	-	-
Mrs L Shepherd	-	-
B E Lunt	-	-
P Hale	-	-

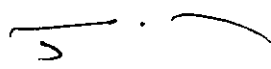
The shareholding of G Hale is held as nominee only.

Throughout the year Mrs L Shepherd and P Hale who are not directors of the parent company, Hale Group plc, each held 185,000 ordinary 10p shares and had a beneficial interest in a trust which owns 130,000 ordinary 10p shares in that company.

**Auditors**

The auditors, PKF, 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.

By order of the board

  
**J E Moseley**  
Secretary  
13 June 2002

**FORWARD CHEMICALS LIMITED**  
**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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 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.

The directors are responsible for ensuring that the directors' report is prepared in accordance with company law in the United Kingdom.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF  
FORWARD CHEMICALS LIMITED**

We have audited the financial statements of Forward Chemicals Limited for the year ended 31 December 2001 which comprise the Profit and Loss Account, the Balance Sheet and related notes. These financial statements have been prepared under the accounting policies set out therein.

**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 are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with the relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 transactions with the company 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 United Kingdom 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 consider 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 31 December 2001 and of its profit for the year then ended and have been prepared in accordance with the Companies Act 1985.

  
**PKF**

Liverpool UK  
Registered Auditors  
13 June 2002

**FORWARD CHEMICALS LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**YEAR ENDED 31 DECEMBER 2001**

	Notes	2001 £	2000 £
<b>TURNOVER</b>	<b>2</b>	<b>6,112,441</b>	<b>6,293,091</b>
Cost of sales		<u>(4,062,355)</u>	<u>(4,406,797)</u>
<b>GROSS PROFIT</b>		<b>2,050,086</b>	<b>1,886,294</b>
Distribution costs		<u>(598,190)</u>	<u>(680,084)</u>
Administrative expenses		<u>(1,125,382)</u>	<u>(982,576)</u>
<b>OPERATING PROFIT</b>	<b>3</b>	<b>326,514</b>	<b>223,634</b>
Interest receivable and similar income	<b>6</b>	<b>718</b>	<b>6,577</b>
Interest payable and similar charges	<b>7</b>	<u>(8,831)</u>	<u>(14,847)</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>318,401</b>	<b>215,364</b>
<b>TAXATION</b>	<b>8</b>	<u>(108,306)</u>	<u>(70,010)</u>
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<u><b>210,095</b></u>	<u><b>145,354</b></u>

All amounts relate to continuing operations.

Movements in reserves are set out in note 16.

There were no recognised gains or losses for the year other than those included in the profit and loss account.

**FORWARD CHEMICALS LIMITED**  
**NOTE OF HISTORICAL COST PROFITS AND LOSSES**

	2001 £	2000 £
Reported profit on ordinary activities before taxation	318,401	215,364
Difference between a historical cost depreciation charge and actual depreciation charge for the year calculated on the revalued amount	6,034	6,034
<b>Historical cost profit on ordinary activities before taxation</b>	<b>324,435</b>	<b>221,398</b>
<b>Historical cost profit for the year retained after taxation</b>	<b>216,129</b>	<b>151,388</b>

**FORWARD CHEMICALS LIMITED**  
**BALANCE SHEET**  
**31 DECEMBER 2001**

	Notes	2001 £	2000 £
<b>FIXED ASSETS</b>			
Tangible	9	1,719,686	1,802,473
Investments	10	10,102	10,102
		<u>1,729,788</u>	<u>1,812,575</u>
<b>CURRENT ASSETS</b>			
Stocks	11	425,507	382,334
Debtors	12	1,444,118	1,240,408
Cash at bank and in hand		720	1,404
		<u>1,870,345</u>	<u>1,624,146</u>
<b>CREDITORS: amounts falling due within one year</b>	13	<u>(1,958,816)</u>	<u>(2,005,499)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(88,471)</u>	<u>(381,353)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u><u>1,641,317</u></u>	<u><u>1,431,222</u></u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	15	838,200	838,200
Revaluation reserve	16	600,388	606,422
Profit and loss account	16	202,729	(13,400)
<b>SHAREHOLDERS' FUNDS</b>	17	<u><u>1,641,317</u></u>	<u><u>1,431,222</u></u>

The financial statements were approved by the board on 13 June 2002

Signed on behalf of the board of directors

**G Hale**

Director



**J E Moseley**

Director

**FORWARD CHEMICALS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2001**

**1 ACCOUNTING POLICIES**

**(a) 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 undertaking and not about its group.

**(b) Turnover**

Turnover comprises the invoiced value of goods and services supplied by the company, net of value added tax and trade discounts.

**(c) 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 buildings	2 % On cost
Plant, machinery, fixtures, fittings & 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.

**(d) Operating leases**

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

**(e) Investments**

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

**(f) Stocks and work in progress**

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.

**(g) Deferred taxation**

Provision is made for deferred tax using the liability method to the extent that it is probable that a liability will crystallise. Deferred taxation is computed at the rates of tax estimated to be applicable when the timing differences reverse.

**FORWARD CHEMICALS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2001**

**(h) Pensions**

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 are 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.

**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 PROFIT**

The operating profit is stated after charging:

	2001 £	2000 £
Depreciation of tangible fixed assets:		
- owned by the company	103,927	114,893
Audit fees	8,775	10,753
Operating lease rentals:		
- vehicles	12,081	17,240
Exchange gain	(445)	(57)
	<u>          </u>	<u>          </u>

**4 DIRECTORS' EMOLUMENTS AND BENEFITS**

	2001 £	2000 £
Directors' emoluments	989,222	883,481
Contributions to money purchase pension schemes	14,500	14,500
	<u>          </u>	<u>          </u>

The number of directors accruing benefits under pension schemes were:

	No	No
Money purchase schemes	2	2
Defined benefit schemes	2	2
	<u>          </u>	<u>          </u>

The highest paid director received emoluments and benefits as follows:

	2001 £	2000 £
Emoluments and benefits under long term incentive schemes	742,720	657,576
	<u>          </u>	<u>          </u>

**FORWARD CHEMICALS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2001**

**5 STAFF COSTS**

Staff costs, including directors' emoluments, were as follows:

	2001 £	2000 £
Wages and salaries	2,050,669	2,009,369
Social security costs	209,074	214,048
Other pension costs	100,734	97,256
	<u>2,360,477</u>	<u>2,320,673</u>

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

	No	No
Production	37	39
Distribution	2	3
Sales and administration	30	32
	<u>69</u>	<u>74</u>

**6 INTEREST RECEIVABLE AND SIMILAR INCOME**

	2001 £	2000 £
Other interest receivable	<u>718</u>	<u>6,577</u>

**7 INTEREST PAYABLE AND SIMILAR CHARGES**

	2001 £	2000 £
Bank loans and overdrafts	<u>8,831</u>	<u>14,847</u>

**8 TAXATION**

	2001 £	2000 £
<b>UK corporation tax</b>		
Current tax on income for the year	111,000	74,000
Adjustments in respect of prior periods	(2,694)	(3,990)
Total UK taxation	<u>108,306</u>	<u>70,010</u>

**FORWARD CHEMICALS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2001**

**9 TANGIBLE FIXED ASSETS**

	Land & buildings £	Motor vehicles £	Fixtures, fittings, plant & machinery £	Research facility £	Total £
<b>Cost or valuation</b>					
At 1 January 2001	1,581,221	161,290	1,175,399	39,628	2,957,538
Additions	-	-	21,140	-	21,140
Disposals	-	(12,665)	-	-	(12,665)
At 31 December 2001	<u>1,581,221</u>	<u>148,625</u>	<u>1,196,539</u>	<u>39,628</u>	<u>2,966,013</u>
<b>Depreciation</b>					
At 1 January 2001	62,586	120,358	945,241	26,880	1,155,065
Charge for year	24,144	18,827	58,406	2,550	103,927
On disposals	-	(12,665)	-	-	(12,665)
At 31 December 2001	<u>86,730</u>	<u>126,520</u>	<u>1,003,647</u>	<u>29,430</u>	<u>1,246,327</u>
<b>Net book amount</b>					
At 31 December 2001	<u>1,494,491</u>	<u>22,105</u>	<u>192,892</u>	<u>10,198</u>	<u>1,719,686</u>
At 31 December 2000	<u>1,518,635</u>	<u>40,932</u>	<u>230,158</u>	<u>12,748</u>	<u>1,802,473</u>

The cost of land and buildings comprises:

	2001 £	2000 £
Freeholds	1,104,698	1,104,698
1989 valuation surplus	524,903	524,903
1996 valuation surplus	(48,380)	(48,380)
	<u>1,581,221</u>	<u>1,581,221</u>

Included within the value of freehold land and buildings is land of **£374,000** (2000 - £374,000) which is not depreciated.

On the historical cost basis, land and buildings would have been included as follows:

	2001 £	2000 £
Cost	1,104,698	1,104,698
Cumulative depreciation	(224,595)	(206,485)
Net book amount	<u>880,103</u>	<u>898,213</u>

**FORWARD CHEMICALS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2001**

**9 TANGIBLE FIXED ASSETS (continued)**

A valuation of the freehold land and buildings, based on open market value at 31 December 1996 was undertaken by Gerald Eve, Chartered Surveyors. In accordance with the transitional rules of FRS 15 the valuation has not been updated as the directors are not aware of any material change in value.

**10 FIXED ASSET INVESTMENTS**

	Shares in subsidiary undertakings £	Other investments £	Total £
<b>Cost</b>			
At 1 January 2001 and			
31 December 2001	102	10,000	10,102
	<u>102</u>	<u>10,000</u>	<u>10,102</u>

Other investments are included at a professional valuation **£10,000** (2000 - £10,000). The professional valuation was carried out on 31 December 1998.

Investments include an investment in a subsidiary, Maintenance Chemicals Limited, comprising a holding of 100% of its issued ordinary capital.

Maintenance Chemicals Limited has remained dormant during the year.

**11 STOCKS**

	2001 £	2000 £
Raw materials	286,076	271,393
Finished goods	139,431	110,941
	<u>425,507</u>	<u>382,334</u>

**12 DEBTORS**

	2001 £	2000 £
<b>Due within one year</b>		
Trade debtors	676,569	789,849
Amounts due from group undertakings	740,409	419,112
Other debtors	1,161	1,480
Prepayments & accrued income	25,979	29,967
	<u>1,444,118</u>	<u>1,240,408</u>

**FORWARD CHEMICALS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2001**

**13 CREDITORS**

	2001 £	2000 £
<b>Amounts falling due within one year</b>		
Bank loans and overdrafts	783,145	893,100
Trade creditors	398,133	476,688
Amounts owed to group undertakings	102	102
Corporation tax	111,000	74,000
Other tax and social security	242,017	224,352
Other creditors	52,176	32,772
Accruals and deferred income	372,243	304,485
	<u>1,958,816</u>	<u>2,005,499</u>

Bank loans and overdrafts are secured by a legal charge over the company's freehold land and buildings.

**14 PROVISIONS FOR LIABILITIES AND CHARGES**

**Deferred Taxation**

No provision for deferred taxation is required as there are no material accelerated capital allowances or other timing differences.

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 £37,981 (2000 - £66,590). 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 SHARE CAPITAL**

	Authorised £	Allotted, called up and fully paid No	£
At 1 January 2001 and 31 December 2001			
Ordinary shares of £1 each	838,200	838,200	838,200
	<u>838,200</u>	<u>838,200</u>	<u>838,200</u>

There were no movements in share capital during the year.

**FORWARD CHEMICALS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2001**

**16 RESERVES**

<b>Revaluation reserve</b>	<b>£</b>
At 1 January 2001	606,422
Depreciation transferred from profit and loss account	(6,034)
At 31 December 2001	<u>600,388</u>
 <b>Profit and loss account</b>	 <b>£</b>
At 1 January 2001	(13,400)
Profit for the year	210,095
Depreciation transferred to revaluation reserve	6,034
At 31 December 2001	<u>202,729</u>

**17 SHAREHOLDERS' FUNDS**

	2001 £	2000 £
Shareholders' funds at 1 January 2001	1,431,222	1,285,868
Profit for the year	210,095	145,354
Shareholders' funds at 31 December 2001	<u>1,641,317</u>	<u>1,431,222</u>

**18 OTHER COMMITMENTS**

At 31 December 2001 the company had annual commitments under operating leases as follows:

	2001 £	Other 2000 £
<b>Expiry date:</b>		
Within one year	3,119	-
Between one and five years	5,880	8,622
	<u>          </u>	<u>          </u>

**19 CONTINGENT LIABILITIES**

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

**FORWARD CHEMICALS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2001**

**20 PENSION COSTS**

The company sponsors the Forward Chemicals Limited Pension and Life Assurance Scheme which is a defined benefit pension arrangement. Contributions to the scheme are determined with the advice of an independent qualified actuary on the basis of triennial valuations using the 'Attained Age Method'. The last full actuarial valuation of this scheme was carried out as at 1 January 2001. The value of the schemes assets was 145% 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:

Investment return	7%
Salary increases	5%
Price inflation	5%

The actuary has recommended a reduction in contributions to eliminate the surplus over the average remaining service lives of the members which is 14 years.

The contributions made to the Scheme over the financial year have been £45,000. The contribution rate will change to 14% of pensionable salaries from 1 January 2002.

The transitional arrangements of the new accounting standard FRS 17 require disclosure of assets and liabilities as at 31 December 2001 calculated in accordance with the requirements of FRS 17. For the purpose of these financial statements, these figures are illustrative only and do not impact on the actual balance sheet. The assets of the scheme have been taken at estimated market value and the liabilities have been calculated using the following principal actuarial assumptions.

Inflation	2.5% per annum
Salary increases	3.5% per annum
Rate of discount	5.75% per annum
Pension in payment increases	5% per annum
Revaluation rate for deferred pensioners	5% per annum

On this basis, the illustrative balance sheet figures are as follows:

	£'000
Assets	2,474
Liabilities	1,353
Surplus	1,121

Since the principal asset of the Scheme is an insurance policy it is not possible to breakdown this single investment into the categories of equities, bonds and other investments.

The expected long term rate of return over the following year is 6% per annum, which again cannot be broken down between asset categories

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

A private pension scheme is also 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 group in excess of contributions paid.

**FORWARD CHEMICALS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2001**

**21 PARENT UNDERTAKINGS AND CONTROLLING PARTIES**

The company is controlled by Hale Group plc.

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

There have been various transactions throughout the period with the extended group companies. However, as the company will ultimately be included in the extended group consolidated accounts and these accounts are publicly available, the company has taken advantage of the exemption allowed by FRS 8.