S W A L L O W F I E L D

R E P O R T & A C C O U N T S

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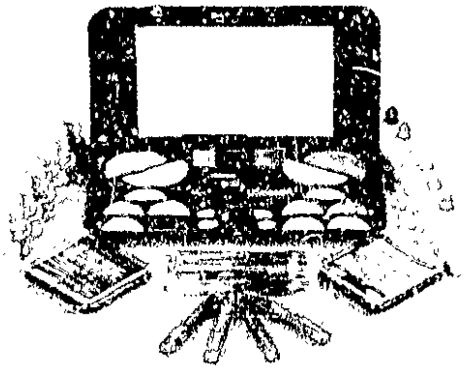
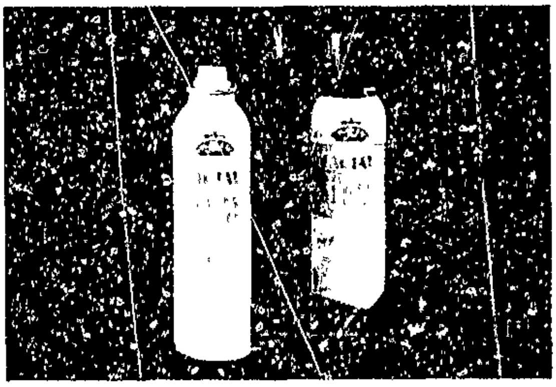
CONTENTS






MEN

GROUP INFORMATION

Directors

T J Organ (Chairman)
J A Warden (Managing Director)
A P [illegible]
C A Graves FCA
N W [illegible] FCA

Secretary

C A Graves FCA

Registered Office

Swallowfield House
Station Road
Wellington
Somerset
TA21 8N[illegible]

Auditors

Ernst & Young
One Bridewell Street
Bristol
BS1 2AA

Bankers

National Westminster Bank PLC
12 Fore Street
Wellington
Somerset
TA21 8A[illegible]

Registrars

National Westminster Bank PLC
Registrars Department
P O Box 82
Caxton House
Redcliffe Way
Bristol
BS99 7NH

Stockbrokers

County NatWest Wood Mackenzie & Co Limited
135 Bishopsgate
London
EC2M 3XT

Merchant bankers

County NatWest Limited
135 Bishopsgate
London
EC2M 3XT

Solicitors

Osborne Clarke
30 Queen Charlotte Street
Bristol
BS99 7QQ

Registered Number

[illegible]

CHAIRMAN'S STATEMENT

1989 was a very important year for Swallowfield plc. It was our first complete year as a public company on the Unlisted Securities Market and during the year we made our first acquisition, Atlas Group Limited.

This has increased the size of the Group but more importantly widened our product range in continuation of our stated objective to broaden the base of products. As the acquisition came very late in the year (November) it has not had a material effect on the Group's results for 1989. The results are a reflection of the progress of Aerosols International Limited and Atlas will make its first contribution in 1990.

1989 was a difficult year in the retail sector as higher interest rates dampened down consumer demand. This led to reduced stocks in the storerooms of our customers and a lower call off by them from us. Against this background the Group's results show a very solid performance and demonstrate our ability to adjust to the changing conditions in the market place.

Group turnover for 1989 increased over 1988 by 12.5% to £16,165,000 but the volume of units filled was slightly down. The shortfall in units was a result of a lack of "brand overflow". Major brand owners did not place so many orders with us as they were able to deal with their reduced sales on their own equipment. However, the own label sector (where we supply a wider service covering both formulation and product design) was significantly above 1988 levels and this improved our margins. Gross profit of £4,132,000 represented a return on sales of 25% against 23% in 1988.

The profit before tax of £2,138,000 was 11.6% above 1988. This is a very encouraging result in the present trading environment. The Directors are recommending a final dividend of 3.4p net per Ordinary Share making a total dividend of 5.6p net per Ordinary Share for the year. Earnings per share at 14.4p show a slight reduction from the 1988 figure of 14.6p on the basis of the increased average number of shares in issue during the year.

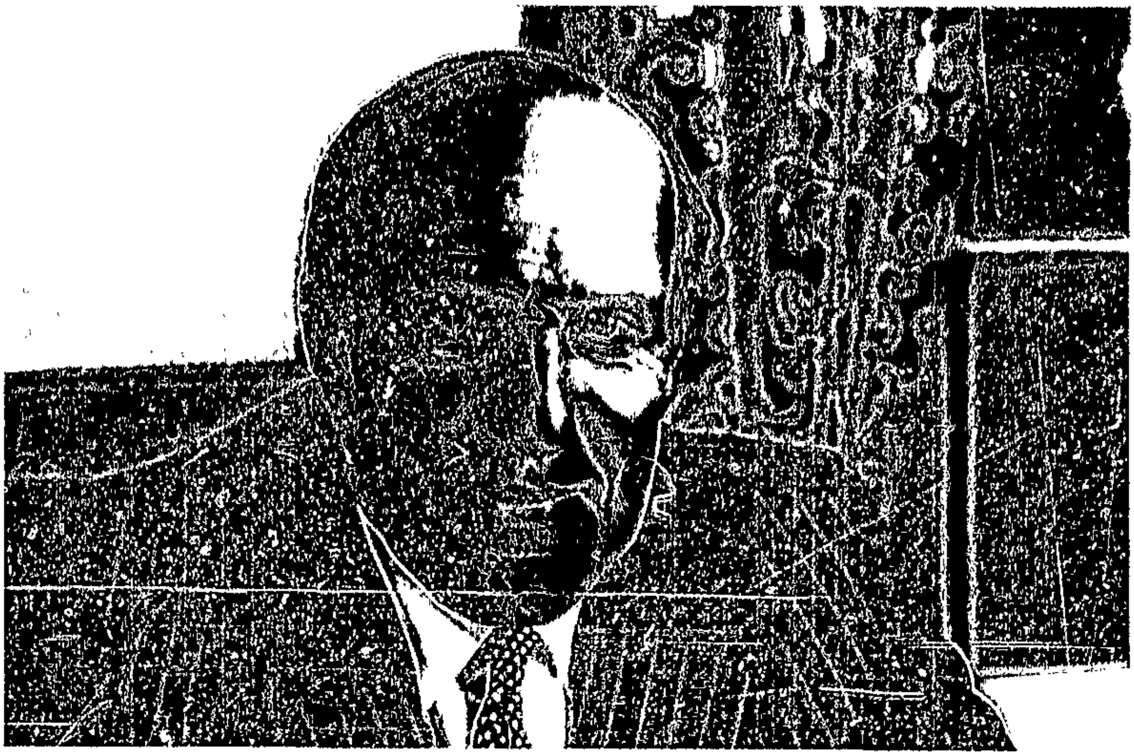
The Group balance sheet showing net assets of £5,[illegible]19,000 remains strong although gearing has increased to 92%. The increased gearing is due to a combination of the high level of capital expenditure that we continued in 1989 together with the impact of the additional borrowings and the costs associated with the acquisition.

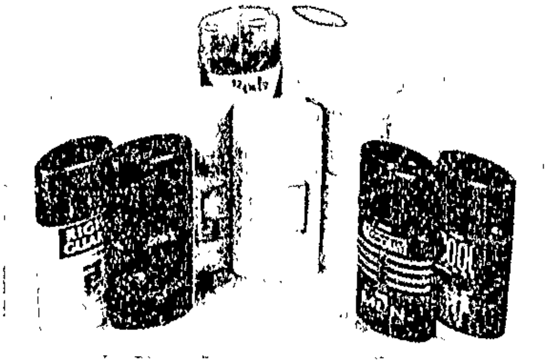
Capital expenditure amounted in the year to £2,740,000 of which £1,408,000 related to the new finished goods warehouse, £447,000 in respect of the antiperspirant stick line and £275,000 as the final payment for the raw materials store. These investments together with the implementation of British Standard 5750, ensure that we maintain the high quality of our products and the high standard of service to our customers.

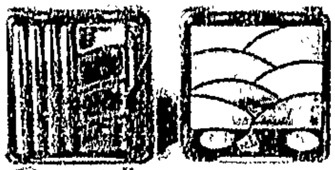
The company is conscious of the leading role it should play in promoting a positive attitude towards the environmental issues that affect our business. We offer only "ozone friendly" products to our customers and have fulfilled the promise that we made last year to eliminate the use of CFC gases from all our own non medical formulations. We support and design positive labeling to give as much information as possible to customers. Care is taken to ensure the packaging is recyclable where this is practicable, and that ingredients are not tested on animals.

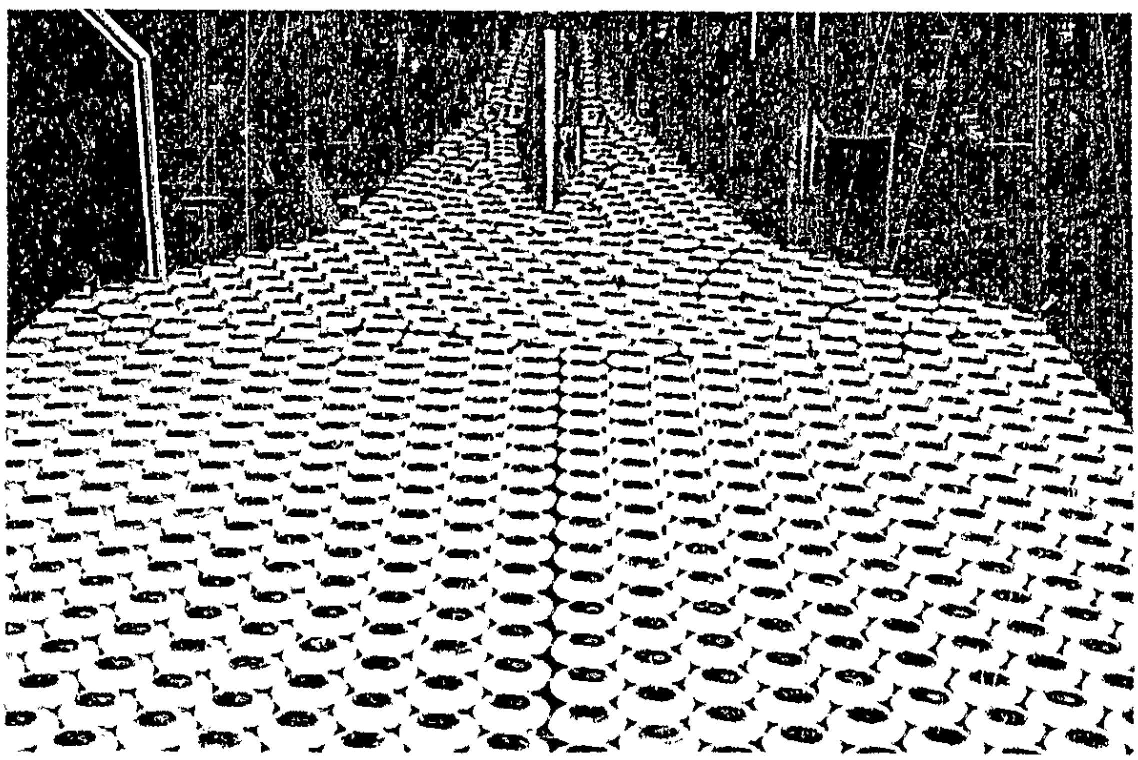
Shareholders know that the Board is constantly seeking to enhance the reputation of the company. We are maintaining our Research and Development expenditure on new formulations, new ingredients, and certainly on more environmentally friendly propellant systems. The new Bag-in-can plant has had another successful year and widened the product range with furniture creams and industrial products as well as the original shave gels. The stick plant is now fully operational after some teething problems and orders are increasing. These two plants are at Aerosols International but we are also looking at developments at Atlas Cosmetics. This business was trading unprofitably when acquired and we have acted to turn it round into profit in 1990. The changes we have made in the management structure, work practices in the factory and administration, and the much tighter financial controls should all help in making sure we achieve our objective as quickly as possible.

Following the acquisition we have restructured the Group to ensure that we maintain tight control of the essential factors whilst giving day to day responsibility to staff on the individual sites. The Swallowfield Board is therefore a small compact group with the skills to control the total business. Myself as Chairman and Bill Obey remain in a non executive role, with Tony Wardell as Managing Director providing strategic direction and the Sales and Marketing role, Tony Dowsett as Operations Director and Colin Graves as Finance Director and Company









DIRECTORS' REPORT

The Directors submit their report together with audited Group accounts for the year ended 31 December, 1989

Results and dividends

The Group profit after taxation for the year amounted to £1,413,000 (1988 £1,288,000). The Directors propose a final dividend of 3.4p per Ordinary Share which together with the interim dividend of 2.2p per Ordinary Share paid on 14 November 1989 makes a total dividend of 5.6p per Ordinary Share for the year. This leaves a profit of £856,000 to be carried forward

Review of the business and future developments

The principal activities of the Group are the formulation and manufacture of aerosol products for retail distributors, the contract filling of aerosols, the sale of aerosol grade hydrocarbon propellant and the manufacture of cosmetic pencils and other cosmetic products

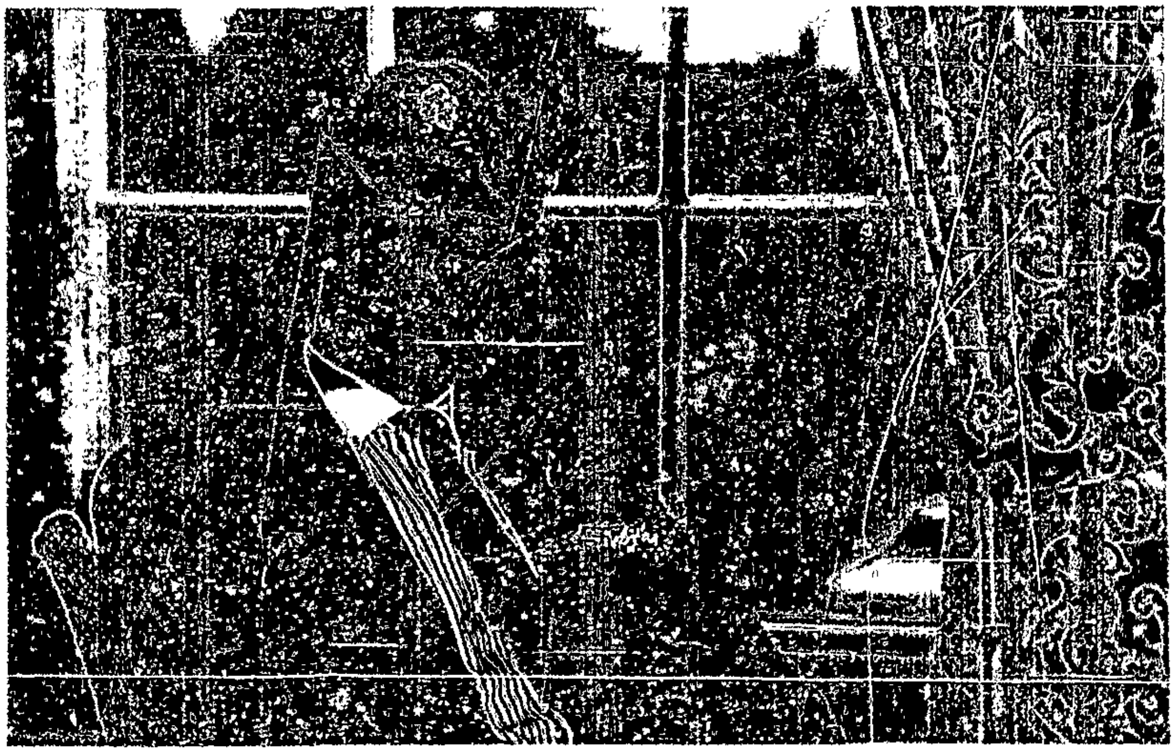
A review of the business and future developments is included in the Chairman's Statement on pages 4 and 5

Fixed assets

Movements in tangible fixed assets during the year are set out in note 12 to the accounts

Share Capital

The details of the changes in the Company's share capital as a result of the acquisition of Atlas Group Limited are shown in note 21 to the accounts



J A Wardell Managing Director Swallowfield plc

Substantial shareholding

At 3 April, 1990 notification had been received of the following holdings of 5% or more of the Company's Ordinary Share Capital

	Number of Ordinary Shares held	% of Issued Ordinary Share capital
NatWest Investment Bank Limited	1,880,000	18.5
3i Plc	1,706,000	17.0
J A Wardell	1,466,300	14.5
A P Dowsett	608,000	6.0

Directors and their Interests

The Directors who served during the year and their interests in the Company's share capital are as follows

	31 December 1989		31 December 1988	
	Ordinary shares	Options to subscribe	Ordinary shares	Options to subscribe
T J Organ	270 000		270 000	
J A Wardell	1 466 300		1 463 000	
A P Dowsett	608 000	5 769 (ii)	708 000	5 769
	80 000 (i)		80 000	
C A Graves	3 448	5 769	3 448	5 769
		33 000		[illegible]
N W Otley	1 000		[illegible]	

(i) Non beneficial

(ii) Options granted under the Swallowfield Savings Related Share Option Scheme exercisable at 104p per share within six months from the date of maturity of the savings contract

(iii) Options granted under the Swallowfield Executive Share Option Scheme exercisable at 104p per share between September 1991 and September 1998

Mr T J Organ purchased 10,000 Ordinary Shares on 4 January 1990. There were no other changes in Directors' interests between 31 December 1989 and 3 April 1990

In accordance with the Articles of Association, Mr T J Organ and Mr C A Graves retire by rotation at the Annual General Meeting and, being eligible, offer themselves for reappointment. Mr C A Graves has a service contract that expires on 3 October, 1991

During the year ended 31 December, 1989, no director had a material interest in any contract of significance to which the Company or any of its subsidiaries was a party

General Meetings

The following special resolutions will be proposed at the Annual General Meeting

Resolution 7 renews the current authority permitting the Directors to allot shares representing one third of the present issued share capital apart from shares to a nominal value of £40 000 in respect of existing employee share option schemes and £27 000 in respect of the conversion rights of the Convertible Cumulative Redeemable Preference Shares

Resolution 8 permits the Directors to allot for cash (apart from issues by way of rights or to satisfy existing employee share option schemes) shares representing 5% of the issued share capital. Shareholders should be aware that the Stock Exchange no longer requires special prior shareholders' approval for each such issue

At an Extraordinary General Meeting to be held directly after the Annual General Meeting ordinary resolutions will be proposed to amend the rules of the existing share option schemes in order to enable employees to exercise their options early and adopt new share option schemes, as explained fully in a circular to shareholders dated 23 April 1990

Donations

During the year the Group made charitable donations amounting to £3 500. No contributions were made for political purposes

Disabled employees

The Group always carefully considers an application for employment by any registered disabled person. If an employee becomes disabled, it is standard practice to offer an alternative job in all but the most extreme circumstances and to provide retraining where necessary. The Group training, development and promotion policies provide for equal opportunities for minority groups, including the disabled.

Employee Involvement

The policy of informing and consulting with employees has continued by means of regular Joint Consultative Committees and newsletters, and employees are encouraged to present their views and suggestions in respect of the Group's performance. All employees are formally advised of the Group's progress at least once per year, and manager and employee representatives are invited to share detailed Group performance figures on a quarterly basis.

Close company status

The Company is not a close company within the provisions of the Income and Corporation Taxes Act 1988.

Auditors

Arthur Young merged their practice with Ernst & Whinney on 1 September, 1989 and now practise in the name of Ernst & Young. Accordingly they have signed their audit report in their new name. Ernst & Young have expressed their willingness to continue in office as auditors and a resolution proposing their re-appointment will be submitted at the Annual General Meeting.

By Order of the Board

C A Graves

Secretary

3 April 1990

REPORT OF THE AUDITORS TO THE MEMBERS OF SWALLOWFIELD PLC

We have audited the accounts on pages 10 to 2[illegible] in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the Company and the Group at 31 December 1989 and of the profit and source and application of funds of [illegible] year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young

Chartered Accountants

Bristol

3 April 1990

GROUP PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER, 1989

	Notes	1989 £'000	1988 £'000
TURNOVER	2	16,165	14,369
Cost of sales		12,033	11,035
GROSS PROFIT		4,132	3,334
Distribution costs		676	534
Administrative expenses		1,136	732
OPERATING PROFIT	3	2,320	2,068
Interest receivable	6	210	175
Interest payable	7	(302)	(327)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,138	1,916
Tax on profit on ordinary activities	8	725	628
PROFIT ATTRIBUTABLE TO SHAREHOLDERS	9	1,413	1,288
Dividends	10	557	540
RETAINED PROFIT FOR THE YEAR	22	856	748
EARNINGS PER 5P ORDINARY SHARE	11	14.4p	14.6p

The notes on pages 14 to 29 form part of these accounts

GROUP BALANCE SHEET AT 31 DECEMBER, 1989

	Notes	1989 £'000	1988 £'000
FIXED ASSETS			
Tangible assets	12	8,142	3,843
CURRENT ASSETS			
Stock	14	4,161	2,230
Debtors	15	3,276	2,133
Cash at bank and in hand		780	2,955
		8,217	7,318
CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR	16	8,023	4,581
NET CURRENT ASSETS		194	2,737
TOTAL ASSETS LESS CURRENT LIABILITIES		8,336	6,580
CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	17	3,178	2,414
PROVISION FOR LIABILITIES AND CHARGES			
Deferred taxation	20	46	-
		5,112	4,166
CAPITAL AND RESERVES			
Called up share capital	21	1,504	488
Share premium	22	2,171	2,171
Revaluation reserve	22	317	317
Capital reserve	22	(926)	
Profit and loss account	22	2,046	1,190
		5,112	4,166

Approved by the Board on 3 April 1990

T J Organ) Directors
J A Wardell)

The notes on pages 14 to 29 form part of these accounts

COMPANY BALANCE SHEET AT 31 DECEMBER, 1989

	Notes	1989 £'000	1988 £'000
FIXED ASSETS			
Investments	13	3,048	1,325
CURRENT ASSETS			
Debtors	15	3,645	4,031
CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR	16	828	708
NET CURRENT ASSETS		2,817	3,323
TOTAL ASSETS LESS CURRENT LIABILITIES		5,865	4,648
CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	17	1,600	1,900
		4,265	2,748
CAPITAL AND RESERVES			
Called up share capital	21	1,504	488
Share premium	22	2,171	2,171
Capital reserve	22	467	-
Profit and loss account	22	123	89
		4,265	2,748

Approved by the Board on 3 April 1990

T J Organ }
J A Wardell } Directors

The notes on pages 14 to 29 form part of these accounts

GROUP STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED 31 DECEMBER, 1989

	1989 £'000	1988 £'000
SOURCE OF FUNDS		
Profit on ordinary activities before taxation	2,138	1,916
Adjustments for items not involving the movement of funds		
Depreciation	527	409
Profit on disposal of tangible fixed assets	(6)	(3)
TOTAL GENERATED FROM OPERATIONS	2,659	2,322
FUNDS FROM OTHER SOURCES		
* Proceeds of share issue	1,483	1,409
Proceeds of disposal of tangible fixed assets	56	33
	4,198	3,764
APPLICATION OF FUNDS		
* Purchase of Atlas Group Limited	1,723	
* Purchase of tangible fixed assets	2,740	1,182
Dividends paid	508	499
Current instalments paid on finance leases	60	78
Repayment on long term loan	300	309
Tax paid	570	267
	5,901	2,326
WORKING CAPITAL (DECREASE) INCREASE	(1,703)	1,438
COMPONENTS OF (DECREASE) INCREASE IN WORKING CAPITAL		
* Stocks	465	511
* Debtors	(277)	217
* Creditors	(151)	(541)
	37	287
MOVEMENT IN NET LIQUID FUNDS		
* Cash at bank and in hand	(1,740)	1,151
	(1,703)	1,438

* The effect of the acquisition of Atlas Group Limited is set out in note 23

The notes on pages 14 to 29 form part of these accounts.

NOTES TO THE ACCOUNTS AT 31 DECEMBER, 1989

1. ACCOUNTING POLICIES

a) Accounting convention

The accounts are prepared under the historical cost convention, modified by the revaluation of freehold properties

b) Basis of consolidation

The Group accounts consolidate the accounts of the Company and its subsidiaries made up to the Saturday nearest to 31 December each year

In accordance with the exemptions given by S. 228(7) of the Companies Act 1985 the Company has not presented its own profit and loss account

c) Goodwill

Goodwill arising on consolidation is written off directly to reserves in the Group accounts

d) Depreciation

Tangible fixed assets other than freehold land are depreciated over their useful lives to their estimated residual value on a straight line basis. The principal rates of depreciation are as follows

Freehold buildings	[illegible] per annum
Plant	10% per annum
Vehicles	[illegible] per annum
Office equipment	[illegible] per annum

e) Stocks

Stocks are stated at the lower of cost and net realisable value as follows

Cost includes all costs in bringing each product to its present location and condition

Raw materials	purchase cost on a first in first out basis
Work in progress and finished goods	cost of direct materials and labour plus attributable overheads based on the normal level of activity

Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal

f) Research and development expenditure

Expenditure is written off in the financial year in which it is incurred

g) Deferred taxation

Deferred taxation is provided on the liability method on all timing differences to the extent that they are expected to reverse in the future calculated at the rate at which it is estimated that tax will be payable

Advance corporation tax which is expected to be recoverable in the future is deducted from the deferred taxation balance. Any excess of recoverable ACT over the deferred tax balance is held as a current asset

h) Foreign currencies

Normal trading transactions denominated in foreign currencies are recorded in sterling at actual rates as of the date of the transaction

Monetary assets and liabilities denominated in foreign currencies are translated at the middle market rates at the balance sheet date except in the case of third party transactions covered forward where rates fixed in the contracts are used

All differences are taken to the profit and loss account

i) Leasing and hire purchase commitments

Assets obtained under finance leases and hire purchase contracts are capitalised in the balance sheet and are depreciated over their useful lives

The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding

Rentals paid under operating leases are charged to income on a straight line basis over the term of the lease

j) Pension costs

The cost of providing benefits under the Group's pension schemes is charged over the remaining working lives of the members

NOTES TO THE ACCOUNTS AT 31 DECEMBER, 1989

2. TURNOVER

Turnover represents the invoiced value of sales net of trade discounts and excluding value added tax. The turnover and group profit on ordinary activities before taxation were contributed as follows

Turnover	1989		1988	
	£'000	%	£'000	
Area of activity				
Aerosol products	15,678	97	14 369	100
Cosmetic products	487	3		
	16,165	100	14 369	100
Geographical area				
UK	15,709	97	14 314	100
Export	456	3	55	
	16,165	100	14 369	100

Profit on ordinary activities before taxation

	1989		1988	
Area of activity				
Aerosol products	2,201	103	1 916	100
Cosmetic products	(63)	(3)		
	2,138	100	1 916	100

NOTES TO THE ACCOUNTS AT 31 DECEMBER, 1989

3. OPERATING PROFIT

This is stated after charging

	1989 £'000	1988 £'000
Depreciation of tangible fixed assets	527	409
Research and development	100	95
Operating leases and hire of plant and machinery	45	31
Auditors' remuneration	26	20

4. DIRECTORS' EMOLUMENTS

	1989 £	1988 £
Fees	20,132	12 530
Executive remuneration including pension contributions	210,057	168 125
	£230,189	£180 655

The emoluments excluding pension contributions of the Chairman and the highest paid Director were £12 440 (1988 £5 710) and £68 519 (1988 £56 961) respectively.

The emoluments excluding pen[illegible] of the other Directors fell within the [illegible]

		1989 No	1988 No
£5,001	£10 000	1	1
£45 001	£50 000	1	2
£50 001	£55 000	1	

NOTES TO THE ACCOUNTS AT 31 DECEMBER, 1989

5. STAFF COSTS

	1989 £'000	1988 £'000
Wages and salaries	2,234	1,881
Social security costs	179	157
Other pension costs	204	133
	2,617	2,171

The average weekly number of employees during the year was made up as follows

	No	No
Production	186	156
Distribution and marketing	16	15
Administration	29	29
	231	200

Senior Employees

The number of senior employees of the Group who received remuneration falling within the ranges below were

		No	No
£30,001	£35,000	-	1
£35,001	£40,000	1	
£40,001	£45,000	1	

NOTES TO THE ACCOUNTS AT 31 DECEMBER, 1989

6. INTEREST RECEIVABLE

	1989 £'000	1988 £'000
Bank interest	210	175

7. INTEREST PAYABLE

	1989 £'000	1988 £'000
Finance lease interest	18	20
Bank overdraft	32	–
Bank loans not wholly repayable within five years	342	307
	392	327

8. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1989 £'000	1988 £'000
Based o… it for the year		
Corporation tax at 35%	633	593
Deferred taxation	100	35
	733	628
Adjustments in respect of prior years		
Corporation tax overprovided	(8)	–
	725	628

NOTES TO THE ACCOUNTS AT 31 DECEMBER, 1989

9. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

	1989 £'000	1988 £'000
Dealt with in the accounts of the holding company	591	572
Retained by subsidiary companies	822	716
	1,413	1,288

10. DIVIDENDS

		1989 £'000	1988 £'000
Preference	- paid	-	67
Ordinary	- First interim paid	215	10
	- Second interim paid	-	170
	- Final proposed	342	293
		557	540

11. EARNINGS PER SHARE

The calculation of earnings per share is based on 9 786 928 (1988 - 8 383 562) Ordinary Shares of 5p each and the profit on ordinary activities after taxation and preference dividends of £1 413 000 (1988 - £1 221 000)

NOTES TO THE ACCOUNTS AT 31 DECEMBER, 1989

12. TANGIBLE FIXED ASSETS

	GROUP		
	Freehold land and buildings £'000	Plant and machinery £'000	Total £'000
Cost or valuation			
At 1 January, 1989	928	5,163	6,091
Additions	1,684	1,056	2,740
Acquisition of subsidiary	1,087	2,285	3,372
Disposals	-	(106)	(106)
At 31 December 1989	3,699	8,398	12,097
Depreciation			
At 1 January 1989	7	2,241	2,248
Provided during the year	22	505	527
Acquisition of subsidiary	9	1227	1,236
Disposals	-	(56)	(56)
At 31 December 1989	38	3,917	3,955
Net book value			
At 31 December 1989	3,661	4,481	8,142
At 1 January 1989	921	2,922	3,843

The net book value of plant and machinery at 31 December 1989 includes an amount of £482 000 (1988 - £215 000) after depreciation charged in the year of £48 000 (1988 £43 000) in respect of assets held under finance leases.

If freehold land and buildings had not been revalued they would be restated at the following amounts

	1989 £'000	1988 £'
Historical cost at 31 December	2,963	611
Accumulated depreciation based on cost	178	7

NOTES TO THE ACCOUNTS
AT 31 DECEMBER, 1989

13. INVESTMENTS

	COMPANY
	£'000
Cost at 1 January, 1989	1,325
Additions	1,723
At 31 December, 1989	3,048

The Group holds 100% of the equity of the following companies, all of which are registered and operate in England

Name of Company	Holding	Nature of business
Aerosols International Limited	100%	Formulation and manufacture of aerosols and the sale of aerosol grade propellant
Atlas Group Limited	100%	Holding company
Atlas Cosmetics Limited	100% *	Manufacture of cosmetic pencils and other cosmetic products
Atlas Pencil (Sales) Limited	100% *	Dormant

* held by a subsidiary company

14. STOCKS

	GROUP	
	1989	1988
	£'000	£'000
Raw materials and consumables	1,899	1,230
Work in progress	791	126
Finished goods for resale	1,411	874
	4,101	2,230

NOTES TO THE ACCOUNTS
AT 31 DECEMBER, 1989

15. DEBTORS

	GROUP		COMPANY	
	1989 £'000	1988 £'000	1989 £'000	1988 £'000
Trade debtors	3,115	2,017	-	-
Amounts owed by subsidiaries	-	-	3,531	3,934
Loans to employees				
Receivable within one year	10	9	-	-
Receivable after more than one year	12	12	-	-
Advance corporation tax recoverable	-	37	114	97
Other debtors	39	40	-	-
Prepayments and accrued income	100	18	-	-
	3,276	2,133	3,645	4,031

16. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	GROUP		COMPANY	
	1989 £'000	1988 £'000	1989 £'000	1988 £'000
Bank overdraft (secured)	1,838	-	-	-
Current instalment due on loan (note 19)	300	300	300	300
Current obligations under finance leases (note 18)	173	64	-	
Trade creditors	3,084	2,291	-	-
Bills of exchange payable	25	147	-	
Advance corporation tax payable	186	105	186	105
Current corporation tax	463	472	-	
Other taxes and social security costs	438	249	-	
Accruals and deferred income	1,174	660	-	10
Proposed dividend	342	293	342	293
	8,023	4,581	828	708

NOTES TO THE ACCOUNTS AT 31 DECEMBER, 1989

17. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	GROUP		COMPANY	
	1989 £'000	1988 £'000	1989 £'000	1988 £'000
Loans (note 19)	3,010	2,310	1,600	1,900
Obligations under finance leases (note 18)	168	104	-	-
	3,178	2,414	1,600	1,900

18. OBLIGATIONS UNDER LEASES

Finance leases

	GROUP	
	1989 £'000	1988 £'000
Amounts payable		
Within one year	207	76
In the second to fifth years inclusive	205	111
	412	187
Finance charges allocated to future periods	(71)	(19)
	341	168

Finance leases are analysed as follows

Current obligations	173	64
Non-current obligations	168	104
	341	168

Operating leases

The Group's annual commitments under non-cancellable operating leases are as follows

	Plant and machinery		Land and buildings	
	1989 £'000	1988 £'000	1989 £'000	1988 £'000
Operating leases which expire				
Within one year	9	8	-	
In the second to fifth years inclusive	12	11	-	-
Over five years	-	-	39	-
	21	19	39	

NOTES TO THE ACCOUNTS AT 31 DECEMBER, 1989

10. LOANS

Details of loans not wholly repayable within five years are as follows

	GROUP		COMPANY	
	1989 £'000	1988 £'000	1989 £'000	1988 £'000
Secured loan at 1% above LIBOR repayable in annual instalments	1,900	2 200	1,900	2 200
Secured loan at 12 1/16% repayable in full in October 1997	410	410	-	
Secured loan at variable fixed rates between 0% and 15% repayable in two instalments of £500 000 in November 1993 and November 1994	1,000	-	-	
	3,310	2 610	1,900	2 200

Amounts due at 31 December 1989 are repayable as follows

	GROUP		COMPANY	
	1989 £'000	1988 £'000	1989 £'000	1988 £'000
After five years	810	1 110	400	700
Between two and five years	1,900	900	900	900
Between one and two years	300	300	300	300
	3,010	2 310	1,600	1 900
Within one year (included in current liabilities)	300	300	300	300
	3,310	2 610	1,900	2 200

The bank loans of £1 900 000 and £1 [illegible] are secured by fixed and floating charges over certain of the Group's assets. The bank loan of £410 000 is secured by a charge on a part of the Group's freehold premises.

NOTES TO THE ACCOUNTS
AT 31 DECEMBER, 1989

20. DEFERRED TAXATION

Deferred taxation provided in the accounts and the amounts not provided are as follows

	GROUP			
	PROVIDED		NOT PROVIDED	
	1989 £'000	1988 £'000	1989 £'000	1988 £'000
Capital allowances in advance of depreciation	180	76	603	350
Other timing differences	(20)	(16)	(250)	
	160	60	353	350
Advance corporation tax	(114)	(60)	-	
	46		353	350
Taxation on revaluation surplus	-		174	106
	46		527	456

21. SHARE CAPITAL

Authorised Share Capital

	1989 £'000	1988 £'000
Preference Share Capital		
1,000,000 (1988 nil) Convertible Cumulative Redeemable Preference Shares of £1 each	1,000	
Ordinary Share Capital		
25,800,000 (1988 25,800,000) Ordinary Shares of 5p each	1,290	1,290
	2,290	1,290

Issued Share Capital

	1989 £'000	1988 £'000
Preference Share Capital		
1,000,000 (1988 nil) Convertible Cumulative Redeemable Preference Shares of £1 each	1,000	
Ordinary Share Capital		
10,078,759 (1988 9,760,000) Ordinary Shares of 5p each	504	488
	1,504	488

NOTES TO THE ACCOUNTS
AT 31 DECEMBER, 1989

21. continued

(i) At an Extraordinary General Meeting on 20 November, 1989 the authorised share capital of the Company was increased by the creation of 1,000,000 Convertible Cumulative Redeemable Preference Shares of £1.

(ii) On 21 November, 1989, the Company issued 1,000,000 Convertible Cumulative Redeemable Preference Shares of £1 and 328,759 Ordinary Shares of 5p as consideration for the acquisition of Atlas Group Limited.
The excess of the issue price over par value of the Ordinary shares of 5p issued, was credited net of attributable issue costs to capital reserve under the merger relief provisions of Section 131 (2) of the Companies Act 1985.

(iii) The Convertible Cumulative Redeemable Preference Shares are convertible into Ordinary Shares during a period of four months in each of the financial years 1995 to 1999 inclusive at the rate of 54 Ordinary Shares for every 100 Convertible Cumulative Redeemable Preference Shares. This is equivalent to a conversion price of 185.15p per Ordinary Share. The Company has the right to redeem at par at any time between the first conversion date and 31 December, 1999 the whole or any part of the Convertible Cumulative Redeemable Preference Shares then in issue and remaining unconverted by giving not less than three months prior written notice. On receipt of such notice the holder of such Convertible Cumulative Redeemable Preference Shares may, at his option convert all or any of such shares into Ordinary Shares.

The holders of Convertible Cumulative Redeemable Preference Shares are entitled to the following rate of dividend

	[illegible]
12 months to 31 December	
1991	7.5p
1992 1996	10.0p
1997 and thereafter	12.0p

Share options

At 31 December, 1989 certain Directors and employees held options to subscribe for shares in the Company as described below.

(i) 1988 Executive Share Option Scheme. Options to subscribe for 187,560 shares at 104p each exercisable in accordance with the rules, between September 1991 and September 1998.

(ii) 1988 Savings Related Share Option Scheme. Options to subscribe for 198,531 shares at 104p exercisable within six months of the date of maturity of the savings contracts in September 1993.

NOTES TO THE ACCOUNTS AT 31 DECEMBER, 1989

22. RESERVES

GROUP

	Share premium £'000	Revaluation reserve £'000	Capital reserve £'000	Profit and loss account £'000
At 1 January, 1989	2,171	317	-	1,190
Excess of issue price over par value of Ordinary Shares	-	-	467	-
Goodwill written off (note 23)	-	-	(1393)	-
Retained profit for the year	-	-	-	856
At 31 December, 1989	2,171	317	(926)	2,046

COMPANY

	Share premium £'000	Capital reserve £'000	Profit and loss account £'000
At 1 January 1989	2,171	-	89
Excess of issue price over par value of Ordinary Shares	-	467	-
Retained profit for the year	-	-	34
At 31 December, 1989	2,171	467	123

NOTES TO THE ACCOUNTS AT 31 DECEMBER, 1989

23. ACQUISITION OF ATLAS GROUP LIMITED

On 21 November 1989 the Group acquired the Atlas group of companies The following table sets out the effect of this acquisition on the Consolidated Balance Sheet of the Group

Net assets acquired:	Unaudited consolidated accounts as at the date of acquisition £'000	Provision for reorganisation costs £'000	Total £'000
Tangible fixed assets	**2,136**	**-**	**2,136**
Stocks	**1,466**	**-**	**1,466**
Debtors	**1,457**	**-**	**1,457**
Creditors amounts falling due within one year	**(1,134)**	**(198)**	**(1,332)**
Overdraft	**(2,273)**	**-**	**(2,273)**
Net current liabilities	**(484)**	**(198)**	**(682)**
Long term debt	**(1,000)**	**-**	**(1,000)**
Creditors amounts falling due after more than one year	**(124)**	**-**	**(124)**
Total net assets acquired	**528**	**(198)**	**330**

Consideration paid:	
Shares	**1,483**
Expenses	**240**
Total Consideration	**1,723**
Goodwill on consolidation to capital reserve (note 22)	**1,393**

24. CAPITAL COMMITMENTS

	GROUP 1989 £'000	1988 £'000
Contracted	**86**	735
Authorised by the Directors but not contracted for	**29**	1 316
	115	2 051

NOTES TO THE ACCOUNTS AT 31 DECEMBER, 1989

25. PENSION ARRANGEMENTS

The Group operates a number of defined benefit pension plans and defined contribution plans, all of which are funded by the payment of contributions to separately administered funds.

For defined benefit schemes the pension cost is assessed in accordance with the advice of qualified actuaries. The Aerosols International Limited plan uses the attained age method. The most recent valuation was conducted as at 6 April, 1987; the assumptions which have the most significant effects on results are the valuation rate of interest at 8.5% per annum, salary growth at 7.5% per annum, dividend income received by funds would increase by 4% and present and future pensions would increase by 3% on that part of the pension in excess of the members guaranteed minimum pension.

The valuation showed that the market value of the scheme's assets was £1,370,353 and the actuarial value of the assets was sufficient to cover 117% of the benefits that had accrued to members, after allowing for future increases in earnings.

Since the date of that valuation a separate defined contribution plan has been set up for a number of directors and senior employees. A transfer of assets will be made from the Aerosols International Limited plan on the basis of advice from the Group's actuarial advisors, who have confirmed that this has not had a significant effect on the funding position of the defined benefit plan.

The Atlas Cosmetics Limited Retirement and Death Benefit Scheme was last subject to a full valuation as at 6 April 1986 and was subject to an independent review and report as at 6 October 1988. The report showed that the net assets available under the scheme amounted to £132,132 which was sufficient to cover 115% of the benefits that had accrued to members, after allowing for future increases in earnings.

26. CONTINGENT LIABILITY

All options granted to date under the Company's Executive and SAYE Share Option Schemes were granted before these schemes had received the formal approval [illegible] Inland Revenue. Accordingly they do not qualify for the usual favourable tax treatment which employees believed they would receive. The Company intends to allow the [illegible] in the near future, following amendment to the existing rules, to compensate option holders [illegible] favourable tax treatment [illegible] new approved schemes and to grant new options to employees under the [illegible].

The cost of compensation [illegible] the market value of the Company's Ordinary Shares but is estimated to be [illegible] £90,000 in aggregate based upon the market value of the Company's Ordinary Shares at [illegible].

FIVE YEAR SUMMARY

The financial information set out below is based on the audited accounts of the companies comprising the group for the five financial years ended 31 December, 1989 after making such adjustments as were considered necessary for the Accountant's Report published as Part III of the Placing Document dated 6 October, 1988

PROFIT AND LOSS ACCOUNT	1989 £'000	1988 £'000	1987 £'000	1986 £'000	1985 £'000
Turnover	**18,165**	14,369	12,778	11,206	11,597
Trading profit	**2,320**	2,068	1,531	1,148	782
Interest	**(182)**	(152)	(187)	(321)	(7)
Profit before taxation	**2,138**	1,916	1,344	827	775
Taxation	**(725)**	(628)	(439)	(308)	(320)
Profit before distributions	**1,413**	1,288	905	519	455
Earnings per 5p Ordinary Share	**14.4p**	14.6p	10.2p	5.6p	5.7p

BALANCE SHEET	1989 £'000	1988 £'000	1987 £'000	1986 £'000	1985 £'000
Fixed Assets	**8,142**	3,843	2,783	1,651	1,319
Net current assets	**194**	2,737	1,701	2,214	1,288
Total assets less current liabilities	**8,336**	6,580	4,484	3,865	2,607
Long term creditors					
Loans and lease finance	**(3,178)**	(2414)	(2,792)	(2,721)	
Amounts owed to Cadbury Schweppes	**-**				(1,724)
Deferred tax	**(46)**				
Net Assets	**5,112**	4,166	1,692	1,144	883

NOTICE OF MEETING

Notice is hereby given that the Third Annual General Meeting of the Company will be held at the Castle Hotel, Taunton, Somerset on Wednesday, 16 May 1990 at 12 noon for the following purposes

1. To receive and adopt the annual statement of accounts and the reports of the Directors and Auditors for the year ended 31 December 1989
2. To declare a dividend
3. To elect Mr T J Organ as a Director
4. To elect Mr C A Graves as a Director
5. To reappoint Ernst & Young as Auditors
6. To authorise the Directors to fix the remuneration of the Auditors

As special business to consider and if thought fit pass the following resolutions

7) The Directors be and are hereby generally and unconditionally authorised to exercise all the powers of the Company to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985) up to an aggregate nominal amount of £234,979 provided that this authority shall expire on the fifth anniversary of the date of this Meeting save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such an offer or agreement as if the authority hereby conferred had not expired and that the authority conferred on the Directors pursuant to Section 80 of the Companies Act 1985 by the Company in general meeting on 4 October 1988 and 20 November 1989 be and is hereby revoked

8. The Directors be and are hereby empowered under Section 95 of the Companies Act 1985 to allot equity securities within the meaning of Section 94 of the Companies Act 1985 (equity securities) for cash pursuant to the authority conferred by the foregoing resolution as if Section 89(1) of the said Act did not apply to any such allotment provided that this authority which supersedes and replaces the authority granted to the Directors under Section 95 of the Companies Act 1985 on 20 November 1989 shall be limited to

(a) the allotment of equity securities in connection with a rights issue in favour of Ordinary shareholders where the equity securities respectively attributable to the interests of all Ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of Ordinary shares held by them

(b) the allotment (otherwise than pursuant to sub-paragraphs (a) above and (c) and (d) below) of equity securities for cash up to an aggregate nominal value of £25,197

(c) the allotment of equity securities in connection with the exercise of the rights of conversion attaching to the Convertible Cumulative Redeemable Preference Shares and

(d) the allotment of equity securities for the purpose of any option incentive or profit sharing scheme (whether or not an employees' share scheme as defined in the Companies Act 1985) being a scheme approved by the shareholders in general meeting

and shall expire on the date of the next Annual General Meeting of the Company after the passing of this Resolution save that the Company may before such expiry date make any offer or agreement which would or might require equity securities to be allotted after such expiry date and accordingly the Directors may allot equity securities pursuant to any such offer or agreement as if such authority had not expired

By order of the Board

C A Graves	Swallowfield House
Secretary	Station Road
23 April 1990	Wellington Somerset

A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies (whether members or not) to attend and vote instead of him.

Forms of proxy must be deposited at the National Westminster Bank PLC Registrar's Department PO Box No 82 Caxton House Redcliffe Way Bristol BS99 7NA not less than 48 hours before the time fixed for the meeting.

The register of the Directors' interests in the capital of the Company and copies of the Directors' contracts of service with the Company will be available for inspection at the Registered Office from the date of this notice until 16 May 1990 and at the Annual General Meeting from 15 minutes prior to the meeting.

FORM OF PROXY
FOR USE BY ORDINARY SHAREHOLDERS

I/We
Please use block capitals

of

hereby appoint the Chairman of the Meeting or *

of

as my/our proxy and on a poll to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on Wednesday 16 May, 1990 and at any adjournment thereof. I/We direct my/our proxy to vote on the resolutions to be proposed at the Annual General Meeting as follows

Dated the day of 1990

Signature

Notes

1 *This form of proxy must be deposited at the National Westminster Bank PLC at the address overleaf not later than 48 hours before the Meeting.*

2 *In the case of a corporation, this proxy must be either under its common seal or under the hand of an officer or attorney duly authorised; evidence of such authority should accompany this proxy*

3 *In the case of a joint holding, the vote of the senior holder who tenders a vote (seniority being determined by the order in which the names are registered) will be accepted to the exclusion of the votes of the other joint holders*

* *If you wish to appoint a proxy other than the Chairman of the Meeting, please amend and insert the name and address of your proxy*

Please indicate your vote by an X in the appropriate boxes. Unless otherwise indicated, the proxy will abstain or vote on all business transacted at the Meeting as he/she thinks fit

RESOLUTIONS	FOR	AGAINST
1 To receive the Report and Accounts		
2 To declare a final dividend of 3.4p per Ordinary Share		
3 To re-appoint Mr T J Organ as a director		
4 To re-appoint Mr C A Graves as a director		
5 To re-appoint Ernst & Young as Auditors		
6 To authorise the Directors to fix the remuneration of the Auditors		
7 As a special resolution, to authorise the Directors to issue equity securities pursuant to Section 80 of the Companies Act 1985		
8 As a special resolution, to authorise the Directors to issue equity securities wholly for cash subject to limitations		