

Company Registration No. 727228 (England and Wales)

W H PALMER & CO (INDUSTRIES) LIMITED
ANNUAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2003



W H PALMER & CO (INDUSTRIES) LIMITED

DIRECTORS AND ADVISERS

Directors

A J Wallis
R H Ling
S P Read
J Alton
M H Colling

Secretary

R H Ling

Company number

727228

Registered office

Charringtons House
The Causeway
Bishop's Stortford
Hertfordshire
CM23 2ER

Registered auditors

FW Stephens
10 Charterhouse Square
London
EC1M 6LQ

Bankers

National Westminster Bank plc
134 Aldersgate Street
London
EC1A 4LD

Solicitors

Whitehouse Gibson & Alton
29 Abbeville Road
Clapham
London
SW4 9LA

W H PALMER & CO (INDUSTRIES) LIMITED

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W H PALMER & CO (INDUSTRIES) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2003

The directors present their report and financial statements for the year ended 31 December 2003.

Principal activities and review of the business

The principal activity of the group during the year was the manufacture of various alcohol products and the distribution of alcohols and solvents.

The results for the year and the financial position at the year end were considered satisfactory by the directors.

Results and dividends

The consolidated profit and loss account for the year is set out on pages 4 to 5.

Profits are down on recent years due to pressure exerted on margins by both customers and suppliers. Increased costs, particularly pension scheme contributions, national insurance and commercial insurance premiums, also had a negative effect on profits.

An interim ordinary dividend was paid amounting to £40,000. The directors recommend payment of a final dividend amounting to £80,000.

Market value of land and buildings

Full disclosure of fixed assets is set out in the notes to the financial statements. The directors are of the opinion that the collective market value of all the company's freehold properties is substantially in excess of the net book value stated in the Balance Sheet. In the absence of recent valuations the directors feel it is inappropriate to try and quantify the amount of the excess due to the current market conditions.

Future developments

The group will continue to concentrate on further development of its core activities of chemical distribution and gin distillation by expansion resulting from its marketing strategy or acquisition of any business complementary to its core activities. An acquisition of a business which specialised in the export of chemical products was made in February 2004.

Directors

The following directors have held office since 1 January 2003:

R J Auger	(Resigned 30 April 2004)
A J Wallis	
R H Ling	
S P Read	
J Alton	
M H Colling	

In accordance with the company's Articles of Association, A J Wallis and S Read retire by rotation and, being eligible, offer themselves for re-election.

W H PALMER & CO (INDUSTRIES) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2003

Directors' interests

The directors' beneficial interests in the shares of the company were as stated below:

	Ordinary of £ 1 each	
	31 December 2003	1 January 2003
R J Auger	6,349	6,349
A J Wallis	7,500	7,500
R H Ling	-	-
S P Read	6,970	6,970
J Alton	-	-
M H Colling	2,931	2,931

S P Read's interest disclosed above relates to his wife's shareholding in the company.

J Alton is a trustee of settlements which together own 8,000 ordinary shares in the company.

M H Colling's interest disclosed above includes 631 shares relating to his wife's shareholding in the company.

The directors had no interest in the share capital of any other group company.

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that FW Stephens be reappointed as auditors of the company will be put to the Annual General Meeting.

As at 31 December 2003, a partner in the firm of Messrs FW Stephens was a trustee of settlements which together own 8,000 Ordinary £1 shares in the company.

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 group and of the profit or loss of the group 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 group 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 the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the board



R H Ling
Director

21 May 2004

W H PALMER & CO (INDUSTRIES) LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF W H PALMER & CO (INDUSTRIES) LIMITED

We have audited the financial statements of W H Palmer & Co (Industries) Limited on pages 4 to 22 for the year ended 31 December 2003. These financial statements have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and 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 auditor's 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

As described in the statement of directors' responsibilities on page 2 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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 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 and the group'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 the company's and the group's affairs as at 31 December 2003 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

FW Stephens

FW Stephens

Chartered Accountants
Registered Auditor

24 May 2004

10 Charterhouse Square
London
EC1M 6LQ

W H PALMER & CO (INDUSTRIES) LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2003

	Notes	2003 £	2002 £
Turnover	2	9,852,949	9,807,693
Cost of sales		(6,969,001)	(6,744,238)
Gross profit		2,883,948	3,063,455
Distribution costs		(2,081,231)	(2,058,648)
Administrative expenses		(694,367)	(685,342)
Operating profit	3	108,350	319,465
Other interest receivable and similar income		65,407	88,007
Profit on ordinary activities before taxation		173,757	407,472
Tax on profit on ordinary activities	4	(43,410)	(102,588)
Profit on ordinary activities after taxation		130,347	304,884
Dividends	6	(120,000)	(120,000)
Retained profit for the year	15	10,347	184,884

The profit and loss account has been prepared on the basis that all operations are continuing operations.

There are no recognised gains and losses other than those passing through the profit and loss account.

W H PALMER & CO (INDUSTRIES) LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2003

Note of historical cost profits and losses

	2003 £	2002 £
Reported profit on ordinary activities before taxation	173,757	407,472
Difference between an historical cost depreciation charge and the actual depreciation charge of the year calculated on the revalued amount	1,034	1,033
Historical cost profit on ordinary activities before taxation	<u>174,791</u>	<u>408,505</u>
Historical cost profit for the year retained after taxation, extraordinary items and dividends	<u>11,381</u>	<u>185,917</u>

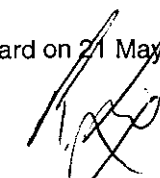
W H PALMER & CO (INDUSTRIES) LIMITED

BALANCE SHEETS AS AT 31 DECEMBER 2003

	Notes	Group 2003 £	2002 £	Company 2003 £	2002 £
Fixed assets					
Tangible assets	7	1,271,884	1,249,946	683,367	686,398
Investments	8	14,635	1,000	160,850	160,850
		<u>1,286,519</u>	<u>1,250,946</u>	<u>844,217</u>	<u>847,248</u>
Current assets					
Stocks	9	945,447	1,010,629	-	-
Debtors	10	1,677,885	1,675,244	65,217	65,114
Cash at bank and in hand		1,541,321	1,757,499	75,540	41,636
		<u>4,164,653</u>	<u>4,443,372</u>	<u>140,757</u>	<u>106,750</u>
Creditors: amounts falling due within one year	11	<u>(1,137,142)</u>	<u>(1,422,635)</u>	<u>(95,290)</u>	<u>(94,888)</u>
Net current assets		<u>3,027,511</u>	<u>3,020,737</u>	<u>45,467</u>	<u>11,862</u>
Total assets less current liabilities		<u>4,314,030</u>	<u>4,271,683</u>	<u>889,684</u>	<u>859,110</u>
Provisions for liabilities and charges	12	<u>(62,300)</u>	<u>(30,300)</u>	<u>(2,300)</u>	<u>(2,300)</u>
		<u>4,251,730</u>	<u>4,241,383</u>	<u>887,384</u>	<u>856,810</u>
Capital and reserves					
Called up share capital	14	100,000	100,000	100,000	100,000
Revaluation reserve	15	87,295	88,329	87,295	88,329
Other reserves	15	190,213	190,213	-	-
Profit and loss account	15	3,874,222	3,862,841	700,089	668,481
Shareholders' funds - equity interests	16	<u>4,251,730</u>	<u>4,241,383</u>	<u>887,384</u>	<u>856,810</u>

The financial statements were approved by the board on 21 May 2004


A J Wallis
Director


R H Ling
Director

W H PALMER & CO (INDUSTRIES) LIMITED

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2003

	2003		2002	
	£	£	£	£
Net cash inflow from operating activities		112,877		392,628
Returns on investments and servicing of finance				
Interest received	65,407		88,007	
	<u>65,407</u>		<u>88,007</u>	
Net cash inflow for returns on investments and servicing of finance		65,407		88,007
Taxation		(97,669)		(118,754)
Capital expenditure and financial investment				
Payments to acquire tangible assets	(166,658)		(664,395)	
Payments to acquire investments	(13,635)		-	
Receipts from sales of tangible assets	3,500		25,000	
	<u>(176,793)</u>		<u>(639,395)</u>	
Net cash outflow for capital expenditure		(176,793)		(639,395)
Equity dividends paid		(120,000)		(120,000)
		<u>(120,000)</u>		<u>(120,000)</u>
Net cash outflow before management of liquid resources and financing		(216,178)		(397,514)
Management of liquid resources				
Cash taken off short-term deposits	61,000		537,000	
	<u>61,000</u>		<u>537,000</u>	
		61,000		537,000
Decrease in cash in the year		<u>(155,178)</u>		<u>139,486</u>

W H PALMER & CO (INDUSTRIES) LIMITED

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2003

1	Reconciliation of operating profit to net cash inflow from operating activities	2003	2002
		£	£
	Operating profit	108,350	319,465
	Depreciation of tangible assets	144,720	148,006
	Profit on disposal of tangible assets	(3,500)	(5,493)
	Decrease/(increase) in stocks	65,182	(69,082)
	(Increase)/decrease in debtors	(2,641)	113,722
	Decrease in creditors within one year	(199,234)	(113,990)
	Net cash inflow from operating activities	112,877	392,628

2	Analysis of net funds	1 January 2003	Cash flow	Other non-cash changes	31 December 2003
		£	£	£	£
	Net cash:				
	Cash at bank and in hand	1,757,499	(216,178)	-	1,541,321
	Less: short-term deposits	(2,035,000)	61,000	-	(1,974,000)
		(277,501)	(155,178)	-	(432,679)
	Short-term deposits	2,035,000	(61,000)	-	1,974,000
	Net funds	1,757,499	(216,178)	-	1,541,321

3	Reconciliation of net cash flow to movement in net funds	2003	2002
		£	£
	Increase/(decrease) in cash in the year	(155,178)	139,486
	Cash (inflow) from increase in liquid resources	(61,000)	(537,000)
	Change in net funds resulting from cash flows	(216,178)	(397,514)
	Profit on disposal of short-term investments	-	-
	Movement in net funds in the year	(216,178)	(397,514)
	Opening net funds	1,757,499	2,155,013
	Closing net funds	1,541,321	1,757,499

W H PALMER & CO (INDUSTRIES) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention modified to include the revaluation of certain freehold land and buildings.

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable accounting standards.

1.3 Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertakings made up to 31 December 2003. The results of subsidiaries sold or acquired are included in the profit and loss account up to, or from the date control passes. Intra-group sales and profits are eliminated fully on consolidation.

1.4 Turnover

Turnover represents amounts receivable for goods and services net of VAT, excise duties and trade discounts.

1.5 Goodwill

Acquired goodwill is written off in equal annual instalments over its estimated useful economic life.

Prior to the implementation of Financial Reporting Standard 10 (Goodwill and Intangible Assets) in the year ended 31st December 1998, positive goodwill was eliminated against reserves and negative goodwill was added to reserves.

1.6 Tangible fixed assets and depreciation

Tangible fixed assets other than freehold land are stated at cost or valuation less depreciation. The group is following the transitional provisions of Financial Reporting Standard 15 (Tangible Fixed Assets) by not updating the old valuation of the freehold property then held. The last revaluation of the freehold property was in 1978.

Depreciation is provided at rates calculated to write off the cost or valuation less estimated residual value of each asset over its expected useful life, as follows:

Land and buildings Freehold	over 25 years (buildings only)
Land and buildings short lease	over the lease term
Plant and machinery	5%, 10%, 15%, 20% and 25% per annum
Fixtures, fittings & equipment	15%, 20% and 25% per annum
Motor vehicles	20%, 25% and 33 1/3% per annum

No depreciation is provided in respect of freehold land.

1.7 Leasing

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

1.8 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

W H PALMER & CO (INDUSTRIES) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

1 Accounting policies

(continued)

1.9 Stock

Stock is valued at the lower of cost and net realisable value.

1.10 Pensions

The regular cost of providing retirement pensions and related benefits is charged to the profit and loss account over the employees' service lives on the basis of a constant percentage of earnings. Any difference between the charge to the profit and loss account and the contributions paid to the scheme is shown as an asset or liability in the balance sheet in accordance with SSAP 24.

1.11 Deferred taxation

Deferred tax is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

No provision will be made for deferred tax on gains recognised on revaluing property to its market value until the company intends to sell the revalued assets. This is in accordance with FRS 19.

1.12 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to profit and loss account.

2 Turnover

The total turnover of the group for the year has been derived from its principal activity.

Segmental analysis by geographical area

The analysis by geographical area of the group's turnover is set out as below:

	2003 £	2002 £
Geographical segment		
United Kingdom	9,025,102	9,070,980
Rest of the world	827,847	736,713
	<u>9,852,949</u>	<u>9,807,693</u>

W H PALMER & CO (INDUSTRIES) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

3	Operating profit	2003	2002
		£	£
	Operating profit is stated after charging:		
	Depreciation of tangible assets	144,720	148,006
	Loss on foreign exchange transactions	1,807	1,242
	Operating lease rentals	53,569	87,967
	Total auditors' remuneration for audit and non-audit work (company £3,900; 2002: £3,700)	23,375	23,125
	and after crediting:		
	Profit on disposal of tangible assets	(3,500)	(5,493)
		<u></u>	<u></u>
4	Taxation	£	£
	Domestic current year tax		
	U.K. corporation tax	11,410	99,000
	Adjustment for prior years	-	(10,112)
		<u></u>	<u></u>
	Current tax charge	11,410	88,888
	Deferred tax		
	Deferred tax charge/credit current year	32,000	13,700
		<u></u>	<u></u>
		43,410	102,588
		<u></u>	<u></u>
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	173,757	407,472
		<u></u>	<u></u>
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 19.00% (2002: 30.00%)	33,014	122,242
		<u></u>	<u></u>
	Effects of:		
	Non deductible expenses	2,225	5,101
	Depreciation	27,497	44,076
	Capital allowances	(22,330)	(48,333)
	Adjustments to previous periods	-	(10,112)
	Chargeable disposals	(665)	(1,648)
	Other tax adjustments including marginal relief	(28,331)	(22,438)
		<u></u>	<u></u>
		(21,604)	(33,354)
		<u></u>	<u></u>
	Current tax charge	11,410	88,888
		<u></u>	<u></u>

W H PALMER & CO (INDUSTRIES) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

5 Profit for the financial year

As permitted by section 230 of the Companies Act 1985, no profit and loss account is presented for the holding company. The profit attributable to the company which has been dealt with in the accounts is £150,574 (2002- £149,514).

6 Dividends	2003 £	2002 £
Ordinary interim paid	40,000	40,000
Ordinary final proposed	80,000	80,000
	<hr/>	<hr/>
	120,000	120,000
	<hr/>	<hr/>

W H PALMER & CO (INDUSTRIES) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

7 Tangible fixed assets

Group

	Land and buildings Freehold £	Land and buildings short lease £	Plant and machinery £	Fixtures, fittings & equipment £	Motor vehicles £	Total £
Cost or valuation						
At 1 January 2003	1,053,021	104,411	1,271,613	224,410	218,830	2,872,285
Additions	-	-	70,488	5,807	90,363	166,658
Disposals	-	-	(26,585)	-	(12,212)	(38,797)
At 31 December 2003	1,053,021	104,411	1,315,516	230,217	296,981	3,000,146
Depreciation						
At 1 January 2003	366,623	75,752	881,870	188,749	109,345	1,622,339
On disposals	-	-	(26,585)	-	(12,212)	(38,797)
Charge for the year	3,031	4,661	66,032	15,852	55,144	144,720
At 31 December 2003	369,654	80,413	921,317	204,601	152,277	1,728,262
Net book value						
At 31 December 2003	683,367	23,998	394,199	25,616	144,704	1,271,884
At 31 December 2002	686,398	28,659	389,743	35,661	109,485	1,249,946

Freehold land and buildings include £642,294 which is not subject to depreciation charges.

Certain freehold premises are shown at a 1978 valuation of £410,000. The remaining freehold and later additions are shown at cost. The amount of freehold land and buildings determined according to the historical cost rules is as follows:

Comparable historical cost for the land and buildings included at valuation:

	£
Cost	
At 1 January 2003 & at 31 December 2003	826,226
Depreciation based on cost	
At 1 January 2003	228,157
Charge for the year	1,997
At 31 December 2003	230,154
Net book value	
At 31 December 2003	596,072
At 31 December 2002	598,069

W H PALMER & CO (INDUSTRIES) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

7 Tangible fixed assets (continued)

Company

	Land and buildings Freehold £
Cost or valuation	
At 1 January 2003 & at 31 December 2003	1,053,021
Depreciation	
At 1 January 2003	366,623
Charge for the year	3,031
At 31 December 2003	369,654
Net book value	
At 31 December 2003	683,367
At 31 December 2002	686,398

Freehold land and buildings include £642,294 which is not subject to depreciation charges.

Certain freehold premises are shown at a 1978 valuation of £410,000. The remaining freehold and later additions are shown at cost. The amount of freehold land and buildings determined according to the historical cost rules is as follows:

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	£
Cost	
At 1 January 2003 & at 31 December 2003	826,226
Depreciation based on cost	
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Charge for the year	1,997
At 31 December 2003	230,154
Net book value	
At 31 December 2003	596,072
At 31 December 2002	598,069

W H PALMER & CO (INDUSTRIES) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

8 Fixed asset investments

Group

	Unlisted investments £	Total £
Cost or valuation		
At 1 January 2003	32,997	32,997
Additions	13,635	13,635
	<hr/>	<hr/>
At 31 December 2003	46,632	46,632
	<hr/>	<hr/>
Provisions for diminution in value		
At 1 January 2003 & at 31 December 2003	31,997	31,997
	<hr/>	<hr/>
Net book value		
At 31 December 2003	14,635	14,635
	<hr/>	<hr/>
At 31 December 2002	1,000	1,000
	<hr/>	<hr/>

8 Fixed asset investments

Company

	Shares in subsidiary undertakings £
Cost	
At 1 January 2003 & at 31 December 2003	160,850
	<hr/>
At 31 December 2002	160,850
	<hr/>

In the opinion of the directors, the aggregate value of the company's investment in subsidiary undertakings is not less than the amount included in the balance sheet.

Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies:

Company	Country of registration or incorporation	Shares held Class	%
Subsidiary undertakings			
Alcohols Limited	England & Wales	Ordinary	100
Alcohols (North West) Limited	England & Wales	Ordinary	100
Lang-Met Distillers Limited	England & Wales	Ordinary	100
Langley Distillery Limited	England & Wales	Ordinary	100

W H PALMER & CO (INDUSTRIES) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

8 Fixed asset investments

(continued)

The principal activity of these undertakings for the last relevant financial year was as follows:

Principal activity

Alcohols Limited	The manufacture of various alcohol products and the distribution of alcohols and solvents.
Alcohols (North West) Limited	Dormant
Lang-Met Distillers Limited	Dormant
Langley Distillery Limited	Dormant

9 Stocks

	Group 2003 £	2002 £	Company 2003 £	2002 £
Finished goods and goods for resale	945,447	1,010,629	-	-

10 Debtors

	Group 2003 £	2002 £	Company 2003 £	2002 £
Trade debtors	1,575,045	1,599,826	-	-
Other debtors	18,167	24,542	-	-
Prepayments and accrued income	84,673	50,876	65,217	65,114
	1,677,885	1,675,244	65,217	65,114

Amounts falling due after more than one year and included in the debtors above are:

	2003 £	2002 £	2003 £	2002 £
Other debtors	11,042	17,667	-	-

W H PALMER & CO (INDUSTRIES) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

11 Creditors : amounts falling due within one year

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Trade creditors	692,135	733,791	-	-
Corporation tax	17,929	104,188	11,390	11,188
Taxes and social security costs	71,625	39,372	-	-
Other creditors	12,876	12,876	-	-
Accruals and deferred income	262,577	452,408	3,900	3,700
Proposed dividend	80,000	80,000	80,000	80,000
	<u>1,137,142</u>	<u>1,422,635</u>	<u>95,290</u>	<u>94,888</u>

12 Provisions for liabilities and charges

Group	Deferred taxation £
Balance at 1 January 2003	30,300
Profit and loss account	32,000
	<u>62,300</u>
Balance at 31 December 2003	
	<u>62,300</u>
Company	
Balance at 1 January 2003 & at 31 December 2003	<u>2,300</u>

The deferred tax liability is made up as follows:

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Accelerated capital allowances	62,300	72,300	2,300	2,300
Other timing differences	-	(42,000)	-	-
	<u>62,300</u>	<u>30,300</u>	<u>2,300</u>	<u>2,300</u>

W H PALMER & CO (INDUSTRIES) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

13 Pension costs

The subsidiary company operates a pension scheme providing benefits based on final pensionable salary. The assets of the scheme are held separately from those of the subsidiary company, being invested with life assurance companies.

The pension cost is assessed in accordance with SSAP 24, Accounting for Pension Costs, based on triennial valuations on the advice of an independently qualified actuary using the attained age funding method. The latest actuarial valuation, for the purposes of these financial statements, was as at 1st June 2002.

The principal assumptions used were that, in the long term, the return on investments would be 7% per annum, that salary increases are restricted to 3% per annum and that current employees' pensions up to pensionable age would increase with commensurate benefit.

The valuation also indicated that the market value of the schemes assets was £2.68m and that the actuarial value of those assets represented 107% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

On the advice of the actuary the subsidiary company's normal rate of contributions is estimated to be 15.9% of pensionable payroll plus additional contributions of £38,000 per annum to cover the updated actuarial deficit as at 31st December 2002 and additional Death in Service insurance premiums. This contribution rate was effective from 1st March 2003.

The total pension cost for the subsidiary company was £140,000 (2002: £63,992).

Accrual of benefit for future service was suspended on 1st September 2003 to protect benefit earned by scheme members up to that date.

FRS 17, Retirement benefits, disclosures

The full implementation of FRS 17 has been deferred. However certain disclosures are required which are included below.

The valuation has been based on the most recent actuarial valuation as at 1st June 2002 and updated by the scheme actuary to 31st December 2003 for the purposes of FRS 17.

The principal actuarial assumptions were as follows:

	2003 %	2002 %
The main financial assumptions are as follows:		
Rate of increase in salaries	3.00	3.00
Rate of increase in pensions in payment	2.75	2.25
Discount rate	5.50	5.50
Inflation assumption	2.75	2.25

W H PALMER & CO (INDUSTRIES) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

13 Pension costs

(continued)

The long term expected rates of return are as follows:

Equities	8.00	8.25
Bonds	5.25	5.25
Other assets	4.00	5.00
	<u> </u>	<u> </u>

2003	2002
£	£

The assets in the scheme are as follows:

Equities	1,948,000	1,600,000
Bonds	278,000	300,000
Other assets	448,000	200,000
	<u> </u>	<u> </u>
	2,674,000	2,100,000
Present value of scheme liabilities	3,062,000	2,900,000
	<u> </u>	<u> </u>
Deficit in scheme	(388,000)	(800,000)
Related deferred tax asset	116,400	240,000
	<u> </u>	<u> </u>
Net pension liability	(271,600)	(560,000)
	<u> </u>	<u> </u>

The principal assumptions used by the actuary have been chosen from a range of possible assumptions which, due to volatile equity and financial markets, may not necessarily be borne out in practice.

The market value of the scheme's assets, which are not intended to be realised in the short term, may be subject to significant change before they are realised. The present value of the scheme's liabilities are derived from long term projections and are therefore inherently uncertain.

The net pension liability shown above would have a consequential effect on reserves.

14 Share capital

2003	2002
£	£

Authorised

100,000 Ordinary of £1 each	100,000	100,000
	<u> </u>	<u> </u>

Allotted, called up and fully paid

100,000 Ordinary of £1 each	100,000	100,000
	<u> </u>	<u> </u>

W H PALMER & CO (INDUSTRIES) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

15 Statement of movements on reserves

Group

	Revaluation reserve £	Other reserves £	Profit and loss account £
Balance at 1 January 2003	88,329	190,213	3,862,841
Retained profit for the year	-	-	10,347
Depreciation written back	(1,034)	-	1,034
Balance at 31 December 2003	<u>87,295</u>	<u>190,213</u>	<u>3,874,222</u>

Other reserves includes £204,602 of negative goodwill arising on consolidation added to reserves and £14,389 of positive goodwill eliminated against reserves. These amounts relate to acquisitions before the implementation of FRS 10.

Company

	Revaluation reserve £	Profit and loss account £
Balance at 1 January 2003	88,329	668,481
Retained profit for the year	-	30,574
Depreciation written back	(1,034)	1,034
Balance at 31 December 2003	<u>87,295</u>	<u>700,089</u>

W H PALMER & CO (INDUSTRIES) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

16 Reconciliation of movements in shareholders' funds		2003	2002
Group		£	£
Profit for the financial year		130,347	304,884
Dividends		(120,000)	(120,000)
Net addition to shareholders' funds		10,347	184,884
Opening shareholders' funds		4,241,383	4,056,499
Closing shareholders' funds		4,251,730	4,241,383
Company		2003	2002
		£	£
Profit for the financial year		150,574	149,514
Dividends		(120,000)	(120,000)
Net addition to shareholders' funds		30,574	29,514
Opening shareholders' funds		856,810	827,296
Closing shareholders' funds		887,384	856,810

17 Financial commitments

At 31 December 2003 the group had annual commitments under non-cancellable operating leases as follows:

		Land and buildings	
		2003	2002
		£	£
Expiry date:			
In over five years		77,040	77,040
		77,040	77,040

18 Capital commitments

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Contracted for but not provided in the financial statements	-	5,930	-	-

W H PALMER & CO (INDUSTRIES) LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

19 Directors' emoluments	2003 £	2002 £
Emoluments for qualifying services	<u>261,612</u>	<u>262,951</u>

The number of directors for whom retirement benefits are accruing under defined benefit schemes amounted to 3 (2002- 3).

Emoluments disclosed above include the following amounts paid to the highest paid director:

Emoluments for qualifying services	97,134	95,529
Accrued pension at the end of the year	<u>38,802</u>	<u>36,088</u>

20 Employees

Number of employees

The average monthly number of employees (including directors) during the year was:

	2003 Number	2002 Number
Administration and management	10	10
Operational, selling and distribution	34	32
	<u>44</u>	<u>42</u>

Employment costs

	£	£
Wages and salaries	969,236	935,233
Social security costs	92,211	79,332
Other pension costs	141,833	67,825
	<u>1,203,280</u>	<u>1,082,390</u>

21 Post Balance Sheet Events

On 20th February 2004 Alcohols Limited, a subsidiary company, acquired the entire share capital of a dormant company which subsequently purchased the business activities of a company which specialised in the export of chemical products. This was financed through a loan from Alcohols Limited.