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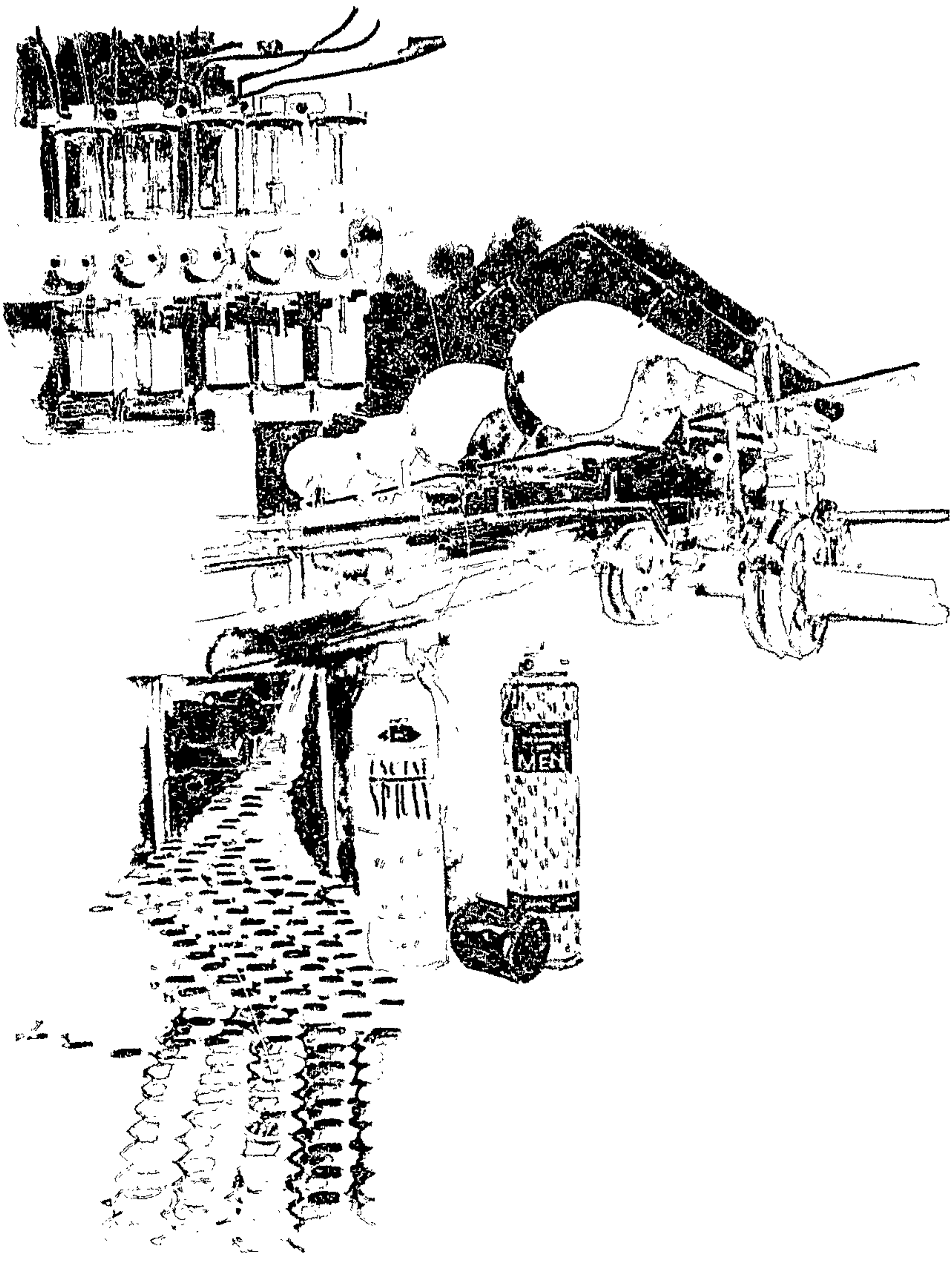
CONTENTS

AEROSOLS INTERNATIONAL LIMITED



GROUP INFORMATION

Directors
T J Organ (Chairman) (Non-Executive)
J A Wardell (Managing Director)
A P Dowsett
C A Graves FCA
C C Jenner
N W Otley FCA (Non-Executive)

Secretary
C A Graves FCA

Registered Office
Swallowfield House
Station Road
Wellington
Somerset
TA21 8NL

Auditors
Ernst & Young
One Bridewell Street
Bristol
BS1 2AA

Bankers
National Westminster Bank PLC
12 Fore Street
Wellington
Somerset
TA21 8AL

Registrars
National Westminster Bank PLC
Registrar's Department
PO Box 82
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Stockbrokers
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Wood Mackenzie & Co. Limited
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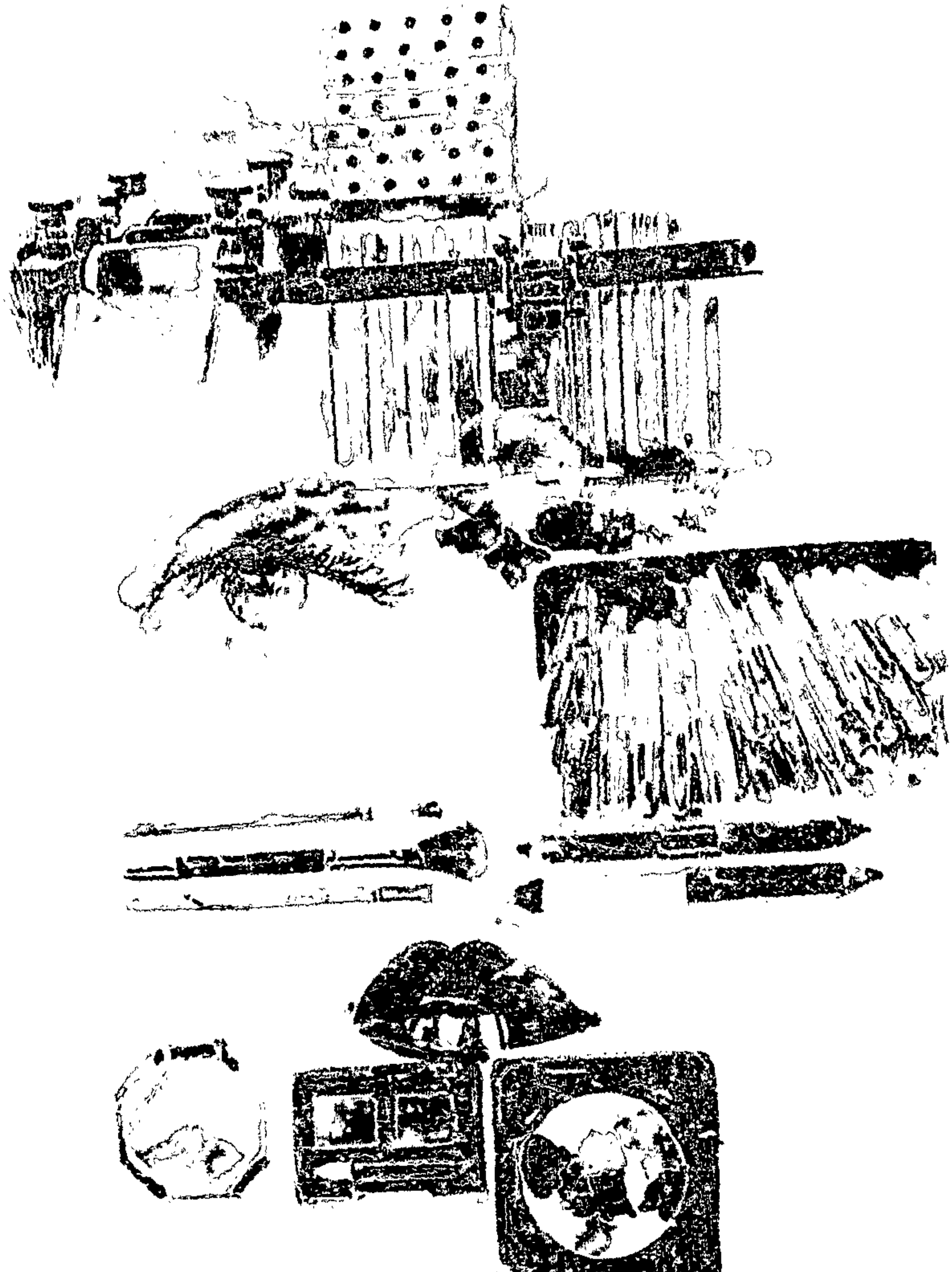
London
EC2M 3XT

Merchant Bankers
NatWest Markets
Corporate Finance Limited
135 Bishopsgate
London
EC2M 3UR

Solicitors
Osborne Clarke
30 Queen Charlotte Street
Bristol
BS99 7QQ

Registered Number
1975376

COSMETICS PLUS LIMITED



CHAIRMAN'S STATEMENT

In my half-year statement of 9 September 1993 I gave shareholders an encouraging report. The two United Kingdom trading companies (Aerosols International Limited and Cosmetics Plus Limited) were going along very well but the Belgian company (Parbel S.A.) was restricted because of the factory fire of February 1993. That pattern has continued with ever improving results in the UK and the factory now refurbished in Brussels. The contribution of the management and workforce has been immense and now I am delighted to report a considerable increase in our turnover and profits.

Group sales for the year were £28.6 million against £23.2 million last year – an increase of 23%. These basic figures however do not show the very important unit sales increases achieved at both Aerosols International Limited and Cosmetics Plus Limited. Combined unit sales at Aerosols International of all categories, including non-aerosols and sticks, increased by more than 20%. At Cosmetics Plus the number of pencils sold increased by nearly 35% and the number of kits almost doubled with a 91% increase. It is because of figures like this that I mention the tremendous contribution of the staff in the first paragraph. You cannot do this without the staff being prepared to chop and change, shifts on and off, overtime in some weeks and not others. Naturally the Parbel figures are all down but with a refurbished factory 1994 should start to go better.

With the current level of inflation it was difficult to increase prices in 1993. Profit figures reflect the big increase in unit sales and improved efficiency. Profit before tax is £1,630,000 (1992 £1,269,000) an increase of 28%.

Our plan for Swallowfield has been delayed by the fire in Brussels but our overall policy of investment to broaden

the product base of the Group into cosmetics has been proved viable. 1993 has seen an admirable performance at Cosmetics Plus and in turn this bodes well for the future of Parbel. Our confidence is shown by the recommended dividend increase and the appointment of Colin Jenner to the Swallowfield Board following these outstanding results.

The final dividend is recommended to be 3.0p per ordinary share (1992 2.2p). The company is supported by a stronger balance sheet. Gearing has improved from 82% to 62%. Earnings per share were 9.6p in 1993 (1992 7.3p). We are confident of recouping lost sales at Parbel and the financial results as presented do not yet include the full benefit of all insurance claims which are at the moment unresolved and likely to be so for some time.

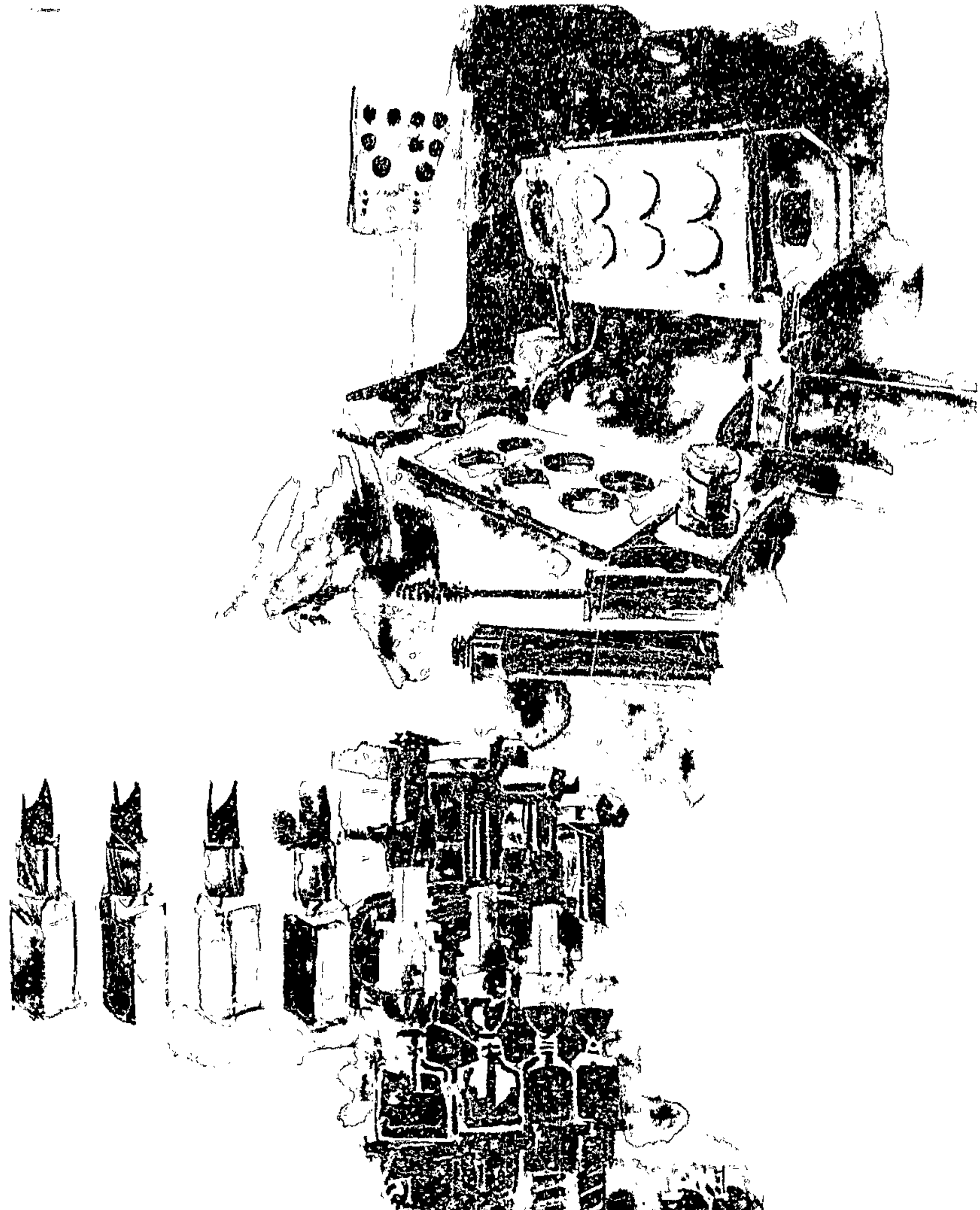
The Board is indebted to everybody in the company for their help this year. We have had two important 'open' days. The launch of the new pencil material at Bideford was excellently arranged and there was a second notable occasion at Wellington when the local MP officially opened the new gel plant. Both these events reflect continuing investment in new and innovative product ideas within the Swallowfield Group and have helped towards the production of environmentally sensible products to take our business forward.

We hope the current trading conditions in the UK continue to improve; we hope for some understanding from our European customers as we come back to give service and satisfaction; then we should have an excellent 1994. The first three months fill us with considerable confidence.

T J Organ
Chairman

14 April 1994

PARBEL SA



MANAGING DIRECTOR'S REPORT

In 1993 we continued to work at the basics and maintain our policies and philosophies. Thus, as our Chairman has outlined, many of our key financial indicators record a strong improvement over the previous year and we have started 1994 well.

Against significantly increased turnover we have held stocks level, improved working capital and cash flows thereby reducing our gearing. Organic growth has been substantial *reflecting* the success of our policy of investing in innovative ideas.

Despite a frustrating year at Parbel since the fire, we have finally refurbished the factory and we have energetically set about re-building their business. Group sales to mainland Europe, however, have increased 62% and we remain confident of more to come. There is much questioning of the ability of the European Union to deliver for UK businesses but we continue to see long-term Group benefits from our Parbel acquisition.

We have strengthened our management within the operating divisions and continue to see our personnel policy and *Swallowfield style and culture working* together to maintain a positive, enthusiastic and committed workforce. At Aerosols International in particular we are pursuing the Investors in People recognition to go with the BS5750 qualification gained four years ago.

Our markets, mainly for toiletries and cosmetics, remained flat or regressive across most of Europe and we have improved our shares by the consistent use of innovation, quality and service. We continue to impress these basic philosophies on our workforce by policies on waste management, environmental matters, health and safety and most importantly, training. We expect these policies to be reflected in the attitudes of all Swallowfield Group employees.

Aerosols International

Total volumes were significantly higher at 21% over 1992. The mix altered to favour our contract and overflow business at the expense of the higher margin own label sales. The fall in total margins, however, was not as far as forecast and new *product innovations with good added* values helped the overall margin mix.

Bag-in-can sales and stick products continued to grow although bag-in-can volumes lagged behind our optimistic forecasts. We see encouraging growth prospects however for 1994 and onwards. Aerosol sales nationally have improved but this continues to be brand/self filler led and contract filling generally remains flattish. Our association with the blue-chip brand names in toiletries and cosmetics continues to stand us in good stead and focuses our attention very sharply on good quality cost-effective production.

Our French agents, Kapa Reynolds, based in Paris, have increased our volumes of bag-in-can and stick sales to French supermarkets by 400% and we continue *to seek even bigger* volumes in 1994 from greater Europe.

Cosmetics Plus

As predicted last year, 1993 proved a most successful year for Cosmetics Plus and this has continued in 1994.

A company-wide concentration on the basics of good management has increased the turnover and profits, improved the balance sheet and their working capital requirements. They continue to show promise of another good year.

Significant orders for both cosmetic pencils and colour cosmetics have boosted the turnover and sales have increased in all product categories. Their exports to the European mainland, to North America and to Canada have all shown significant improvements. With a generally flat global cosmetic market, this highlights Cosmetics Plus' enhanced performance.

During the year a number of new innovations were conceived culminating in a very successful day launching pencils made from a wood alternative called Lydall Pencil Board (LPB). As the harvesting of new timber becomes globally more contentious and waste paper and cardboard piles up around Europe, end uses for such cellulosic waste must become more sensible and important.

Parbel

The fire in February of 1993, whilst small in industrial terms, proved irritating in complexity and brought on other necessary factory alterations. Thus it took most of last year to refurbish the premises and raise standards to the required levels prior to approaching customers to retrieve our lost business. This year has started better than expected but does not yet hide a difficult year in 1993 for Parbel which saw significant losses in the second half after the fire.

There is not much that can be said about the 1993 performance but considerable planning and scheming for a much better 1994 was undertaken and the management structure altered to achieve our plans. So far these are looking good.

Across the Group we anticipate continuing our capital spending programmes on new innovations and to improve our manufacturing performance and remain confident of yet more benefits showing in this coming year.

J A Wardell
Managing Director

14 April 1994

FINANCIAL REVIEW

Trading

The turnover figure already reported by the Chairman as increasing by 23% to £28.6 million includes a full year's sales at Parbel (1992 six months). The underlying rate of growth in sales is 17%. The operating profit of £2.1 million (1992 £1.9 million) includes a full year's loss at Parbel of £0.5 million (1992 £nil) reflecting lost sales and exceptional costs following the fire in February 1993. This has offset the enhanced operating performances of Aerosols International £2.3 million (1992 £2.0 million) and Cosmetics Plus £0.8 million (1992 £0.3 million).

Exceptional Items

The operating profit includes exceptional costs of £132,000 arising from the fire at Parbel S.A. and comprises the costs of repairing the fire and smoke damage to the factory, cleaning and the additional costs that were incurred in order to maintain production and keep our customers supplied. The profit on disposal of fixed assets which is shown below the operating profit also arises from the fire at Parbel and represents the excess of the insurance proceeds, being reinstatement value over the book value of the assets destroyed in the fire.

Interest

Net interest payable in the year of £0.6 million (1992 £0.7 million) has benefited from the fall in UK interest rates as the majority of the Group's UK borrowings are floating rate term loans. The decrease in the overall level of the Group's borrowings has also contributed to the reduction in the interest charge. As part of the terms of the acquisition of Cosmetics Plus in 1989, the Group assumed a term facility of £1.0 million that is currently bearing interest at 15%. At the end of 1993 £0.5 million of this facility was refinanced at market rates with the balance of £0.5 million being repayable at the end of 1994. This should result in a further reduction in the Group's finance charges.

At the balance sheet date the Group had £3.1 million in floating rate term facilities. In order to reduce the exposure to interest rate fluctuation in the UK, interest rate caps at 7% have been put in place covering the period 1995 to 1999.

Taxation

The Group tax rate for 1993 was 32.6%. Although this is close to the standard rate, the charge has been affected by tax losses brought forward at Cosmetics Plus reducing the charge by £0.2 million, however, this was offset by the losses at Parbel not attracting Group relief.

Balance Sheet and Cashflow

Capital expenditure in the year increased slightly to £1.3 million of which £1.2 million was in respect of additions to plant and machinery. The major projects in the UK were at Aerosols International and comprised the expansion of the shave gel manufacturing facilities, upgrading of the development laboratory to meet the increasing demands for new product development and enhancement of the company's computer and information systems. At Parbel the expenditure was mainly replacing plant and equipment destroyed by the fire.

The cashflow from operating activities was £4.1 million. However, after the payment of finance charges and taxation and the reinvestment in fixed assets there was a net inflow of £1.4 million. Funds of £1.2 million were applied in reducing the Group's term loans and finance lease facilities leaving a £0.2 million increase at bank.

At the end of 1993 the Group's net gearing had decreased to 62% (1992 82%). An analysis of the Group's term loans is shown in note 20. Although the Group will continue its policy of capital investment in its operating companies a further reduction in gearing is anticipated in 1994.

C A Graves
Financial Director

14 April 1994

FIVE YEAR SUMMARY

The financial information set out below is based on the audited accounts of the Group for the five financial years ended 31 December 1993.

Profit and loss account

	1993	1992	1991	1990	1989
	£'000	£'000	£'000	£'000	£'000
Turnover	28,643	23,197	22,927	22,359	16,165
Operating profit	2,103	1,947	2,748	3,024	2,320
Exceptional item	155	-	(104)	-	-
Interest	*(628)*	*(678)*	*(546)*	*(650)*	*(182)*
Profit before taxation	1,630	1,269	2,098	2,374	2,138
Taxation	(532)	(408)	(670)	(735)	(725)
Dividends	(643)	(559)	(712)	(637)	(557)
Retained profit	455	302	716	1,002	856
Earnings per 5p ordinary share	9.6p	7.3p	13.0p	16.0p	14.4p
Dividend per 5p ordinary share	5.2p	4.4p	6.1p	6.1p	5.6p

Balance sheet

	1993	1992	1991	1990	1989
	£'000	£'000	£'000	£'000	£'000
Fixed assets	10,322	10,392	8,264	7,889	8,142
Net current assets	1,821	2,837	2,953	1,441	194
Total assets less current liabilities	12,143	13,229	11,217	9,330	8,336
Long-term creditors:					
Loans and lease finance	(3,978)	(5,484)	(3,950)	(2,799)	(3,178)
Deferred tax	(202)	(154)	(64)	(44)	(46)
	7,963	7,591	7,203	6,487	5,112

DIRECTORS' REPORT

The directors submit their report together with audited Group accounts for the year ended 31 December 1993.

Results and dividends

The Group profit after taxation for the year amounted to £1,098,000 (1992 £861,000). The directors propose a final dividend of 3.0p per ordinary share which, together with the interim dividend of 2.2p per ordinary share paid on 29 October 1993, makes a total dividend of 5.2p per ordinary share for the year. This leaves a profit of £455,000 to be carried forward.

Review of the business and future developments

The principal activities of the Group are the formulation and manufacture of aerosol and non-aerosol products for retail distributors, the contract-filling of aerosols and the manufacture of cosmetic pencils and other cosmetic products.

A review of the business and future developments is shown on pages 5 to 9.

Fixed assets

The Group continued to invest in plant and equipment in its operating companies. Movements in fixed assets during the year are set out in notes 12 and 13 to the accounts.

Research and development

The Group develops formulations for new products using its own laboratories and technical staff.

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's 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 briefing groups and consultative committees. 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.

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 1993		1 January 1993	
	Ordinary shares	Options to subscribe	Ordinary shares	Options to subscribe
T J Organ	310,000	-	310,000	-
J A Wardell	1,466,300	8,866(ii)	1,466,300	8,866(ii)
A P Dowsett	558,769	8,866(ii)	568,769	8,866(ii)
	76,100(i)	-	78,400(i)	-
C A Graves	10,595	8,866(ii)	10,595	8,866(ii)
		33,660(iii)		33,660(iii)
N W Otley	7,000	-	7,000	-

(i) Non-beneficial.

(ii) Options granted under the Second Swallowfield Savings Related Share Option Scheme exercisable at 101.5p per share within six months from the date of maturity of the savings contract.

(iii) Options granted under the Second Swallowfield Executive Share Option Scheme exercisable at 126.5p per share between August 1993 and August 2000.

There have been no changes in the above interests since 31 December 1993.

Mr C C Jenner who was appointed a director on 28 March 1994 retires at the Annual General Meeting and, being eligible, offers himself for re-election. In addition, 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 re-election. Mr C A Graves has a service contract that may be terminated by the Company giving one year's notice and a contract with the same notice period is being prepared for Mr C C Jenner.

During the year ended 31 December 1993, no director had a material interest in any contract of significance to which the Company or any of its subsidiaries was a party.

Substantial shareholding

Except as disclosed under directors and their interests, at 6 April 1994 notification had been received of the following holdings of ordinary shares of the Company required to be recorded in the register under Section 211 of the Companies Act 1985:

	Number of ordinary shares held	% of issued ordinary share capital
3i Plc	1,708,822	16.4
Framlington Group plc	1,267,000	12.1
Britel Fund Nominees Limited	420,000	4.0
M A Wardell	405,764	3.9

Directors' and officers' liability insurance

During the year the Group maintained liability insurance for its directors and officers as permitted by Section 310(3) of the Companies Act 1985.

General meeting

Resolution 8 at the Annual General Meeting proposes to permit 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.

The above authority is in addition to the existing authority under Section 80 of the Companies Act 1985, enabling the directors to allot new shares representing approximately one-third of the present issued share capital, which expires on 16 May 1995.

Donations

During the year, the Group made charitable donations amounting to £4,000. No contributions were made for political purposes.

Close company status

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

Auditors

Ernst & Young have expressed their willingness to continue in office as auditors and a resolution proposing their reappointment will be submitted at the Annual General Meeting

By Order of the Board

C A Graves
Secretary
14 April 1994

CORPORATE GOVERNANCE

The Board considers that it has complied with the Code of Best Practice, issued in December 1992 by the Cadbury Committee on the Financial Aspects of Corporate Governance, since 30 June 1993 except for:

i) the provisions set out in paragraphs 4.5 and 4.6 of the Code, relating to internal controls and going concern, where publication of appropriate guidance is awaited;

ii) the provisions contained in paragraphs 2.3, 2.4 and 4.3 of the Code; and

(iii) the formalisation of matters covered by paragraphs 1.4 and 1.5 which have been dealt with on an informal basis.

The Board is in agreement with the aims and objectives of the Committee and has always been committed to principals of sound corporate governance. However, it is the opinion of the Board that the present size of the Company does not justify more than two non-executive directors. To date, the period of appointment and terms of re-appointment over the non-executive directors have not been regulated in accordance with paragraphs 2.3 and 2.4 of the Code. Current appointments are regulated by the Articles of Association with re-election of directors required under triennial rotation.

The Audit Committee comprises the chairman and the other non-executive director. It meets twice a year to review the Company's accounting policies, financial and other reporting procedures and other relevant matters with the financial director and external auditors in attendance as appropriate. Paragraph 4.3 requires the Committee to comprise at least three non-executive directors.

The Remuneration Committee comprises the chairman and the other non-executive director. It reviews the terms and conditions of service of executive directors and it ensures the salaries, bonuses and share option awards satisfy the performance criteria.

A formal schedule of matters specifically reserved for the board as required by paragraph 1.4 has recently been approved. Written procedures in accordance with paragraph 1.5 will be adopted for directors to take independent advice at the Company's expense in the furtherance of their duties.

The Company's auditors, Ernst & Young, have reviewed the above statement insofar as it relates to the paragraphs of the Code specified by the London Stock Exchange for their review. They have reported to the Board that based on their review they concur with the above statement.

DIRECTORS

Terry Organ, MA (Oxon)
Aged 67, was appointed non-executive Chairman of Swallowfield at the time of the management buy-out in February 1986. He has wide business experience at board level and was a Main Board Director of Cadbury Schweppes. He is a member of the Council of Bristol University and of the University Authorities Panel.

Tony Wardell, M.Inst.Pkg
Aged 47, Group Managing Director, joined the business in 1963 and has held a number of senior positions, becoming a director and general manager of Aerosols International in 1984 while still part of Cadburys. In 1986 he led the management buy-out and was appointed Managing Director of the Company. He is non-executive Chairman of Wrafton Laboratories Ltd.

Tony Dowsett, BSc.(Eng.)
Aged 51, Managing Director Aerosols International Limited, joined Aerosols International in 1974 as Production Manager, becoming Works Manager in 1978 and Operations Director in 1985. After a post-graduate apprenticeship with Bristol Siddeley Engines he joined Rothmans working in engineering and production management. He has also worked in finance with British Leyland and as a Production Manager in a Unilever Group company.

Colin Graves, FCA
Aged 42, was appointed Financial Director in January 1988, having previously been with UBM Group and Norcros. Before then he was with KPMG Peat Marwick.

Colin Jenner
Aged 57, Managing Director Cosmetics Plus Limited, joined the Group in 1989 as production manager of Cosmetics Plus Limited. He has many years experience in the cosmetics industry including positions at Max Factor where he was Production Manager and Jean Sorrella where he was Production Director.

Bill Otley, FCA
Aged 51, joined the Company as a non-executive Director in 1986. He is also Chairman of Goodlands Holdings Limited, builders' merchants, and between 1975 and 1985 was Group Finance Director of UBM Group.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare accounts 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 year. In preparing these accounts, the directors confirm that they have:

a. selected suitable accounting policies and applied them consistently;

b. made judgements and estimates that are reasonable and prudent;

c. followed applicable accounting standards, subject to any material departures disclosed and explained in the financial statements;

d. prepared the accounts on a going concern basis.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

REPORT OF THE AUDITORS TO THE MEMBERS OF SWALLOWFIELD plc

We have audited the accounts on pages 16 to 34, which have been prepared under the historical cost convention as modified by the revaluation of certain freehold land and buildings and on the basis of the accounting policies set out on pages 20 and 21.

Respective responsibilities of directors and auditors

As described above, the Company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 1993 and of the profit of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young

Ernst & Young
Chartered Accountants
Registered Auditor
Bristol

14 April 1994

GROUP PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1993

	Notes	1993 £'000	1992 £'000
Turnover	2	28,643	23,197
Cost of sales			
Recurring		21,730	17,718
Exceptional	6	132	-
		21,862	17,718
Gross profit		6,781	5,479
Net operating expenses	3	4,678	3,532
Operating profit	3	2,103	1,947
Profit on disposal of fixed assets	6	155	-
Profit on ordinary activities before interest		2,258	1,947
Interest receivable and similar income	7	32	56
Interest payable	8	(660)	(734)
Profit on ordinary activities before taxation		1,630	1,269
Tax on profit on ordinary activities	9	532	408
Profit attributable to shareholders		1,098	861
Dividends	10	643	559
Retained profit for the year	24	455	302
Earnings per 5p ordinary share	11	9.6p	7.3p

GROUP BALANCE SHEET AT 31 DECEMBER 1993

	Notes	1993 £'000	1992 £'000
Fixed assets			
Tangible assets	12	10,322	10,392
Current assets			
Stocks	14	4,883	4,415
Debtors	15	5,571	4,993
Cash at bank and in hand	16	1,297	1,090
		11,751	10,498
Creditors: amounts falling due within one year	17	9,930	7,661
Net current assets		1,821	2,837
Total assets less current liabilities		12,143	13,229
Creditors: amounts falling due after more than one year	18	3,978	5,484
Provision for liabilities and charges			
Deferred taxation	22	202	154
		7,963	7,591
Capital and reserves			
Called up share capital	23	1,522	1,522
Share premium	24	2,526	2,526
Revaluation reserve	24	299	317
Capital reserve	24	(261)	(456)
Profit and loss account	24	3,877	3,682
		7,963	7,591

Approved by the Board on 14 April 1994

J Morgan }
J A Wardell } Directors

COMPANY BALANCE SHEET AT 31 DECEMBER 1993

	Notes	1993 £'000	1992 £'000
Fixed assets			
Investments	13	4,049	4,049
Current assets			
Debtors	15	3,167	3,100
Creditors: amounts falling due within one year	17	947	704
Net current assets		2,220	2,396
Total assets less current liabilities		6,269	6,445
Creditors: amounts falling due after more than one year	18	1,330	1,800
		4,939	4,645
Capital and reserves			
Called up share capital	23	1,522	1,522
Share premium	24	2,526	2,526
Capital reserve	24	467	467
Profit and loss account	24	424	130
		4,939	4,645

Approved by the Board on 14 April 1994

T J Organ
J A Wardell } Directors

GROUP STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 31 DECEMBER 1993

	Notes	1993 £'000	1992 £'000
Net cash inflow from operating activities	3(c)	4,064	2,878
Returns on investments and servicing of finance			
Interest received		32	56
Interest paid		(641)	(597)
Interest element of finance lease rental payments		(28)	(31)
Dividends paid		(560)	(736)
Net cash outflow from returns on investments and servicing of finance		(1,197)	(1,308)
Taxation			
Corporation tax paid (including advance corporation tax)		(363)	(391)
Investing activities			
Payments to acquire tangible fixed assets		(1,289)	(1,125)
Receipts from disposal of tangible fixed assets		195	107
Payment to acquire subsidiary undertaking (net of cash and cash equivalents acquired)		—	(439)
Net cash outflow from investing activities		—	(1,457)
Net cash inflow/(outflow) before financing		1,410	(278)
Financing			
New long-term loan		(18)	(1,100)
Repayment of long-term loans		1,109	926
Repayments of capital element of finance lease rentals		85	60
Net cash outflow/(inflow) from financing		1,176	(114)
Increase/(decrease) in cash and cash equivalents	16	234	(164)
		1,410	(278)

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 1993

	1993 £'000	1992 £'000
Profit for the financial year	1,098	861
Currency translation differences on foreign currency net investment	(83)	181
Total recognised gains and losses relating to the year	1,015	1,042

NOTES TO THE ACCOUNTS AT 31 DECEMBER 1993

Note 1 Accounting policies

(a) Accounting convention

The accounts are prepared under the historical cost convention, modified by the revaluation of freehold properties, and in accordance with applicable accounting standards.

(b) Basis of consolidation

The Group accounts consolidate the accounts of the Company and its subsidiary undertakings. In accordance with the exemptions given by S230 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 capital reserve in the Group accounts; this is then transferred to profit and loss reserves in five equal annual instalments.

(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:

Short leasehold land	5% per annum
Buildings	2%-5% per annum
Plant	10% per annum
Vehicles	12.5%-20% per annum
Office equipment	20% per annum

(e) Stocks

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

Cost incurred 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, without being replaced, 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 retranslated 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.

The accounts of the overseas subsidiary undertaking are translated at the rate of exchange ruling at the balance sheet date. The exchange difference arising on the retranslation of opening net assets is taken directly to reserves. All other exchange 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 ir 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 working lives of the members.

Note 2 **Turnover and segmental analysis**

	1993 Turnover £'000	1993 Profit before tax £'000	1993 Net assets £'000	1992 Turnover £'000	1992 Profit before tax £'000	1992 Net assets £'000
Class of business						
Aerosol products	17,998	2,287	7,973	15,951	2,047	8,536
Cosmetic products	10,645	285	6,606	7,246	296	6,885
	28,643	2,572	14,579	23,197	2,343	15,421
Common costs		(469)			(396)	
Operating profit		2,103			1,947	
Profit on disposal of fixed assets		155			-	
Net interest payable		(628)			(678)	
Profit before tax		1,630			1,269	
Unallocated funds			(6,616)			(7,830)
Group net assets			7,963			7,591
Geographic segment						
By source:						
UK	25,023	3,128	11,825	21,347	2,380	12,448
Europe	3,620	(556)	2,754	1,850	(37)	2,973
	28,643	2,572	14,579	23,197	2,343	15,421
By destination:						
UK	21,638			18,975		
Europe	5,120			3,172		
North America	1,133			547		
Other	752			503		
	28,643			23,197		

Unallocated funds comprise bank overdraft, bank loans, other loans, finance leases and proposed dividend.

Note 3 Operating profit

(a) This is stated after charging:

	1993 £'000	1992 £'000
Depreciation of tangible fixed assets	1,230	1,123
Research and development	396	341
Operating leases		
hire of plant and machinery	185	150
rent of buildings	35	37
Auditors' remuneration		
audit services	58	62
non-audit services	12	25

(b) Net operating expenses are analysed as follows:

	1993 £'000	1992 £'000
Distribution costs	1,822	1,327
Administration expenses	2,901	2,238
Other operating income	(45)	(33)
	4,678	3,532

(c) Reconciliation of operating profit to net cash inflow from operating activities

	1993 £'000	1992 £'000
Operating profit	2,103	1,947
Depreciation	1,230	1,123
Loss on disposal of fixed assets	3	21
(Increase)/decrease in stocks	(509)	704
(Increase)/decrease in debtors	(627)	102
Increase/(decrease) in creditors	1,864	(1,019)
Net cash inflow from operating activities	4,064	2,878

Note 4 Directors' emoluments

	1993 £'000	1992 £'000
Fees	23	23
Other emoluments:		
Basic salaries	187	187
Benefits	36	32
Performance related bonuses	26	-
Pension contributions	94	82
	366	324

No options were granted during the year.

The remuneration package of executive directors is determined by the remuneration committee. The performance related bonuses are calculated by reference to the Group profit before tax target as fixed annually in advance by the remuneration committee.

	1993 £'000 Chairman	1993 £'000 Highest paid director	1992 £'000 Chairman	1992 £'000 Highest paid director
Fees	13	-	13	-
Salary	-	82	-	81
Benefits	10	8	10	7
	23	90	23	88
Performance related bonuses	-	10	-	-
	23	100	23	88
Pension contributions	-	34	-	29
	23	134	23	117

The emoluments, excluding pension contributions, of the directors fell within the following ranges:

	No	No
£ 5,001 —£10,000	1	1
£20,001 —£25,000	1	1
£55,001 —£60,000	-	1
£60,001 —£65,000	-	1
£65,001 —£70,000	1	-
£70,001 —£75,000	1	-
£85,001 —£90,000	-	1
£95,001 —£100,000	1	-

Note 5 Staff costs

	1993	1992
	£'000	£'000
Wages and salaries	6,628	5,057
Social security costs	886	572
Other pension costs	410	343
	7,924	5,972

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

	No	No
Production	440	358
Distribution and marketing	38	34
Administration	60	50
	538	442

Note 6 Exceptional item

The fire at the Parbel factory in February 1993 resulted in material damage to premises, plant and machinery and inventory, disruption of trade and loss of profits. Cost of sales includes a charge of £132,000 being the excess of the direct costs of the disruption over insurance recoveries received and receivable. £155,000 of proceeds received, being reinstatement value in excess of the net book value of plant and machinery destroyed, is shown as a non-operating gain. Claims for final costs of disruption and loss of profits are still under negotiation and an estimate has been made of the amount recoverable. Additional amounts received will be recorded as exceptional income when received. No taxation charge or credit arises in respect of the exceptional items.

Note 7 rest receivable and similar income

	1993	1992
	£'000	£'000
Bank interest	-	1
Other	32	55
	32	56

Note 8 Interest payable

	1993 £'000	1992 £'000
Bank and other loans and overdraft wholly repayable within 5 years	415	458
Bank loans not wholly repayable within 5 years	217	245
Finance lease interest	28	31
	660	734

Note 9 Tax on profit on ordinary activities

	1993 £'000	1992 £'000
Based on the profit for the year:		
Corporation tax at 33% (1992 33%)	485	413
Deferred taxation	50	30
	535	443
Adjustments in respect of prior years:		
Corporation tax overprovided	(3)	(35)
	532	408

The tax charge for the year is reduced by £202,000 by the utilisation of brought forward corporation tax losses and other unprovided deferred tax timing differences, however, no relief is obtained for the £559,000 of losses at Parbel.

Note 10 Dividends

	1993 £'000	1992 £'000
Ordinary – Interim paid 2.2p (1992 2.2p) per share	230	230
– Final proposed 3.0p (1992 2.2p) per share	313	229
	543	459
Preference – Net dividend of 10.0p (1992 10.0p) per share paid	100	100

Note 11 Earnings per share

The calculation of earnings per share is based on 10,437,369 (1992 10,437,369) ordinary shares, being the number of ordinary shares in issue during the year, and the profit on ordinary activities after taxation and preference dividends of £998,000 (1992 £761,000).

Note 12 Tangible fixed assets

	Group			
	Freehold land and buildings £'000	Short leasehold land and buildings £'000	Plant and machinery £'000	Total £'000
Cost or valuation:				
At 1 January 1993	4,173	1,973	10,629	16,775
Additions	12	150	1,167	1,329
Exchange adjustment	-	(116)	(37)	(153)
Disposals	-	-	(120)	(120)
At 31 December 1993	4,185	2,007	11,639	17,831
Depreciation:				
At 1 January 1993	401	60	5,922	6,383
Provided during the year	131	118	981	1,230
Exchange adjustment	-	(3)	(24)	(27)
Disposals	-	-	(77)	(77)
At 31 December 1993	532	175	6,802	7,509
Net book value:				
At 31 December 1993	3,653	1,832	4,837	10,322
At 1 January 1993	3,772	1,913	4,707	10,392

The net book value of plant and machinery at 31 December 1993 included an amount of £372,000 (1992 £454,000) after depreciation charged in the year of £115,000 (1992 £105,000) in respect of assets held under finance leases.

Certain of the freehold land and buildings were revalued in 1988 to a total of £785,000. If none of the freehold land and buildings had been revalued they would be restated at the following amounts:-

	1993 £'000	1992 £'000
Historical cost at 31 December	3,868	3,856
Accumulated depreciation based on cost	514	386

Note 13 **Investments**

	Company	
	1993	1992
	£'000	£'000
Cost at 1 January	4,049	3,048
Acquisition of Parbel S.A.	-	1,001
Cost at 31 December	4,049	4,049

The Group holds 100% of the voting rights and ordinary shares of the following principal subsidiary undertakings:-

Name of Company	Country of registration and operation	Nature of business
Aerosols International Limited	England	Formulation and manufacture of aerosol and *non-aerosol products.*
Atlas Group Limited	England	Holding company.
Cosmetics Plus Limited*	England	Manufacture of cosmetic pencils and other cosmetic products.
Parbel S.A.	Belgium	Manufacture of mascaras, lipsticks and cosmetic powders.

* Held by a subsidiary

Note 14 **Stocks**

	Group	
	1993	1992
	£'000	£'000
Raw materials and consumables	2,490	2,190
Work in progress	750	726
Finished goods for resale	1,643	1,499
	4,883	4,415

Note 15 **Debtors**

	Group		Company	
	1993	1992	1993	1992
	£'000	£'000	£'000	£'000
Trade debtors	4,898	4,289	-	-
Amounts owed by subsidiaries	-	-	3,089	3,024
Loans to employees:				
Receivable within one year	13	12	-	-
Receivable after more than one year	10	13	-	-
Advance corporation tax recoverable	-	-	78	76
Other debtors	510	412	-	-
Prepayments and accrued income	140	267	-	-
	5,571	4,993	3,167	3,100

Note 16 Cash and cash equivalents

Analysis of changes in cash and cash equivalents during the year:

	Group		
	1993	1992	1991
	£'000	£'000	£'000
Balance at 1 January	771	841	
Net cash inflow/(outflow) before adjustments for the effect of foreign exchange rate changes	234	(164)	
Effect of foreign exchange rate changes	(7)	94	
Balance at 31 December	998	771	
The balance comprises:			
Cash at bank and in hand	1,297	1,090	1,177
Bank overdraft	(299)	(319)	(336)
	998	771	841

Note 17 Creditors: amounts falling due within one year

	Group		Company	
	1993	1992	1993	1992
	£'000	£'000	£'000	£'000
Bank overdraft (secured)	299	319	-	-
Current instalments due on loans (note 20)	1,875	1,608	470	300
Obligations under finance leases (note 19)	69	86	-	-
Trade creditors	4,399	2,998	-	-
Bills of exchange payable	33	51	-	-
Advance corporation tax payable	159	169	159	169
Current corporation tax	530	399	1	-
Other taxes and social security costs	831	832	-	-
Accruals and deferred income	1,422	969	4	5
Proposed dividend	313	230	313	230
	9,930	7,661	947	704

The bank overdraft and loans are secured by fixed and floating charges over certain of the Group's assets.

Note 18 Creditors: amounts falling due after more than one year

	Group		Company	
	1993	1992	1993	1992
	£'000	£'000	£'000	£'000
Loans (note 20)	3,865	5,336	1,330	1,800
Obligations under finance leases (note 19)	113	148	-	-
	3,978	5,484	1,330	1,800

Note 19 Obligations under leases

	Group	
	1993	1992
Finance leases	£'000	£'000
Amounts payable:		
Within one year	83	109
In the second to fifth years inclusive	120	163
	203	272
Finance charges allocated to future periods	(21)	(38)
	182	234
Finance leases are analysed as follows:		
Current obligations	69	86
Non-current obligations	113	148
	182	234

Operating leases

The annual commitments under non-cancellable operating leases are as follows:

	Group			
	Plant and machinery		Land and buildings	
	1993	1992	1993	1992
	£'000	£'000	£'000	£'000
Operating leases which expire:				
Within one year	23	26	-	-
In the second to fifth years inclusive	109	97	34	-
Over five years	7	3	15	24
	139	126	49	24

Note 20 Loans

	Group		Company	
	1993	1992	1993	1992
	£'000	£'000	£'000	£'000
Not wholly repayable within five years	1,837	4,039	1,100	1,100
Wholly repayable within five years	3,903	2,905	700	1,000
	5,740	6,944	1,800	2,100
Amount due within one year	1,875	1,608	470	300
	3,865	5,336	1,330	1,800
Instalments not due within five years	942	1,521	500	620
Details of loans not wholly repayable within five years are as follows.				
Secured loans at approximately 1% above LIBOR repayable in annual instalments	1,100	2,600	1,100	1,100
Secured loan at 8.2% repayable in annual instalments	737	845	-	-
Secured loan at variable rates between 10% and 13% repayable in annual instalments	-	594	-	-
	1,837	4,039	1,100	1,100
Amounts due at 31 December 1993 are repayable as follows				
Bank loans:				
After five years	942	1,402	500	620
Between two and five years	1,697	2,057	360	710
Between one and two years	779	783	470	470
	3,418	4,242	1,330	1,800
Within one year	1,263	1,108	470	300
	4,681	5,350	1,800	2,100
Other loans:				
After five years	-	119	-	-
Between two and five years	335	356	-	-
Between one and two years	112	619	-	-
	447	1,094	-	-
Within one year	612	500	-	-
	1,059	1,594	-	-
Total	5,740	6,944	1,800	2,100

All secured loans are secured variously by fixed and floating charges over certain of the Group's assets.

Note 21 **Analysis of changes in loan and lease financing during the year**

	Group	
	1993	1992
	£'000	£'000
Balance at 1 January	7,178	4,306
Cash (outflows)/inflows from financing before adjustments for the effect of foreign exchange rate changes	(1,176)	114
Loan and finance lease obligations of subsidiary undertaking acquired during the year	-	2,241
Inception of finance lease contracts	39	140
Effect of foreign exchange rate changes	(119)	377
Balance at 31 December	5,922	7,178

Note 22 **Deferred taxation**

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

	Group			
	Provided		Not provided	
	1993	1992	1993	1992
	£'000	£'000	£'000	£'000
Capital allowances in advance of depreciation	274	250	524	581
Tax losses and other timing differences	6	(20)	(15)	(301)
	280	230	509	280
Advance corporation tax	(78)	(76)	-	-
	202	154	509	280
Taxation on valuation surplus	-	-	41	61
	202	154	550	341

No account is taken in the not provided amounts for accumulated tax losses in Parbel which will be relievable against future profits of that company.

Note 23 **Share capital**

	1993	1992
Authorised share capital	£'000	£'000
Preference share capital		
1,000,000 convertible cumulative redeemable preference shares of £1 each	1,000	1,000
Ordinary share capital		
25,800,000 ordinary shares of 5p each	1,290	1,290
	2,290	2,290

	1993	1992
Issued share capital	£'000	£'000
Preference share capital		
1,000,000 convertible cumulative redeemable preference shares of £1 each	1,000	1,000
Ordinary share capital		
10,437,369 ordinary shares of 5p each	522	522
	1,522	1,522

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 185.19p 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:-

	Annual net dividend per share
12 months to 31 December	
1992-1996	10.0p
1997 and thereafter	12.0p

Share options

At 31 December 1993, 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 9,780 shares at 104p each exercisable in accordance with the rules between September 1991 and September 1998.

(ii) 1990 Second Executive Share Option Scheme. Options to subscribe for 149,500 shares at 126.5p each exercisable in accordance with the rules between August 1993 and August 2000.

(iii) 1990 Second Executive Share Option Scheme. Options to subscribe for 31,740 shares at 165p each exercisable in accordance with the rules between September 1994 and August 2000.

(iv) 1990 Second Savings Related Share Option Scheme. Options to subscribe for 101,364 shares at 101.5p each exercisable within six months from the date of maturity of the savings contract.

No options were granted during the year.

Note 24 Reserves

	Group			
	Share premium £'000	Revaluation reserve £'000	Capital reserve £'000	Profit and loss account £'000
At 1 January 1993	2,526	317	(456)	3,682
Exchange loss on overseas investment	-	-	-	(83)
Goodwill transferred to profit and loss account in the year	-	-	195	(195)
Revaluation reserve transfer	-	(18)	-	18
Retained profit for the year	-	-	-	455
At 31 December 1993	2,526	299	(261)	3,877

The cumulative amount of goodwill written off at 31 December 1993 is £1,632,000 (1992: £1,632,000).

	Company		
	Share premium £'000	Capital reserve £'000	Profit and loss account £'000
At 1 January 1993	2,526	467	130
Profit for the year	-	-	937
Dividends	-	-	(643)
At 31 December 1993	2,526	467	424

Note 25 Reconciliation of movement in shareholders' funds

	Group	
	1993	1992
	£'000	£'000
Profit attributable to shareholders	1,098	861
Dividends	(643)	(559)
	455	302
Unrealised exchange (loss)/gain	(83)	181
Goodwill written off	-	-
Net addition to shareholders' funds	372	388
Shareholders' funds at 1 January	7,591	7,203
Shareholders' funds at 31 December	7,963	7,591

Note 26 Capital commitments

	Group	
	1993	1992
	£'000	£'000
Contracted	146	33
Authorised by the directors but not contracted for	68	33
	214	66

Note 27 Pension arrangements

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

For the Aerosols International Limited defined benefit scheme the pension cost is assessed in accordance with the advice of qualified actuaries, using the attained age method. The most recent valuation was conducted as at 6 April 1993; the assumptions which have the most significant effects on results are the valuation rate of interest at 8.5% per annum, salary growth at 7.0% per annum, dividend income received by funds to increase by 4.0% and present and future pensions to increase by 4.5% 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 £2,312,000 and the actuarial value of the assets was sufficient to cover 102% of the benefits that had accrued to members, after allowing for future increases in earnings. The trustees have approved an increase in the contribution rate to 14% from 1 April 1994 in accordance with the recommendation of the actuary.

Swallowfield plc operates a defined contribution pension scheme for directors and senior employees. The Cosmetics Plus Limited Pension Scheme is a defined contribution scheme. Pension arrangements in respect of Parbel employees are funded by Belgian state social security contributions.

NOTICE OF MEETING

Notice is hereby given that the Ninth Annual General Meeting of the Company will be held at the Castle Hotel, Taunton, Somerset on Wednesday, 18 May 1994 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 1993.
2. To declare a dividend.
3. To re-elect Mr C C Jenner as a director.
4. To re-elect Mr T J Organ as a director.
5. To re-elect Mr C A Graves as a director.
6. To reappoint Ernst & Young as auditors.
7. To authorise the directors to fix the remuneration of the auditors.

As special business to consider and, if thought fit, pass the following resolution:

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 under Section 80 of the said Act already granted, 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 19 May 1993) 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 £26,093;
   (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
Secretary

14 April 1994

Swallowfield House
Station Road
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, P.O. Box No. 82, Caxton House, Redcliffe Way, Bristol BS99 7YA, 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 18 May 1994 and at the Annual General Meeting, from 15 minutes prior to the meeting.