

A.C. Realisations Limited
(formerly Applied Chemicals
Limited)

Annual report and financial statements
for the year ended 31 December 2002

Registered number: 473219



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Directors' report

For the year ended 31 December 2002

The directors present their annual report and financial statements for the year ended 31 December 2002.

Principal activity and business review

The company's principal activity is the distribution of chemicals, industrial cleaning fluids and associated equipment.

During the prior year the company closed its manufacturing facility located in Coventry. Following this closure, production requirements have been sourced from a fellow group undertaking.

Change of name

On 11 September 2003 the company changed its name to A.C. Realisations Limited.

Post balance sheet event

Subsequent to the year end, the entire trade and net assets of the company were transferred to Gramos Surface Treatments Limited, a fellow group undertaking, for consideration equal to the net book value of the net assets at the date of the transfer. The consideration receivable was left outstanding on intercompany account.

Results and dividends

The profit for the year, after taxation, amounted to £468,000 (2001 – loss of £17,000).

No dividend has been paid during the year (2001 - £nil) and the directors do not recommend the payment of a final dividend (2001 - £nil). The profit of £468,000 (2001 – loss of £17,000) has been transferred to reserves.

Directors and their interests

The directors who served during the year and subsequently were as follows:

A Ducker

C Gibson (appointed 7 April 2003)

M Pearson (resigned 15 January 2002)

R E Wild (resigned 22 October 2003)

S Bignell (resigned 22 October 2003)

The directors have no interest in the share capital of the company. The interests of Messrs Wild and Ducker in the share capital of the parent company are disclosed in the financial statements of that company. S Bignell had an interest in 25,000 Ordinary 'C' Shares of the parent company.

Directors' report (continued)

For the year ended 31 December 2002

Auditors

On 31 July 2002, Arthur Andersen resigned as auditors to the company and Deloitte & Touche were appointed to fill the casual vacancy arising. Subsequently, on 1 August 2003, Deloitte & Touche, transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26 (5) of the Companies Act 1989. A resolution to re-appoint Deloitte & Touche LLP as the Company's auditor will be proposed at the forthcoming Annual General Meeting.

Spring Road
Smethwick
West Midlands
B66 1PT

By order of the Board,



K Peach

4 December 2003

Secretary

Directors' responsibilities

United Kingdom 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 results of the company for that year. 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; and
- 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.

Independent auditors' report

To the shareholders of A.C. Realisations Limited (formerly Applied Chemicals Limited)

We have audited the financial statements of A.C. Realisations Limited for the year ended 31 December 2002, which comprise the profit and loss account, balance sheet and the related notes numbered 1 to 19, together with the statement of accounting policies.

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 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 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 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 circumstances of the company, 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.

Independent auditors' report (continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors
Birmingham

11 December 2003

Profit and loss account

For the year ended 31 December 2002

	Notes	2002 £'000	2001 £'000
Turnover	1	8,658	9,210
Cost of sales		(3,626)	(3,486)
Gross profit		5,032	5,724
Distribution costs		(505)	(646)
Administration expenses	2	(4,066)	(5,092)
Operating profit before exceptional operating administration expenses		461	435
Exceptional operating administration expenses		-	(449)
Operating profit (loss)		461	(14)
Interest payable	6	-	(4)
Interest receivable		4	1
Profit (loss) on ordinary activities before taxation	3	465	(17)
Taxation on profit (loss) on ordinary activities	7	3	-
Profit (loss) on ordinary activities after taxation, being the retained profit (loss) for the year	14	468	(17)

The accompanying notes are an integral part of this profit and loss account.

There are no recognised gains or losses in either year other than the profit (loss) for that year.

All of the above results derive from continuing operations.

Balance sheet
31 December 2002

	Notes	2002 £'000	2001 £'000
Fixed assets			
Intangible assets	8	-	-
Tangible assets	9	50	108
		<u>50</u>	<u>108</u>
Current assets			
Stocks	10	504	548
Debtors	11	1,889	1,901
Cash at bank and in hand		631	68
		<u>3,024</u>	<u>2,517</u>
Creditors: amounts falling due within one year	12	(1,401)	(1,420)
Net current assets		<u>1,623</u>	<u>1,097</u>
Total assets less current liabilities		<u>1,673</u>	<u>1,205</u>
Net assets		<u>1,673</u>	<u>1,205</u>
Capital and reserves			
Called-up share capital	13	462	462
Profit and loss account	14	1,211	743
Equity shareholders' funds	14	<u>1,673</u>	<u>1,205</u>

The financial statements on pages 6 to 20 were approved by the board of directors on 4 December 2003 and were signed on its behalf by:

A Ducker
Director



The accompanying notes are an integral part of this balance sheet.

Statement of accounting policies

31 December 2002

The principal accounting policies are summarised below. They have all been applied consistently throughout the current and preceding year, with the exception of the policy in respect of deferred taxation. Following the introduction of Financial Reporting Standard 19, the company's policy in respect of deferred taxation has changed, however, this has had no impact on the results of the company in either year.

Basis of accounting

The financial statements are prepared under the historical cost convention and in accordance with applicable Accounting Standards.

The company has taken advantage of the exemption from preparing a cash flow statement afforded by FRS 1 as the company is a wholly owned subsidiary of Victoria International Group Limited which prepares consolidated financial statements which are publicly available.

Tangible fixed assets

Tangible fixed assets are shown at historic cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible assets at rates calculated to write off the cost, less estimated residual value of each asset evenly over its expected useful life, as follows:

Plant and machinery	-	3 – 10 years
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Goodwill

Goodwill arising on the acquisition of businesses, which represents the difference between the purchase consideration and the fair value of assets acquired, is capitalised and amortised over the directors' estimate of its useful life, which is ten years. Provision is made for any impairment.

Stocks

Stocks are stated at the lower of cost and net realisable value. Net realisable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date or at the extracted rate if covered by a forward exchange contract. Transactions in foreign currencies are translated into sterling at the rate prevailing at the date on which the transaction took place. Differences arising are taken to the profit and loss account.

Statement of accounting policies (continued)

Taxation

UK corporation tax payable is provided on taxable profits at the current rate. The taxation liabilities of certain group companies are reduced wholly or in part by the surrender of losses by fellow group companies for which no payment is made or received.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the standard tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Leasing

Rentals paid under operating leases are charged to income on a straight-line basis.

Pensions

The company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the scheme rules.

The company also operates a defined benefit pension scheme which requires contributions to be made to a separately administered fund. Contributions to this fund are charged in the profit and loss account so as to spread the cost of pensions over the employees' working lives. Variations in pension cost, which are identified as a result of actuarial valuations, are amortised over the average expected remaining working lives of employees in proportion to their expected payroll costs. Differences between the amounts funded and the amounts charged in the profit and loss account are treated as either provisions or prepayments in the balance sheet.

Notes to the financial statements

31 December 2002

1 Turnover

Turnover represents the amounts derived from the provision of goods and services which fall within the company's ordinary activities, and is stated net of value added tax. The analysis of turnover by geographical area is as follows:

	2002 £'000	2001 £'000
United Kingdom	8,063	8,651
Europe	550	531
Other	45	28
	<u>8,658</u>	<u>9,210</u>

2 Administration expenses

Included in administration expenses are exceptional operating costs of £nil (2001 - £449,000) comprising redundancy costs incurred during the year amounting to £nil (2001 - £350,000) and impairment of goodwill amounting to £nil (2001 - £99,000).

3 Profit (loss) on ordinary activities before taxation

This is stated after charging:

	2002 £'000	2001 £'000
Auditors' remuneration		
- audit services	-	22
Depreciation of owned fixed assets	53	175
Loss on disposal of tangible fixed assets	5	-
Amortisation of goodwill	-	23
Impairment of goodwill	-	99
Operating lease rentals		
- land and buildings	-	32
- other	57	246
	<u>57</u>	<u>246</u>

In the current year auditors' remuneration has been borne by another group company.

Notes to the financial statements (continued)

4 Directors' remuneration and transactions

Remuneration

The remuneration of the directors borne by this company was as follows:

	2002 £'000	2001 £'000
Emoluments	79	78
Company contributions to money purchase pension schemes	8	6
	<u>87</u>	<u>84</u>

Pensions

	2002 £'000	2001 £'000
The number of directors to whom company pension benefits were accruing	<u>1</u>	<u>1</u>

In addition, further emoluments were paid to the company's directors by other members of the group for services to the entire group. It is not considered practicable to allocate these emoluments to the services provided to this company. Total further emoluments payable to the company's directors amounted to £253,000 and pension contributions to money purchase schemes amounted to £54,000.

5 Staff costs

The average monthly number of employees (including executive directors) was:

	2002 Number	2001 Number
Management	4	12
Administration and sales	41	53
Production	-	14
	<u>45</u>	<u>79</u>

Their aggregate remuneration comprised:

	2002 £'000	2001 £'000
Wages and salaries	987	1,755
Social security costs	96	159
Pension costs	56	143
	<u>1,139</u>	<u>2,057</u>

Notes to the financial statements (continued)

6 Interest payable

	2002 £'000	2001 £'000
Finance charges payable under finance leases	-	3
Interest on bank loans and overdraft	-	1
	<u>-</u>	<u>4</u>

7 Tax on profit (loss) on ordinary activities

The tax credit comprises:

	2002 £'000	2001 £'000
Adjustment in respect of prior years	<u>3</u>	<u>-</u>

The difference between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	2002 £'000	2001 £'000
Profit (loss) on ordinary activities before taxation	<u>465</u>	<u>(17)</u>
Tax on profit (loss) on ordinary activities at standard UK corporation tax rate of 30% (2001 – 30%)	140	(5)
Effect of:		
Expenses not deductible for tax purposes	9	43
Accelerated capital allowances	16	51
Utilisation of brought forward losses	(129)	(125)
Other timing differences	(36)	36
Adjustment in respect of prior years	<u>(3)</u>	<u>-</u>
Current tax credit for the year	<u>(3)</u>	<u>-</u>

Notes to the financial statements (continued)

7 Tax on profit (loss) on ordinary activities (continued)

Deferred taxation

The company has unrecognised deferred tax assets relating to trading losses, capital allowances and other timing differences as follows:

	2002 £'000	2001 £'000
Trading losses	5	134
Accelerated capital allowances	85	69
Other timing differences	-	36
	<u>90</u>	<u>239</u>

The deferred tax assets have not been recognised as the company does not expect to be able to recover these in the foreseeable future.

8 Intangible fixed assets

	Purchased goodwill £'000
Cost	
At beginning and end of year	<u>419</u>
Amortisation	
At beginning and end of year	<u>419</u>
Net book value	
At beginning and end of year	<u>-</u>

Notes to the financial statements (continued)

9 Tangible fixed assets

	Plant and machinery £'000
Cost	
At 31 December 2001	1,242
Disposals	(584)
At 31 December 2002	658
Depreciation	
At 31 December 2001	1,134
Charge for the year	53
Disposals	(579)
At 31 December 2002	608
Net book value	
At 31 December 2002	50
At 31 December 2001	108

10 Stocks

	2002 £'000	2001 £'000
Goods for resale	504	548

There is no material difference between the balance sheet value of stocks and their replacement cost.

11 Debtors

Amounts falling due within one year:

	2002 £'000	2001 £'000
Trade debtors	1,383	1,495
Amounts due from group undertakings	278	179
Corporation tax recoverable	3	3
Other debtors	66	20
Prepayments and accrued income	159	204
	1,889	1,901

Notes to the financial statements (continued)

12 Creditors: Amounts falling due within one year

	2002 £'000	2001 £'000
Amounts due to group undertakings	629	526
Trade creditors	246	299
Other taxes and social security costs	41	91
Other creditors	442	234
Accruals and deferred income	43	270
	<u>1,401</u>	<u>1,420</u>

13 Called-up share capital

	Authorised		Allotted, called up and fully paid	
	2002 No	2001 No	2002 £	2001 £
Ordinary shares of £1 each	462,440	462,440	462,440	462,440
Preference shares of £1 each	<u>1,000</u>	<u>1,000</u>	<u>4</u>	<u>4</u>
			<u>462,444</u>	<u>462,444</u>

The preference shares, which carry an entitlement to a dividend of 7% per annum, are non-cumulative and are redeemable at any time at the option of the company.

14 Reconciliation of movement in shareholders' funds

	Share capital £'000	Profit and loss account £'000	Total shareholders funds £'000
At 31 December 2001	462	743	1,205
Profit for the financial year	<u>-</u>	<u>468</u>	<u>468</u>
At 31 December 2002	<u>462</u>	<u>1,211</u>	<u>1,673</u>

Notes to the financial statements (continued)

15 Other financial commitments

	Land and buildings 2002 £'000	Other 2002 £'000	Land and buildings 2001 £'000	Other 2001 £'000
Annual commitments under operating leases which expire:				
- within one year	-	59	-	86
- within two to five years	7	27	8	208
	<u>7</u>	<u>86</u>	<u>8</u>	<u>294</u>

16 Parent undertaking, controlling party and related party transactions

The ultimate parent company and controlling party is Victoria International Group Limited which is incorporated and registered in England. Copies of the financial statements of Victoria International Group Limited may be obtained from Victoria International Group Limited, Spring Road, Smethwick, West Midlands, B66 1PT.

As the company is a wholly owned subsidiary of Victoria International Group Limited, the company has taken advantage of the exemption contained in FRS8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties).

17 Contingent liabilities

At 31 December 2002 there was a guarantee in favour of Her Majesty's Customs and Excise given by the company's bankers on behalf of the company. The maximum liability of the company under the guarantee is £20,000 (2001: £20,000).

The company is party to a cross-guarantee in respect of certain of the borrowings of the parent undertaking which, at 31 December 2002, amounted to £13,100,000 (2001: £14,400,000).

18 Pension commitments

(i) Statement of Standard Accounting Practice 24

The company participates in the Victoria International Group Pension Plan, which is a defined contribution scheme, and is open to the majority of its employees. In addition, the company operates a defined benefit pension scheme for other employees, providing benefits based on final pensionable pay. This scheme is closed to new members. The assets of both schemes are held separately from those of the company and are managed by independent fund managers.

Contributions paid and charged to the profit and loss account relating to the defined contribution scheme during the year amounted to £37,615 (2001: £8,794). Contributions charged to the profit and loss account in respect of the defined benefit scheme amounted to £18,385 (2001: £131,565).

Notes to the financial statements (continued)

18 Pension commitments (continued)

(i) Statement of Standard Accounting Practice 24 (continued)

The pension costs for the defined benefit scheme are assessed in accordance with the advice of a professionally qualified actuary. The latest market valuation was at 6 April 1999 and used the defined accrued benefits method. The main actuarial assumptions were that salaries would increase by 4.0% per annum and the return on scheme investments would be 6.5% per annum, pension increases for pensions accrued prior to 6 April 1997 of 3.0% per annum and pension increases for pensions accrued since 6 April 1997 at 4.0% per annum.

At the date of the last actuarial valuations the market value of the assets of the scheme was £2,181,338 and the actuarial value of the assets was sufficient to cover 100% of the benefits that had accrued to the members after allowing for future increases in earnings.

(ii) Financial Reporting Standard 17 – Transitional Disclosures

Additional disclosures regarding the group's defined benefit pension scheme are required under the transitional provision of FRS 17 "Retirement benefits" and these are set out below. The disclosures relate to the second year of the transitional provisions. They provide information that will be necessary for the full implementation of FRS 17, which is currently expected to be in the financial statements for the year ended 31 December 2005.

The actuarial valuation described above has been updated at 31 December 2002 by a qualified actuary using revised assumptions that are consistent with the requirements of FRS 17. Investments have been valued, for this purpose, at fair value.

The major assumptions used for the actuarial valuation were:

	2002	2001
Rate of increase in salaries	3.5%	3.5%
Rate of increase in pensions in payment	2.5%	2.5%
Discount rate	5.5%	5.9%
Inflation assumption	2.5%	2.5%

Notes to the financial statements (continued)

18 Pension commitments (continued)

(ii) Financial Reporting Standard 17 – Transitional Disclosures (continued)

The fair value of the assets in the scheme, the present value of the liabilities in the scheme and the expected rate of return at each balance sheet date were:

	2002		2001	
	%	£'000	%	£'000
Equities	7.0	1,375	6.0	1,688
Bonds	5.0	318	4.7	371
Total fair value of assets		1,693		2,059
Present value of scheme liabilities		(3,203)		(2,903)
Deficit in the scheme, being the net pension liability		(1,510)		(844)

The agreed company contribution rate during the year was 12.6% of pensionable salaries plus a further contribution of £4,770 per month to meet the past service funding deficit of the scheme.

Analysis of the amount that would have been charged to operating profit under FRS 17 is as follows:

	2002 £'000
Current service cost	58
Past service cost	-
Gain (loss) on settlement and curtailments	-
	<u>58</u>

Notes to the financial statements (continued)

18 Pension commitments (continued)

(ii) Financial Reporting Standard 17 – Transitional Disclosures (continued)

Analysis of the amount that would have been credited (charged) to net finance income under FRS 17 is as follows:

	2002 £'000
Expected return on pension scheme assets	169
Interest on pension scheme liabilities	(171)
	<u>(2)</u>

Analysis of the actuarial gain (loss) that would have been recognised in the statement of total recognised gains and losses is as follows:

	2002 £'000
Actual return less expected return on pension scheme assets	(585)
Experience gains and losses arising on the scheme liabilities	22
Changes in assumptions underlying the present value of the scheme liabilities	(160)
	<u>(723)</u>

History or experience gains and losses is as follows:

	2002
Difference between the expected and actual return on scheme assets:	
Amount (£'000)	(585)
Percentage of scheme assets	35%
Experience gains and losses on scheme liabilities:	
Amount (£'000)	22
Percentage of the present value of scheme liabilities	1%
Total actuarial gain recognised in the statement of total recognised gains and losses:	
Amount (£'000)	(723)
Percentage of the present value of scheme liabilities	23%

Notes to the financial statements (continued)

18 Pension commitments (continued)

(ii) Financial Reporting Standard 17 – Transitional Disclosures (continued)

The movement in the deficit in the scheme during the year was as follows:

	£'000
Deficit in scheme at 1 January 2002	(844)
Current service cost	(58)
Employer contributions	117
Other finance costs	(2)
Actuarial loss	(723)
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Deficit in scheme at 31 December 2002	(1,510)
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Analysis of the reserves that would have been recognised is as follows:

	2002 £'000
Profit and loss reserve excluding pension liability	1,148
Amount relating to defined benefit pension scheme liability	(1,510)
	<hr/>
Profit and loss reserve after adjustment for pension scheme liability	(362)
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19 Post balance sheet event

Subsequent to the year end, the entire trade and net assets of the company were transferred to Gramos Surface Treatments Limited, a fellow group undertaking, for consideration equal to the net book value of the net assets at that the date of the transfer. The consideration receivable was left outstanding on intercompany account.