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IZAL LIMITED

31 October 1978



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## IZAL LIMITED

### DIRECTORS' REPORT

The directors submit their report and audited accounts for the year ended 31 October 1978.

### DIRECTORS

Mr R Brown MA (Chairman)  
Mr RK Pfister (USA Resigned 2 October 1978)  
Dr P Brocklehurst BSc  
Mr D Bysouth BSc (Econ) (Resigned 9 January 1978)  
Mr EJ Dixon  
Mr RHM Hughes BA, FCA  
Mr JA Mycroft  
Dr JR Stoker MSc, FRIC, MPS (Appointed 9 January 1978)  
Mr RP Wright C Eng MI Mech E, MIWM

None of the directors had any notifiable interests in the shares or debentures of the company or any other company in the Sterling-Winthrop Group at any time during the financial year.

### ACTIVITIES

The principal activities of the company are the manufacture and sale of household consumer and industrial products.

### RESULTS AND DIVIDENDS

The profit for the year amounted to £157,473 and the directors have proposed that no dividend on the ordinary shares be paid for the year.

A professional valuation of freehold land and buildings was undertaken during the year and the surplus arising of £806,396 has been credited to reserves.

### EXPORTS

Export sales for the year amounted to £327,901 (1977 £150,180). In addition sales to the value of £2,005,523 (1977 £1,322,254) were made for subsequent export.

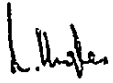
EMPLOYEES

The average number of persons employed per week by the company in the UK was 1,009 (1977 1,023) and the aggregate remuneration amounted to £3,056,437 (1977 £2,577,197).

AUDITORS

Price Waterhouse & Co have indicated their willingness to be re-appointed.

By Order of the Board

  
RHM HUGHES  
Secretary

13 March 1979

Registered Office

Chapelton  
Sheffield S30 4YP

AUDITORS' REPORT TO THE MEMBERS  
OF IZAL LIMITED

We have examined the accounts set out on pages 4 to 12 which have been prepared under the historical cost convention as modified by the revaluation of freehold land and buildings. In our opinion these accounts give, under the convention stated above, a true and fair view of the state of affairs of the company at 31 October 1978 and of its profit and source and application of funds for the year then ended and comply with the Companies Acts 1948 and 1967.

*Price Waterhouse & Co.*  
PRICE WATERHOUSE & CO

Chartered Accountants

13 March 1979

1978/1979

PROFIT AND LOSS ACCOUNT FOR THE  
YEAR ENDED 31 OCTOBER 1978

	Notes	1978	As restated 1977
TURNOVER		<u>£18,092,118</u>	<u>£14,859,088</u>
PROFIT/(LOSS) BEFORE TAXATION	2	663,223	(150,135)
TAXATION CHARGE/(CREDIT) BASED ON THE PROFIT FOR THE YEAR			
Corporation tax at 52%		440,417	(780,417)
Tax equalisation account	10	<u>32,333</u>	<u>821,917</u>
		472,750	41,500
Prior year adjustments		<u>33,000</u>	<u>(1,189)</u>
		<u>505,750</u>	<u>40,311</u>
PROFIT/(LOSS) AFTER TAXATION	9	<u>£157,473</u>	<u>£(190,446)</u>

LEAS LIMITED

BALANCE SHEET - 31 OCTOBER 1978

	Notes	1978	As restated 1977
FIXED ASSETS	4	2,987,325	1,870,925
GOODWILL AT COST LESS AMOUNT WRITTEN OFF	6	8,223,903	8,458,870
SUBSIDIARIES	7	(196,347)	(243,781)
CURRENT ASSETS			
Inventories	8	3,092,178	3,266,043
Debtors		2,426,324	2,075,471
Bank balance and cash		265,830	2,000
Taxation recoverable		301,709	407,379
		6,086,041	5,750,893
CURRENT LIABILITIES			
Creditors		2,300,834	2,037,240
Bank overdraft		-	15,779
		2,300,834	2,053,019
NET CURRENT ASSETS		3,785,207	3,697,874
		£14,800,088	£13,783,886
FINANCED BY			
SHARE CAPITAL			
Authorised, issued and fully paid			
Ordinary shares of £1 each		100	100
Deferred shares of £1 each		200	200
SHARE PREMIUM ACCOUNT		12,999,800	12,999,800
RESERVES	9	781,988	(181,881)
		13,782,088	12,818,219
TAX EQUALISATION ACCOUNT	10	1,018,000	965,667
		£14,800,088	£13,783,886

DIRECTORS  
R Brown  
RHM Hughes

IZAL LIMITED

STATEMENT OF SOURCE AND APPLICATION OF  
FUNDS FOR THE YEAR ENDED 31 OCTOBER 1978

	<u>1978</u>	<u>As restated 1977</u>
	£'000	£'000
<b>SOURCE OF FUNDS</b>		
Profit/(loss) before taxation	663	(150)
Adjustments for items not involving the movement of funds		
Depreciation	177	122
Amortisation of goodwill	235	235
Profit on sale of fixed assets	(20)	(16)
	392	341
<b>TOTAL GENERATED FROM OPERATIONS</b>	<u>1,055</u>	<u>191</u>
<b>APPLICATION OF FUNDS</b>		
Tax paid	(347)	(227)
Purchases, less sales of fixed assets	(468)	(218)
	(815)	(445)
	<u>£240</u>	<u>£(254)</u>
<b>INCREASE/(DECREASE) IN WORKING CAPITAL</b>		
Increase/(decrease) in inventories	(174)	1,446
Increase/(decrease) in debtors	351	(1 128)
(Increase)/decrease in net amounts due to holding company and fellow subsidiaries	47	(209)
(Increase)/decrease in creditors	(264)	31
	(40)	140
<b>(DECREASE)/INCREASE IN NET LIQUID FUNDS</b>		
(Decrease)/increase in bank balance and cash	264	(378)
Decrease/(increase) in bank overdraft	16	(16)
	<u>280</u>	<u>(394)</u>
	<u>£240</u>	<u>£(254)</u>

IZAL LIMITED

NOTES TO THE ACCOUNTS - 31 OCTOBER 1978

1 ACCOUNTING POLICIES

(1) Goodwill

Goodwill represents the excess of purchase consideration for the business acquired from Newton Chambers & Co Limited and other previous acquisitions over the amount attributed to the fair value of the net assets acquired and is being amortised over 40 years.

(2) Depreciation

Depreciation is provided on fixed assets (other than land) at rates estimated to write off their cost evenly over their anticipated useful lives as follows:

Buildings acquired from Newton Chambers & Co Limited	30 years
Other buildings	40 years
Plant and machinery	3 to 20 years

(3) Inventories

Inventories have been valued at the lower of cost and net realisable value; cost in the case of products manufactured consists of direct materials and labour costs, together with the relevant factory overheads.

(4) Tax equalisation

Tax equalisation represents corporation tax at historical rates on the amount by which accumulated capital allowances exceed the corresponding depreciation provisions, on stock appreciation relief and on other items not allowable for corporation tax until subsequent accounting periods. No provision has been made for any taxation liability which might arise from the sale of properties at the revalued amounts at which they are stated in the balance sheet.

(5) Research and development

Research and development costs are charged to profit and loss account when incurred.



IZAL LIMITED

NOTES TO THE ACCOUNTS - 31 OCTOBER 1978 (CONTINUED)

(6) Turnover

Turnover comprises amounts invoiced to third parties (excluding value added tax) in respect of goods delivered during the year.

(7) Investment in subsidiaries

Ordinary shares in subsidiary companies are stated at cost. As the company is a wholly owned subsidiary of another company incorporated in Great Britain consolidated accounts are not presented.

2 PROFIT/(LOSS) BEFORE TAXATION

Profit/(loss) before taxation is stated after charging/(crediting):

	1978	1977
Amortisation of goodwill	234,967	234,971
Depreciation	177,524	121,480
Hire of plant	155,725	114,670
Directors' Emoluments	100,090	86,475
Auditors' Remuneration	15,137	10,502
Refinement in procedure for invoicing sales	(108,000)	-

3 DIRECTORS' EMOLUMENTS

Directors' emoluments, excluding pension contributions but before income tax and other deductions, include:

	1978	1977
Chairman	£21,041	£17,073
Other directors		
No remuneration	1	1
£1 - £2,500	1	-
£7,501 - £10,000	-	3
£10,001 - £12,500	4	2
£12,501 - £15,000	2	-
£15,001 - £17,500	-	1

No fees are paid to the directors.

# IZAL LIMITED

## NOTES TO THE ACCOUNTS - 31 OCTOBER 1978 (CONTINUED)

### 4 FIXED ASSETS

	<u>Freehold land</u>	<u>Freehold buildings</u>	<u>Leasehold buildings</u>	<u>Plant and machinery</u>	<u>Total</u>
<u>Cost or valuation</u>					
At 1 November 1977	1,258,000	1,663,758	5,000	572,707	3,499,465
Prior year adjustment (see below)	(978,000)	(328,890)	-	-	(1,306,890)
Restated	280,000	1,334,868	5,000	572,707	2,192,575
Additions	-	315,451	-	202,188	517,639
Surplus on revaluation (Note 9)	332,000	248,361	-	-	580,361
Disposals	-	-	-	(101,555)	(101,555)
At 31 October 1978	612,000	1,898,680	5,000	673,340	3,189,020
<u>Depreciation</u>					
At 1 November 1977	-	224,388	-	141,116	365,504
Prior year adjustment (see below)	-	(43,852)	-	-	(43,852)
Restated	-	180,536	-	141,116	321,652
Charge for the year	-	45,499	5,000	127,025	177,524
Surplus on revaluation (Note 9)	-	(226,035)	-	-	(226,035)
Disposals	-	-	-	(71,446)	(71,446)
At 31 October 1978	-	-	5,000	196,695	201,695
<u>Net book amount</u>					
At 31 October 1978	<u>£612,000</u>	<u>£1,898,680</u>	<u>£-</u>	<u>£476,645</u>	<u>£2,987,325</u>
At 31 October 1977	<u>£280,000</u>	<u>£1,154,332</u>	<u>£5,000</u>	<u>£431,591</u>	<u>£1,870,923</u>

The gross amount of fixed assets at valuation are:

	<u>Freehold land</u>	<u>Freehold buildings</u>
	£'000	£'000
<u>Valuation date</u>		
31 August 1978	612	1,588

# IZAL LIMITED

## NOTES TO THE ACCOUNTS - 31 OCTOBER 1978 (CONTINUED)

### 4 FIXED ASSETS (CONTINUED)

The freehold land and buildings were valued at 31 August 1978 by Maynard & Co, Sheffield, external professional valuers. The properties have been valued at their open market existing use values.

Depreciation for the year has been provided on cost prior to 31 August 1978; the additional depreciation charge likely to arise in 1979 resulting from the new valuation of buildings is estimated at £20,000.

The freehold land and buildings acquired in 1973 were valued at that date by the directors as no detailed valuations were then available. During the year information has become available which had it been known at the time would have resulted in a significantly lower value being attributed to the freehold land and buildings acquired. Accordingly the values at the date of acquisition of those freehold land and buildings have been restated and a corresponding adjustment has been made to the goodwill arising on acquisition.

Adjustments to the depreciation and amortisation provided on goodwill since the date of acquisition are reflected as prior year adjustments in these accounts.

### 5 FUTURE CAPITAL EXPENDITURE

	1978	1977
Contracts placed but not provided in the accounts	<u>£624,736</u>	<u>£33,833</u>
Authorised by directors but no contracts placed	<u>£190,131</u>	<u>£165,739</u>

### 6 GOODWILL

	1978	1977
At 1 November 1977	9,398,756	8,091,866
Prior year adjustment (see Note 4)	-	1,306,890
	<u>9,398,756</u>	<u>9,398,756</u>
Less amortisation	<u>1,174,853</u>	<u>939,886</u>
At 31 October 1978	<u>£8,223,903</u>	<u>£8,458,870</u>

# IZAL LIMITED

## NOTES TO THE ACCOUNTS - 31 OCTOBER 1978 (CONTINUED)

### 7 SUBSIDIARIES

The company has a wholly owned trading subsidiary Izal (Overseas) Limited which is registered in England. The profits less tax of this subsidiary available to the holding company but not dealt with in these accounts are as follows:

Year ended 31 October 1978	249,827
Dividend dealt with in these accounts	<u>249,827</u>
	<u>287,905</u>
Prior years	<u>£537,732</u>

The company has other wholly owned non-trading subsidiaries.

Investments in and balances with group companies comprise:

	1978	1977
Investment in subsidiaries	554,147	554,147
Due from fellow subsidiaries	40,162	23,240
Due from subsidiaries	<u>373,033</u>	<u>288,082</u>
	967,342	865,469
Due to immediate holding company and fellow subsidiaries	792,055	737,616
Due to subsidiaries	<u>371,634</u>	<u>371,634</u>
	1,163,689	1,109,250
Net amount payable	<u>£196,347</u>	<u>£243,781</u>

### 8 INVENTORIES

Raw materials  
Finished goods

	1978	1977
Raw materials	1,633,317	1,770,563
Finished goods	<u>1,458,861</u>	<u>1,495,480</u>
	£3,092,178	£3,266,043

# IZAL LIMITED

## NOTES TO THE ACCOUNTS - 31 OCTOBER 1978 (CONTINUED)

### 9 RESERVES

At 1 November 1977	(23,767)
Prior year adjustments	
Restatement of fixed assets and goodwill (of which £118,586 relates to 1976 and earlier years)	<u>(158,114)</u>
	(181,881)
Surplus arising from professional valuation of freehold land and buildings	806,396
Transfer from profit and loss account	<u>157,473</u>
At 31 October 1978	<u>£781,988</u>

### 10 TAX EQUALISATION ACCOUNT

At 1 November 1977	965,667
Transfer from current taxation	(13,000)
Charge to profit and loss account	<u>65,333</u>
	£1,018,000
Amount included in closing balance attributable to stock relief	<u>£651,750</u>

### 11 HOLDING COMPANY

Izal Limited is a wholly owned subsidiary of Sterling-Winthrop Group Limited. The ultimate holding company is Sterling Drug Inc. which is incorporated in the USA.