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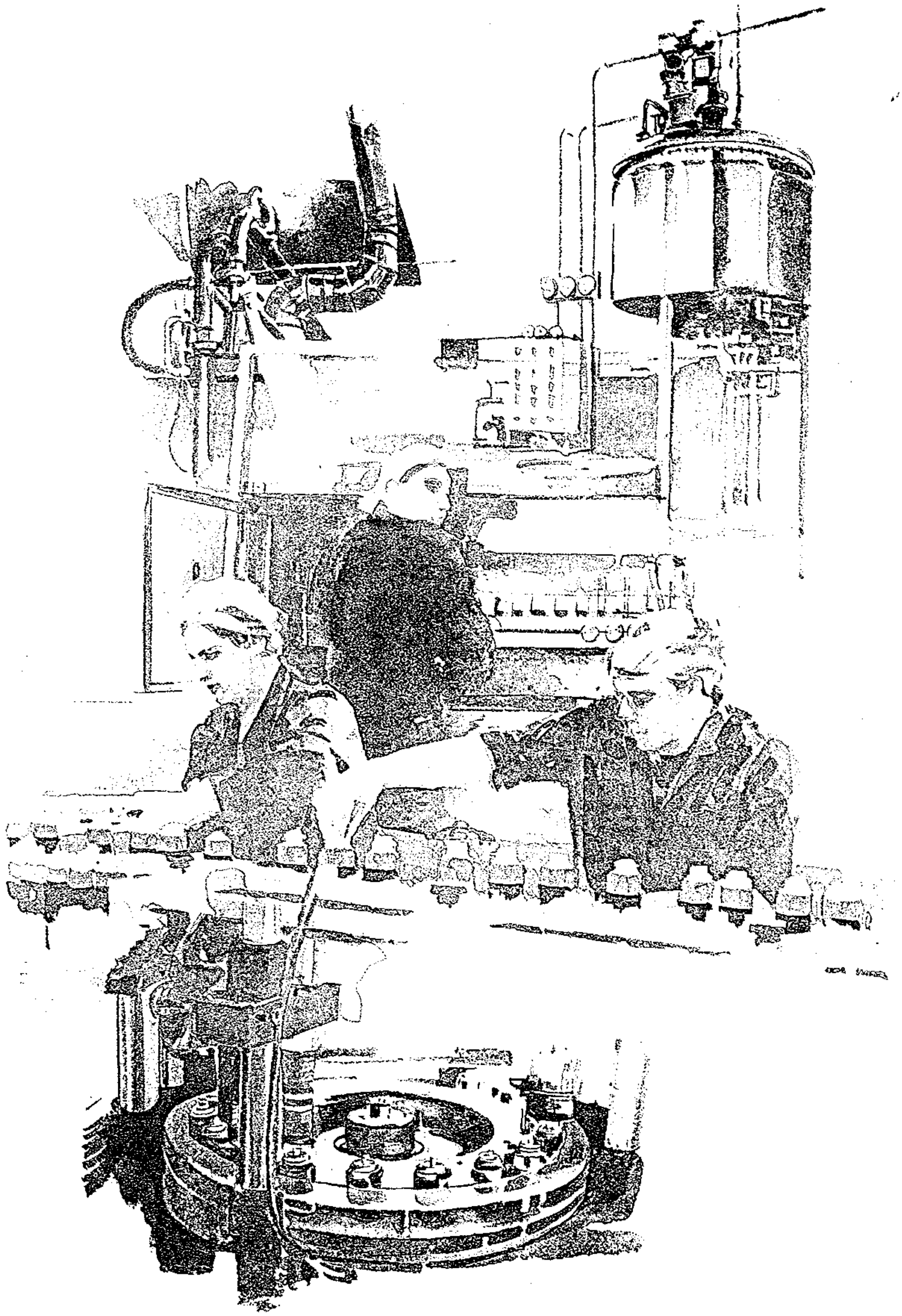
CONTENTS

AEROSOLS INTERNATIONAL LIMITED



GROUP INFORMATION

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

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
49 North Street
Taunton
Somerset
TA1 1NB

Registrars
The Royal Bank of Scotland plc
Registrar's Department
PO Box 82
Caxton House
Redcliffe Way
Bristol
BS99 7NH

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

Granville Davies Limited
Mint House
77 Mansell Street
London
E1 8AF

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

For several years I have been telling shareholders that we really were trying to get back to our 1990 level of profits, earnings per share and dividend payments before we could move forward to higher levels in the future. Now in 1994 we have achieved that first objective but it is interesting to note that we needed record sales turnover and record unit sales to do so, because margin pressure has grown appreciably in the last few years.

Group sales for the year increased from £28,643,000 to £34,870,000 an increase of 21.7%. This turnover was split £21.1 million for Aerosols International, £9.6 million for Cosmetics Plus and £4.1 million for Parbel, an increase over 1993 for all three trading companies. Unit sales have also increased yet again and this has led to a larger number of employees in Aerosols International and Cosmetics Plus. In small west country towns like Wellington and Bideford we are significant employers and our success is important for the economic life of these towns. We are very conscious of our responsibilities to these communities without ever trying to employ people without firm outlets for the products that they make. We try to explain the company philosophy and its detailed activities to all our employees, as we do to the shareholders, and we are rewarded with an enthusiastic staff to whom we are most grateful. You cannot achieve the success that we have had this year without committed managers and workforce. Our philosophical approach to industry, with a caring approach to our employees and shareholders, is very much part of a total feel for people. Although our last acquisition was on the Continent where conditions are different (ie language and traditions) we hope that any future moves in the UK can bring other trading companies into the Swallowfield group on the same family basis.

Following on from the bigger turnover shown above we have improved most of the ratios throughout the business in spite of a further disappointing loss at Parbel. Gross profits have increased, as have our operating profits, and with interest reduced from £628,000 to £474,000 we have increased our profit before tax from £1,630,000 to £2,563,000. This is an increase of £933,000 (+57%).

I hope from the figures set out in these accounts shareholders can see a clear picture of the company and its aims. We need to have ever increasing sales whilst at the same time improving the efficiency in all our operations, reducing our borrowing costs and trying to maintain our overall sales margin. We have done this very successfully in 1994. There is a clear indication of the fundamental strength of Aerosols International where we have restored the ravages of the recession years and made solid advances in our specialist areas to begin getting full value for our capital expenditure during those difficult times. Cosmetics Plus has really blossomed in 1994 and justified all our hopes and hard work by bringing £0.9 million pre-tax to the Group results. We were very confident of righting the Bideford business and are sure that we can go forward and improve our position in the cosmetics market.

At Parbel we have taken positive action and made management changes in the past trading quarter to strengthen our performance recognising the disappointments in 1994 but with a clear plan to reduce losses in 1995 and a turnaround to profit in 1996.

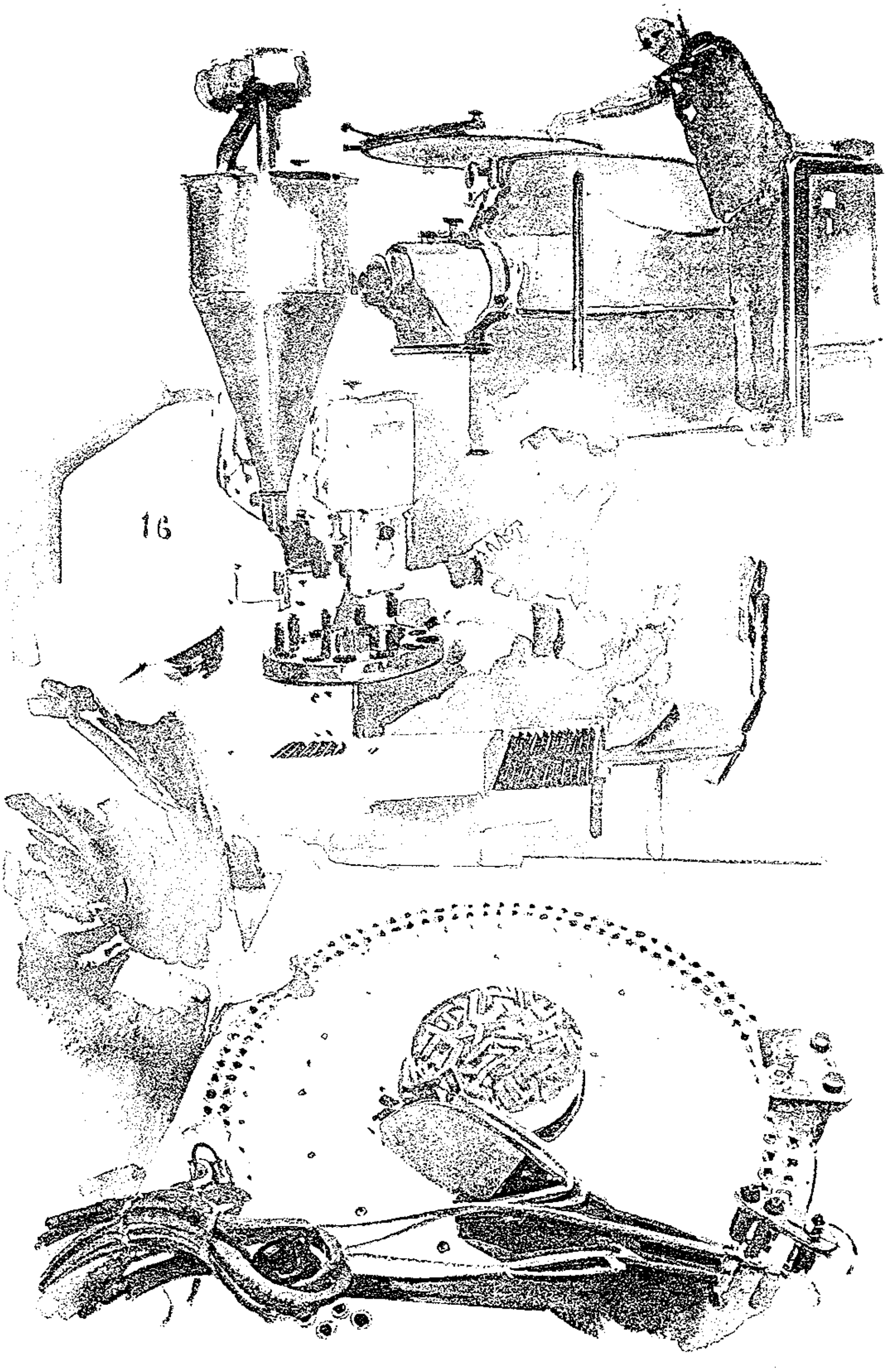
Earnings per share improved in 1994 to 13.3p (9.6p). Gearing has been reduced to 57% from 62% in spite of the increase in turnover. We are recommending to the AGM an increase in the final dividend to 3.5p per ordinary share (1993 3.0p). Added to the increase that we paid at the half year this brings the total dividend for 1994 to 6.2p per ordinary share (1993 5.2p).

When the "Cadbury Committee" reported on the financial aspects of corporate governance it was essentially asking companies to give the clearest picture possible about their activities particularly in the financial area. I hope that my statement and those of the Group Managing Director and the Finance Director will do just that. Our official reports combined with our meetings with shareholders, financial advisers and indeed all the employees try to give a very "open" picture of Swallowfield plc. We actually think that there are some aspects of the "Cadbury" report that cause unnecessary expense to smaller companies but I believe we comply with the spirit of the report and our auditors review us in the light of the report's recommendations.

The Managing Director will be outlining more details of the individual trading companies in his report. It remains for me to thank all the staff for their great support again this year and to tell them and the shareholders that we expect a good 1995. We have started well and if we continue to pursue our very clear objectives within our well defined plan we should make another step forward in 1995. The business environment needs to remain friendly and interest rates stable.

T J Organ
Chairman
6 April 1995

PARBEL SA



GROUP MANAGING DIRECTOR'S REPORT

Our performance in 1994 has returned the Group to a new high in profits before tax at £2.56 million from increased turnover of £34.87 million. Most areas of the business contributed to this positive and pleasing result with our Parbel operations in Brussels being the exception with delayed performance improvements.

Significant organic growth in sales value at Cosmetics Plus (+38%) and Aerosols International (+17%) and the continued good management of key balance sheet items is an ongoing highlight whose only detraction is a poor cash flow from Parbel although Group gearing shows an improvement to 57% (62%).

Our management formula for success, now proven at Cosmetics Plus, is ongoing and in a general sense it is difficult to describe the main factors contributing to 1994's good performance without repeating some aspects of my Chairman's views or those of my previous reports. Thus we continually test our management stamina and ongoing consistency by driving forward our strengths of sound investment, innovation, quality and cutomer service. We impress these policies on our workforce and apply them to a continually changing market and High Street background. Perhaps the attitudes of our employees towards the changes that ongoing success in the nineties will require is our most tested and successful attribute. The bottom line here is the fostering of an enlightened and committed workforce which understands the year on year need for all round growth and the tangible cultural benefits which result.

Many of our markets remain flat, especially some areas of Europe, but our increase in sales turnover of 21.7% is evidence of our ability to attract good quality business volume. We have sold more cosmetics to North America, more aerosols to Europe and have solid enquiries for business from as far afield as Japan.

Aerosols International Limited

This business made important improvements in turnover, sales volumes in units and contribution. As predicted, although gains were made, the least improvements came in margins as we responded to High Street pressures and struggled to pass on cost increases.

Significantly, own label sales in the UK suffered a slight downturn in volumes which we are planning to reverse in 1995. Increases in contract accounts and Export sales, however, more than covered the own label deficit.

Our need for innovation and the development of new product ideas and improvements continues to be paramount for uprating existing lines and attracting new business. Thus, last year we processed 1,071 new design and formulation alterations including over 250 new product launches for our customers. Across these figures some 257 product designs were altered or raised from new artwork. One new product every working day.

The factory at Wellington did well to meet the increased output and maintain customer service at a high level. In some areas capacity on the single day shift is stretched and alternative shift patterns are a serious consideration for 1995. Working capital increased slightly reflecting higher stock levels but cash flow remains very positive. Such increased levels of activity bring opportunities for individuals to shine but in the firmament at Aerosols International the solid team effort paid off.

Cosmetics Plus Limited

Cosmetics Plus obtained considerable new business by improved quality and service throughout the year and attracting better shares from existing customers. We now believe the attributes of this business to be desirable and right for the contract manufacture of cosmetics for the best quality names in the market. The detail of financial reporting is shown elsewhere but Cosmetics Plus has made significant improvements in the accuracy of its financial reporting and in the control of its balance sheet items. Thus stocks are steady, debts are reduced and under more control and the customer portfolio has been rationalised to those companies who are better able to meet their financial obligations.

In this business there is also a constant need to develop new product ideas and to uprate and improve existing product lines. Thus we are continually reviewing our pencil formulations and presentations to improve application and provide opportunities for increased sales. Twice a year we publish new colour forecasts for our customers' attention and during the year we engaged the consultancy services of Charlie Green (an internationally known make-up artist) to ensure our product creations incorporate the best cosmetic attributes.

The large increase in business turnover was not without teething problems at the factory floor level and we are continually looking for ways to improve and strengthen the emerging management team at Cosmetics Plus. During the year we embarked on a number of management training schemes and team building exercises to correctly harness the skills of a very enthusiastic workforce.

Whilst investment during the year was relatively low, we anticipate an increased level of investment during 1995, particularly in pencil manufacture to increase efficiency and throughput and reduce rejects and downtime. We continue to view the market for cosmetic pencils as a growth area for Cosmetics Plus and feel that more cost effective manufacture of both pencils and cosmetics will allow us to gain an even larger market share in the future.

PARBEL S.A.

Previous years of poor performance and the fire shortly after our acquisition have set Parbel's reputation at a lower level than we expected. This, coupled with an unexciting European market, provides an ongoing and frustrating background and we continued during the year to seek ways of increasing our penetration and to secure better shares of business from existing customers. During the latter half of 1994 we employed management consultants to correctly analyse our strengths and weaknesses and as a result we have made a number of recent management changes which should bear fruit for 1995.

We are encouraged by new orders from Switzerland for a major European brand and there are signs of increased activity in our German markets, which have remained very flat over the previous three years. We expect to obtain much more new business during the course of 1995. The management of Parbel have renewed enthusiasm and we are continually seeking ways to strengthen and improve the operational skills to Group standards. An improved performance at Parbel for 1995 will bring exciting benefits.

J A Wardell
Managing Director
6 April 1995

GROUP FINANCIAL REVIEW

Trading

The Group turnover for 1994 is £34.9 million compared to £28.6 million in 1993, an increase of 21.7%. This reflects the higher levels of activity in the Group's trading operations with all three companies reporting turnover above 1993 levels. The increase in turnover has resulted in a significant increase in operating profit which at £3.0 million is 34% above the 1993 level. The increase in operating profit is in respect of both aerosol and cosmetics divisions; however, the cosmetics division's results include an operating loss at Parbel of £(0.4) million which, although less than the loss for 1993 of £(0.5) million, is still disappointing and highlights the need to obtain additional business at this location.

The results for 1993 included the effects of the fire at the Parbel factory as an exceptional item and included an estimate of the proceeds of the claim under the business interruption policy. This claim was settled in 1994 at a figure £50,000 above the amount included in the accounts for 1993; this has been included within the operating result of Parbel for 1994.

Interest

Interest payable has benefited from the lower level of borrowings in 1994 with the charge for the year falling from £660,000 to £499,000. In addition to the reduction in the Group's term facilities, this is also partly due to the refinancing of a facility of £1.0 million which bore interest at a fixed rate of 15%. £0.5 million of this facility was refinanced at market rates in November 1993 resulting in a significant reduction in interest payable; the balance of £0.5 million was refinanced in November 1994 and should result in further reductions in interest payable in 1995. The majority of the Group's exposure to significant increases in interest rates has been minimised by the purchase of a 7% cap in respect of the amounts outstanding in the UK under floating rate facilities at 31 December 1994 until December 1999.

Taxation

The overall tax rate for the Group in 1994 is 41.8% which is significantly above the rate for 1993 of 32.6%. The increase in the rate is due partly to the profits of Cosmetics Plus bearing corporation tax at the standard rate following the utilisation of its accumulated tax losses in 1993 and partly due to the fact that the trading losses at Parbel are not available for Group relief against UK profits.

Investment in Parbel

Although Parbel has reported a reduced level of loss in 1994, the company is forecasting that it will continue to trade at a loss in the first half of 1995. Although it is expected to be trading on a breakeven basis by the end of the year, in view of the diminution in the net asset value of the company since its acquisition, the investment in Parbel S.A. has been fully provided against in the accounts of the holding company.

Balance Sheet and Cashflow

Net assets at 31 December 1994 increased by £0.8 million to £8.8 million. There was an increase in tangible fixed assets of £0.1 million; the level of capital investment was maintained at £1.3 million of which £1.2 million was in respect of plant equipment. The major projects concerned the upgrading of filling equipment and the improvement in hygiene standards in both the aerosol and cosmetics divisions. Depreciation for the year was £1.3 million.

Net current assets increased by £0.6 million to £2.5 million. Stocks increased by £0.8 million; the increase was in both the aerosols and cosmetics divisions and resulted from the higher levels of activity in all companies. One of the objectives for 1995 is for the operating companies to improve stock turn by reducing the levels of stockholding. Although creditors due within one year have fallen by £0.2 million, the elements comprising this figure have changed significantly with trade creditors falling by £1.0 million but this decrease is offset by increases in current instalments due on term loans of £0.5 million and corporation tax payable of £0.6 million.

Although there was an increase in operating profit of £0.9 million the net cash inflow from trading operations decreased by £1.0 million mainly due to a decrease in creditors compared to an increase in 1993. The new long-term loans of £1.2 million represents the refinancing of existing facilities of which £1.0 million was in respect of the term facility assumed on the acquisition of Cosmetics Plus in 1989. The first repayment of £0.5 million was made in 1993 using the Group's overdraft facility; this was converted into a five-year term facility in 1994. The second repayment of £0.5 million in 1994 was also refinanced using a five-year term facility.

An analysis of the Group's borrowing is shown in note 20 to the accounts; at 31 December 1994 the Group's net gearing was 57% (1993 62%). Whilst capital expenditure is forecast to be above 1994 levels, a further reduction in gearing is anticipated in 1995.

C A Graves
Financial Director
6 April 1995

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 1994.

PROFIT AND LOSS ACCOUNT

	1994 £'000	1993 £'000	1992 £'000	1991 £'000	1990 £'000
Turnover	34,870	28,643	23,197	22,927	22,359
Operating profit	3,037	2,103	1,947	2,748	3,024
Exceptional item	–	155	–	(104)	–
Interest	(474)	(628)	(678)	(546)	(650)
Profit before taxation	2,563	1,630	1,269	2,098	2,374
Taxation	(1,071)	(532)	(408)	(670)	(735)
Dividends	(748)	(643)	(559)	(712)	(637)
Retained profit	744	455	302	716	1,002
Earnings per 5p ordinary share	13.3p	9.6p	7.3p	13.0p	16.0p
Dividend per 5p ordinary share	6.2p	5.2p	4.4p	6.1p	6.1p

BALANCE SHEET

	1994 £'000	1993 £'000	1992 £'000	1991 £'000	1990 £'000
Fixed assets	10,406	10,322	10,392	8,264	7,889
Net current assets	2,459	1,821	2,837	2,953	1,441
Total assets less current liabilities	12,865	12,143	13,229	11,217	9,330
Long-term creditors:					
Loans and lease finance	(3,947)	(3,978)	(5,484)	(3,950)	(2,799)
Deferred tax	(139)	(202)	(154)	(64)	(44)
	8,779	7,963	7,591	7,203	6,487

DIRECTORS' REPORT

The directors submit their report together with audited Group accounts for the year ended 31 December 1994.

Results and dividends

The Group profit after taxation for the year amounted to £1,492,000 (1993 £1,098,000). The directors propose a final dividend of 3.5p per ordinary share which, together with the interim dividend of 2.7p per ordinary share paid on 28 October 1994, makes a total dividend of 6.2p per ordinary share for the year. This leaves a profit of £744,000 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 set out in the reports 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 1994		31 December 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	540,269	8,866(ii)	558,769	8,866(ii)
	74,600(i)	–	76,100(i)	–
C A Graves	10,595	8,866(ii)	10,595	8,866(ii)
		33,660(iii)		33,660(iii)
N W Otley	10,500	–	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.

At 6 April 1995 the non-beneficial shareholding of Mr A P Dowsett was 46,545 ordinary shares following the transfer of 28,055 ordinary shares to a beneficiary of the trust.

There have been no other changes in the above interests since 31 December 1994.

In accordance with the Articles of Association, Mr A P Dowsett and Mr N W Otley retire by rotation at the Annual General Meeting and, being eligible, offer themselves for re-election. Mr A P Dowsett has a service contract that may be terminated by the Company giving one year's notice.

During the year ended 31 December 1994, 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 1995 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	1,684,000	16.1
Framlington Group plc	1,337,569	12.8
Hermes Investment Management Limited	600,000	5.7
M A Wardell	405,764	3.8

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 7 at the Annual General Meeting will renew the general authority of the directors under Section 80 of the Companies Act 1985 to allot new shares. This general authority is, however, limited to the allotment of shares representing one-third of the present issued share capital in addition to the allotment of shares to satisfy existing employee share option schemes and to satisfy conversion rights attaching to the convertible cumulative redeemable preference shares.

Resolution 8 proposes to permit the directors to allot for cash, otherwise than by rights issues, by way of conversion of the convertible cumulative redeemable preference shares or to satisfy existing employee share option schemes, shares representing 5% of the issued share capital.

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

6 April 1995

CORPORATE GOVERNANCE

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

i) the provisions set out in paragraph 4.5 of the Code relating to internal controls where the recent Guidance for Directors is only applicable to accounting periods beginning on or after 1 January 1995; and

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

The Board is in agreement with the aims and objectives of the Committee and has always been committed to principles 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 deputy chairman. 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 deputy chairman. 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.

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the accounts.

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 and their report is set out on page 14.

REPORT BY THE AUDITORS TO SWALLOWFIELD plc ON CORPORATE GOVERNANCE MATTERS

In addition to our audit of the accounts we have reviewed the directors' statement on page 13 on the Company's compliance with the paragraphs of the Code of Best Practice specified for our review by the London Stock Exchange. The objective of our review is to draw attention to any non-compliance with those paragraphs of the Code which is not disclosed.

We carried out our review in accordance with Bulletin 1995/1 "Disclosures relating to corporate governance" issued by the Auditing Practices Board. The Bulletin does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of the Company's corporate governance procedures nor on the ability of the Company to continue in operational existence.

Opinion

With respect to the directors' statement on going concern on page 13, in our opinion the directors have provided the disclosures required by paragraph 4.6 of the Code (as supplemented by the related guidance for directors) and such statement is not inconsistent with the information of which we are aware from our audit work on the accounts.

Based on an enquiry of certain directors and officers of the Company, and examination of relevant documents, in our opinion the directors' statement on page 13 appropriately reflects the Company's compliance with the other paragraphs of the Code specified for our review.

Ernst & Young
Chartered Accountants
Registered Auditor
Bristol

6 April 1995

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 18 to 37, 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 22 and 23.

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 1994 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
Chartered Accountants
Registered Auditor
Bristol

6 April 1995

Terry Organ
Chairman

Bill Otley
Deputy Chairman

Tony Wardell
Group Managing Director

Tony Dowsett
Managing Director
Aerosols International Limited

Colin Jenner
Managing Director
Cosmetics Division

Colin Graves
Financial Director

THE BOARD OF DIRECTORS

Terry Organ, MA (Oxon)
Aged 68, 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 Board of UCEA (Universities and Colleges Employers' Association).

Tony Wardell, M.Inst.Pkg
Aged 48, 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 a Governor of the Corporation of Somerset College of Art and Technology.

Tony Dowsett, BSc.(Eng.)
Aged 52, 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 43, was appointed Financial Director in January 1988, having previously been with UBM Group and Norcros. Before then he was with KPMG.

Colin Jenner
Aged 58, 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 Sorrelle where he was Production Director.

Bill Otley, FCA
Aged 52, 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.

GROUP PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1994

	Notes	1994 £'000	1993 £'000
TURNOVER	2	34,870	28,643
Cost of sales		26,489	21,862
GROSS PROFIT		8,381	6,781
Net operating expenses	3	5,344	4,678
OPERATING PROFIT	3	3,037	2,103
Profit on disposal of fixed assets	6	–	155
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		3,037	2,258
Interest receivable and similar income	7	25	32
Interest payable	8	(499)	(660)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,563	1,630
Tax on profit on ordinary activities	9	1,071	532
PROFIT ATTRIBUTABLE TO SHAREHOLDERS		1,492	1,098
Dividends on equity and non-equity shares	10	748	643
RETAINED PROFIT FOR THE YEAR	24	744	455
EARNINGS PER 5P ORDINARY SHARE	11	13.3p	9.6p

GROUP BALANCE SHEET AT 31 DECEMBER 1994

	Notes	1994 £'000	1993 £'000
Fixed assets			
Tangible assets	12	10,406	10,322
Current assets			
Stocks	14	5,668	4,883
Debtors	15	5,518	5,571
Cash at bank and in hand	16	1,001	1,297
		12,187	11,751
Creditors: amounts falling due within one year	17	9,728	9,930
Net current assets		2,459	1,821
Total assets less current liabilities		12,865	12,143
Creditors: amounts falling due after more than one year	18	3,947	3,978
Provision for liabilities and charges			
Deferred taxation	22	139	202
		8,779	7,963
Capital and reserves			
Called up share capital	23	1,523	1,522
Share premium	24	2,551	2,526
Revaluation reserve	24	281	299
Capital reserve	24	(46)	(261)
Profit and loss account	24	4,470	3,877
Equity shareholders' funds		7,779	6,963
Non-equity shareholders' funds		1,000	1,000
		8,779	7,963

Approved by the Board on 6 April 1995

T J Organ
J A Wardell } Directors

COMPANY BALANCE SHEET AT 31 DECEMBER 1994

	Notes	1994 £'000	1993 £'000
FIXED ASSETS			
Investments	13	3,048	4,049
CURRENT ASSETS			
Debtors	15	3,969	3,167
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	17	1,137	947
NET CURRENT ASSETS		2,832	2,220
TOTAL ASSETS LESS CURRENT LIABILITIES		5,880	6,269
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	18	860	1,330
		5,020	4,939
CAPITAL AND RESERVES			
Called up share capital	23	1,523	1,522
Share premium	24	2,551	2,526
Capital reserve	24	467	467
Profit and loss account	24	479	424
Equity shareholders' funds		4,020	3,939
Non-equity shareholders' funds		1,000	1,000
		5,020	4,939

Approved by the Board on 6 April 1995

T J Organ
J A Wardell } Directors

T J Organ

J A Wardell

GROUP STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 31 DECEMBER 1994

	Notes	1994 £'000	1993 £'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	3(c)	3,014	4,064
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		25	32
Interest paid		(535)	(641)
Interest element of finance lease rental payments		(22)	(28)
Dividends paid		(695)	(560)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(1,227)	(1,197)
TAXATION			
Corporation tax paid (including advance corporation tax)		(479)	(363)
INVESTING ACTIVITIES			
Payments to acquire tangible fixed assets		(1,267)	(1,289)
Receipts from disposal of tangible fixed assets		78	195
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(1,189)	(1,094)
NET CASH INFLOW BEFORE FINANCING		119	1,410
FINANCING			
Issue of share capital	23	(26)	–
New long-term loan	21	(1,223)	(18)
Repayment of long-term loans	21	1,285	1,109
Repayment of capital element of finance lease rentals	21	91	85
NET CASH OUTFLOW FROM FINANCING		127	1,176
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	16	(8)	234
		119	1,410

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 1994

	1994 £'000	1993 £'000
Profit for the financial year	1,492	1,098
Currency translation differences on foreign currency net investment	46	(83)
Total recognised gains and losses relating to the year	1,538	1,015

NOTES TO THE ACCOUNTS AT 31 DECEMBER 1994

NOTE 1 ACCOUNTING POLICIES

(a) Accounting convention

The accounts are prepared under the historical cost convention, modified by the revaluation of certain 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%–33% 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

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 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 working lives of the members.

NOTE 2 TURNOVER AND SEGMENTAL ANALYSIS

	1994			1993		
	Turnover £'000	Profit before tax £'000	Net assets £'000	Turnover £'000	Profit before tax £'000	Net assets £'000
Class of business						
Aerosol products	21,132	2,948	7,367	17,998	2,287	7,973
Cosmetic products	13,738	661	7,715	10,645	285	6,606
	34,870	3,609	15,082	28,643	2,572	14,579
Common costs		(572)			(469)	
Operating profit		3,037			2,103	
Profit on disposal of fixed assets		–			155	
Net interest payable		(474)			(628)	
Profit before tax		2,563			1,630	
Unallocated funds			(6,303)			(6,616)
Group net assets			8,779			7,963
Geographic segment						
By source:						
UK	30,771	3,451	11,734	25,023	3,128	11,825
Europe	4,099	(414)	3,348	3,620	(556)	2,754
	34,870	3,037	15,082	28,643	2,572	14,579
By destination:						
UK	25,470			21,638		
Europe	7,228			5,120		
North America	1,530			1,133		
Other	642			752		
	34,870			28,643		

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

NOTE 3 OPERATING PROFIT

(a) This is stated after charging:

	1994 £'000	1993 £'000
Depreciation of tangible fixed assets	1,376	1,230
Research and development	471	396
Operating leases		
hire of plant and machinery	121	185
rent of buildings	35	35
Auditors' remuneration		
audit services	60	58
non-audit services	9	12
Uninsured costs of fire at Parbel	–	132

(b) Net operating expenses are analysed as follows:

	1994 £'000	1993 £'000
Distribution costs	1,839	1,822
Administration expenses	3,531	2,901
Other operating income	(26)	(45)
	5,344	4,678

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

	1994 £'000	1993 £'000
Operating profit	3,037	2,103
Depreciation	1,376	1,230
(Profit)/loss on disposal of fixed assets	(5)	3
(Increase) in stocks	(722)	(509)
Decrease/(increase) in debtors	141	(627)
(Decrease)/increase in creditors	(813)	1,864
Net cash inflow from operating activities	3,014	4,064

Note 4 Directors' emoluments

	1994 £'000	1993 £'000
Fees	26	23
Other emoluments:		
Basic salaries	238	187
Benefits	45	36
Performance related bonuses	45	26
Pension contributions	131	94
	485	366

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:

	1994 £'000 Chairman	1994 £'000 Highest paid director	1993 £'000 Chairman	1993 £'000 Highest paid director
Fees	14	–	13	–
Salary	–	85	–	82
Benefits	10	11	10	8
	24	96	23	90
Performance related bonuses	–	16	–	10
	24	112	23	100
Pension contributions	–	36	–	34
	24	148	23	134

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

	No	No
£ 5,001—£ 10,000	–	1
£ 10,001—£ 15,000	1	–
£ 20,001—£ 25,000	1	1
£ 45,001—£ 50,000	1	–
£ 65,001—£ 70,000	–	1
£ 70,001—£ 75,000	1	1
£ 85,001—£ 90,000	1	–
£ 95,001—£100,000	–	1
£110,001—£115,000	1	–

Directors' share options

	Number of options		Exercise	Date from which	Expiry
	At 1.1.94	At 31.12.94	price	exercisable	date
J A Wardell	8,866	8,866	101.5p	10.8.95	10.2.96
A P Dowsett	8,866	8,866	101.5p	10.8.95	10.2.96
C A Graves	8,866	8,866	101.5p	10.8.95	10.2.96
	33,660	33,660	126.5p	10.8.93	10.8.00

The market price of the shares at 31 December 1994 was 185p and the range during 1994 was 113p to 190p.

No options were granted during the year.

Note 5 Staff costs

	1994	1993
	£'000	£'000
Wages and salaries	8,047	6,628
Social security costs	997	886
Other pension costs	523	410
	9,567	7,924

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

	No	No
Production	520	440
Distribution and marketing	39	38
Administration	61	60
	620	538

Note 6 Profit on disposal of fixed assets

The exceptional income of £155,000 represents the excess of the insurance proceeds, calculated on a reinstatement value basis, over the net book value of plant and machinery destroyed in the fire at the Parbel factory in February 1993.

Note 7 Interest receivable and similar income

	1994	1993
	£'000	£'000
Other	25	32

Note 8 Interest payable

	1994	1993
	£'000	£'000
Bank and other loans and overdraft wholly repayable within 5 years	342	415
Bank loans not wholly repayable within 5 years	135	217
Finance lease interest	22	28
	499	660

Note 9 Tax on profit on ordinary activities

	1994	1993
	£'000	£'000
Based on the profit for the year:		
UK corporation tax at 33% (1993 33%)	1,121	485
Deferred taxation	(50)	50
	1,071	535
Adjustments in respect of prior years:		
Corporation tax overprovided	–	(3)
	1,071	532

The tax charge for the year excludes any relief for losses at Parbel.

Note 10 Dividends

	1994	1993
	£'000	£'000
Ordinary – Interim paid 2.7p (1993 2.2p) per share	282	230
– Final proposed 3.5p (1993 3.0p) per share	366	313
	648	543
Preference – Net dividend of 10p (1993 10.0p) per share paid	100	100

Note 11 Earnings per share

The calculation of earnings per share is based on 10,441,925 (1993 10,437,369) ordinary shares, being the weighted average number of ordinary shares in issue during the year, and the profit on ordinary activities after taxation and preference dividends of £1,392,000 (1993 £998,000).

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 1994	4,185	2,007	11,639	17,831
Additions	23	130	1,211	1,364
Exchange adjustment	–	155	29	184
Disposals	–	–	(215)	(215)
At 31 December 1994	4,208	2,292	12,664	19,164
Depreciation:				
At 1 January 1994	532	175	6,802	7,509
Provided during the year	138	146	1,092	1,376
Exchange adjustment	–	13	2	15
Disposals	–	–	(142)	(142)
At 31 December 1994	670	334	7,754	8,758
Net book value:				
At 31 December 1994	3,538	1,958	4,910	10,406
At 1 January 1994	3,653	1,832	4,837	10,322

The net book value of plant and machinery at 31 December 1994 included an amount of £344,000 (1993 £372,000) after depreciation charged in the year of £120,000 (1993 £115,000) 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:–

	1994 £'000	1993 £'000
Historical cost at 31 December	3,891	3,868
Accumulated depreciation based on cost	634	514

NOTE 13 INVESTMENTS

	Company 1994 £'000	Company 1993 £'000
Cost at 1 January	4,049	4,049
Less: provision for permanent diminution in value of investment in Parbel S.A.	1,001	–
Net book value at 31 December	3,048	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 1994 £'000	Group 1993 £'000
Raw materials and consumables	2,649	2,490
Work in progress	1,057	750
Finished goods for resale	1,962	1,643
	5,668	4,883

NOTE 15 DEBTORS

	Group 1994 £'000	Group 1993 £'000	Company 1994 £'000	Company 1993 £'000
Trade debtors	4,970	4,898	–	–
Amounts owed by subsidiaries	–	–	3,878	3,089
Loans to employees:				
Receivable within one year	11	13	–	–
Receivable after more than one year	9	10	–	–
Advance corporation tax recoverable	–	–	91	78
Other debtors	417	510	–	–
Prepayments and accrued income	111	140	–	–
	5,518	5,571	3,969	3,167

NOTE 16 CASH AND CASH EQUIVALENTS

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

	Group	
	1994	1993
	£'000	£'000
Balance at 1 January	998	771
Net cash inflow/(outflow) before adjustments for the effect of foreign exchange rate changes	(8)	234
Effect of foreign exchange rate changes	11	(7)
Balance at 31 December	1,001	998
The balance comprises:		
Cash at bank and in hand	1,001	1,297
Bank overdraft	–	(299)
	1,001	998

NOTE 17 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Company	
	1994	1993	1994	1993
	£'000	£'000	£'000	£'000
Bank overdraft (secured)	–	299	–	–
Current instalments due on loans (note 20)	1,966	1,875	590	470
Obligations under finance leases (note 19)	96	69	–	–
Trade creditors	3,356	4,399	–	–
Bills of exchange payable	49	33	–	–
Advance corporation tax payable	174	159	174	159
Current corporation tax	1,170	530	2	1
Other taxes and social security costs	827	831	–	–
Accruals and deferred income	1,724	1,422	5	4
Proposed dividend	366	313	366	313
	9,728	9,930	1,137	947

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	
	1994	1993	1994	1993
	£'000	£'000	£'000	£'000
Loans (note 20)	3,849	3,865	860	1,330
Obligations under finance leases (note 19)	98	113.	–	–
	3,947	3,978	860	1,330

Note 19 Obligations under leases

	Group	
	1994	1993
Finance leases	£'000	£'000
Amounts payable:		
Within one year	106	83
In the second to fifth years inclusive	106	120
	212	203
Finance charges allocated to future periods	(18)	(21)
	194	182
Finance leases are analysed as follows:		
Current obligations	96	69
Non-current obligations	98	113
	194	182

Operating leases

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

	Group			
	Plant and machinery		Land and buildings	
	1994	1993	1994	1993
	£'000	£'000	£'000	£'000
Operating leases which expire:				
Within one year	21	23	–	–
In the second to fifth years inclusive	111	109	34	34
Over five years	8	7	16	15
	140	139	50	49

NOTE 20 LOANS

	Group		Company	
	1994	1993	1994	1993
	£'000	£'000	£'000	£'000
Not wholly repayable within five years	1,829	1,837	1,100	1,100
Wholly repayable within five years	3,986	3,903	350	700
	5,815	5,740	1,450	1,800
Amount due within one year	1,966	1,875	590	470
	3,849	3,865	860	1,330
Instalments not due within five years	793	942	380	500
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	1,100	1,100	1,100
Secured loan at 8.2% repayable in annual instalments	729	737	–	–
	1,829	1,837	1,100	1,100
Amounts due at 31 December 1994 are repayable as follows:				
Bank loans:				
After five years	793	942	380	500
Between two and five years	2,061	1,697	360	360
Between one and two years	633	779	120	470
	3,487	3,418	860	1,330
Within one year	1,846	1,263	590	470
	5,333	4,681	1,450	1,800
Other loans:				
Between two and five years	242	335	–	–
Between one and two years	120	112	–	–
	362	447	–	–
Within one year	120	612	–	–
	482	1,059	–	–
Total	5,815	5,740	1,450	1,800

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	
	1994	1993
	£'000	£'000
Balance at 1 January	5,922	7,178
Cash movements:		
New long-term loan	1,223	18
Repayment of long-term loans	(1,285)	(1,109)
Repayment of capital element of finance leases	(91)	(85)
Non-cash movements:		
Inception of finance lease contracts	97	39
Effect of foreign exchange rate changes	143	(119)
Balance at 31 December	6,009	5,922

NOTE 22 DEFERRED TAXATION

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

	Group			
	Provided		Not provided	
	1994	1993	1994	1993
	£'000	£'000	£'000	£'000
Capital allowances in advance of depreciation	244	274	504	524
Tax losses and other timing differences	(14)	6	(23)	(15)
	230	280	481	509
Advance corporation tax	(91)	(78)	–	–
	139	202	481	509
Taxation on valuation surplus	–	–	1	41
	139	202	482	550

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

NOTE 23 SHARE CAPITAL

	1994 £'000	1993 £'000
Authorised share capital		
Equity ordinary share capital		
25,800,000 ordinary shares of 5p each	1,290	1,290
Non-equity preference share capital		
1,000,000 convertible cumulative redeemable preference shares of £1 each	1,000	1,000
	2,290	2,290
Issued share capital		
Equity ordinary share capital		
At 1 January 1994 10,437,369 ordinary shares of 5p each	522	522
Exercise of 20,280 options	1	–
At 31 December 1994 10,457,649 ordinary shares of 5p each	523	522
Non-equity preference share capital		
At 1 January 1994 and at 31 December 1994		
1,000,000 convertible cumulative redeemable preference shares of £1 each	1,000	1,000
	1,523	1,522

Share options were exercised on 11 October 1994 at a price of 126.5p per share.

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 1994, 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 129,300 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 100,773 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 1994	2,526	299	(261)	3,877
Issue of shares	25	–	–	–
Exchange gain on overseas investment	–	–	–	46
Goodwill transfer	–	–	215	(215)
Revaluation reserve transfer	–	(18)	–	18
Retained profit for the year	–	–	–	744
At 31 December 1994	2,551	281	(46)	4,470

The cumulative amount of goodwill written off at 31 December 1994 is £1,632,000 (1993 £1,632,000).

	Company		
	Share premium £'000	Capital reserve £'000	Profit and loss account £'000
At 1 January 1994	2,526	467	424
Issue of shares	25	–	–
Profit for the year	–	–	803
Dividends payable	–	–	(748)
At 31 December 1994	2,551	467	479

NOTE 25 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Group	
	1994 £'000	1993 £'000
Profit attributable to shareholders	1,492	1,098
Dividends	(748)	(643)
	744	455
Unrealised exchange gain/(loss)	46	(83)
Proceeds of share issue	26	–
Net addition to shareholders' funds	816	372
Shareholders' funds at 1 January	7,963	7,591
Shareholders' funds at 31 December	8,779	7,963

NOTE 26 CAPITAL COMMITMENTS

	Group	
	1994	1993
	£'000	£'000
Contracted	424	146
Authorised by the directors but not contracted for	9	68
	433	214

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 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 Castle Hotel, Taunton, Somerset on Wednesday, 17 May 1995 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 1994.

2. To declare a dividend.

3. To re-elect Mr A P Dowsett as a director.

4. To re-elect Mr N W Otley as a director.

5. To reappoint Ernst & Young as auditors.

6. To authorise the directors to fix the remuneration of the auditors.

7. Ordinary Resolution

   THAT the directors of the Company be and they are hereby generally and unconditionally authorised in accordance with Section 80 of the Companies Act 1985 to exercise all the powers of the Company to allot relevant securities (as defined in Section 80 of the Act) up to the aggregate nominal amount of £214,790. This authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution 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 accordingly the directors may allot relevant securities pursuant to any such offer or agreement as if such authority had not expired; and all previous authorities under Section 80 of the Companies Act 1985 shall henceforth cease to have effect.

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

8. Special Resolution

   THAT the directors be and are hereby empowered under Section 95 of the Companies Act 1985 ("the Act") to allot equity securities within the meaning of Section 94 of the Act ("equity securities") for cash, pursuant to the authority under Section 80 of the Act granted by the preceding resolution, as if Section 89(1) of the 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 Act on 18 May 1994) 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 of equity securities in connection with the exercise of the rights of conversion attaching to the convertible cumulative redeemable preference shares;

   (c) 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 Act) being a scheme approved by the shareholders in general meeting; and

   (d) the allotment (otherwise than pursuant to sub-paragraphs (a) and (b) above of equity securities for cash up to an aggregate nominal value of £26,149 and shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and accordingly the directors may allot equity securities pursuant to any such offer or agreement as if such authority had not expired; and all previous authorities under Section 95 of the Act shall henceforth cease to have any effect.

By Order of the Board
C S Graves
Secretary

6 April 1995

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 Royal Bank of Scotland 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 17 May 1995 and at the Annual General Meeting, from 15 minutes prior to the meeting.