

NALCO INVESTMENTS UK LIMITED

**DIRECTORS' REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1995**



**DIRECTORS' REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1995**

DIRECTORS

M B Harp (Chairman)
SD Newlin

SECRETARY

M Goddard

REGISTERED OFFICE

PO Box 11
Winnington Avenue
Northwich
Cheshire
CW8 4DX

REGISTERED NO

2566539

AUDITORS

Price Waterhouse
York House
York Street
Manchester
M2 4WS

NALCO INVESTMENTS UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1995

PRINCIPAL ACTIVITIES

The principal activity of the Group is the provision of services, speciality chemicals and industrial water treatment equipment for the paper, oil and shipping industries and for general process uses.

It is based in the United Kingdom and has branches in Holland and Belgium, subsidiaries in the USA and Norway and marine agencies across the world.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

In the year ended 31 December 1995, the Group made a loss after interest charges, goodwill amortisation and taxation of £3,618,000. The directors do not recommend the payment of a dividend.

The Group continues to invest capital into the business, to ensure it remains a market leader and continues to provide a high quality service to its customers.

In May 1995, the Company's share capital was increased by £23,875,307, principally from the capitalisation of a loan from Nalco Delaware Co.

In June 1996 the Group acquired 100% of the share capital of Diversey Water Technologies Limited for approximately £7.5 million.

DIRECTORS AND DIRECTORS' INTERESTS

The directors who are in office are named on page 1. Neither of the directors has any interest in shares in the Company or its subsidiaries.

The Group carries directors' and officers' liability insurance as permitted by the Companies Act 1985.

SIGNIFICANT CHANGES IN FIXED ASSETS

Changes in fixed assets are reflected in notes 12 - 13 to the accounts.

EMPLOYEE INVOLVEMENT

The directors believe that the realisation of the Group's objectives depends on the employees at all levels understanding what those are, and on their having the opportunity to contribute towards the formulation of the objectives and ways to achieve them. To this end, there are regular formal and informal meetings of all employees with their relevant managers. Appropriate matters are also discussed at periodic meetings with representatives of the Trade Unions who represent various groups of employees. By these means employees are continually informed of the progress of the business and regularly provided with information regarding the financial and economic factors affecting the performance of the Group, and the views of employees are taken into account in making decisions which are likely to affect their interests.

NALCO INVESTMENTS UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1995 (Continued)

EMPLOYEE INVOLVEMENT (CONTINUED)

The Group's awareness of employee involvement was recognised in 1994 when Nalco Limited was granted the Investors in People award.

DISABLED EMPLOYEES

The Group's policy is that disabled people should have the same consideration as others for all job vacancies for which they apply as suitable candidates. Depending on their skills and abilities, the disabled have the same career prospects and opportunities for promotion as other employees and the same scope for realising their full potential within the working structure of the Group.

DONATIONS

Charitable donations made by the Group in the year amounted to £5,647.

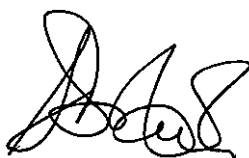
STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are required by the Companies Act 1985 to prepare accounts for each financial period which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial period and of the profit or loss for the financial period.

The Directors consider that in preparing the accounts, the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates, and that all accounting standards which they consider to be applicable have been followed.

The Directors have responsibility for ensuring that the Group keeps accounting records which disclose with reasonable accuracy the financial position of the Company and the Group and which enable them to ensure that the accounts comply with the Companies Act 1985. They also have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

By Order of the Board



S D Newlin
Director

21 October 1996

Price Waterhouse



AUDITORS' REPORT TO THE SHAREHOLDERS OF NALCO INVESTMENTS UK LIMITED

We have audited the accounts on pages 5 to 20 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 and 9.

Respective responsibilities of directors and auditors

As described on page 3, 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 judgments made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company'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 the Group as at 31 December 1995 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

PRICE WATERHOUSE
Chartered Accountants
and Registered Auditors

21 October 1996

NALCO INVESTMENTS UK LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1995

	<u>Note</u>	<u>1995</u> £'000	<u>1994</u> £'000
TURNOVER - continuing operations	2	48,678	50,331
Cost of sales		<u>(25,584)</u>	<u>(24,613)</u>
GROSS PROFIT		23,094	25,718
Operating expenses	3	<u>(21,433)</u>	<u>(21,863)</u>
OPERATING PROFIT		1,661	3,855
Costs of fundamental restructuring	4	-	(2,973)
Share of profit in related undertaking	6	566	806
Interest receivable	7	25	12
Interest payable	8	(4,068)	(5,655)
Amortisation of goodwill	11	<u>(1,603)</u>	<u>(1,603)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	9	(3,419)	(5,558)
Taxation	10	<u>(199)</u>	<u>351</u>
LOSS FOR THE FINANCIAL YEAR	20	<u>(3,618)</u>	<u>(5,207)</u>

STATEMENT OF CONSOLIDATED TOTAL RECOGNISED GAINS AND LOSSES

	<u>1995</u> £'000	<u>1994</u> £'000
Loss for the financial year	(3,618)	(5,207)
Translation gains on foreign currency net investments	<u>230</u>	<u>114</u>
Total recognised losses	<u>(3,388)</u>	<u>(5,093)</u>

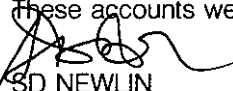
The notes on pages 8 to 20 form part of these accounts.

NALCO INVESTMENTS UK LIMITED

BALANCE SHEETS AT 31 DECEMBER 1995

		Group		Company	
	Note	31 December	31 December	31 December	31 December
		1995	1994	1995	1994
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Intangible assets	11	56,373	57,976	-	-
Tangible assets	12	13,076	13,133	-	-
Investments	13	<u>4,045</u>	<u>3,507</u>	<u>82,946</u>	<u>80,605</u>
		73,494	74,616	82,946	80,605
CURRENT ASSET					
Stocks	14	3,676	3,754	-	-
Debtors	15	12,449	11,778	855	619
Cash at bank and in hand		<u>874</u>	<u>-</u>	<u>172</u>	<u>1</u>
		16,999	15,532	1,027	620
CURRENT LIABILITIES					
Creditors due within one year	16	<u>(15,016)</u>	<u>(13,513)</u>	<u>(1,635)</u>	<u>(1,874)</u>
NET CURRENT ASSETS/(LIABILITIES)		<u>1,983</u>	<u>2,019</u>	<u>(608)</u>	<u>(1,254)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES					
		75,477	76,635	82,338	79,351
CREDITORS DUE AFTER MORE THAN ONE YEAR					
	17	<u>(20,987)</u>	<u>(42,632)</u>	<u>(20,000)</u>	<u>(41,535)</u>
		54,490	34,003	62,338	37,816
CAPITAL AND RESERVES					
Called-up share capital	18	43,875	20,000	43,875	20,000
Share premium account		19,070	19,070	19,070	19,070
Other reserves	19	3,390	2,765	-	-
Profit and loss account	20	<u>(11,845)</u>	<u>(7,832)</u>	<u>(607)</u>	<u>(1,254)</u>
SHAREHOLDERS' FUNDS, wholly attributable to equity interests					
	21	<u>54,490</u>	<u>34,003</u>	<u>62,338</u>	<u>37,816</u>

These accounts were approved by the Directors on 21 October 1996


SD NEWLIN
Director

The notes on pages 8 to 20 form part of these accounts.

NALCO INVESTMENTS UK LIMITED

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 1995**

	Year ended 31 December 1995		Year ended 31 December 1994	
	£'000	£'000	£'000	£'000
NET CASH INFLOW FROM OPERATING ACTIVITIES (Note 23(a))		4,341		6,991
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE				
Interest received		25		12
Interest paid		(4,298)		(4,314)
Net cash outflow from returns on investments and servicing of finance		(4,273)		(4,302)
TAXATION				
Tax paid		(291)		(561)
INVESTING ACTIVITIES				
Purchase of tangible fixed assets		(2,779)		(2,621)
Disposal of tangible fixed assets		<u>240</u>		<u>745</u>
Net cash outflow from investing activities		(2,539)		(1,876)
NET CASH (OUTFLOW)/INFLOW BEFORE FINANCING		(2,762)		252
FINANCING				
Issue of share capital for cash		<u>2,340</u>		<u>-</u>
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS (Note 23(b))		<u>(422)</u>		<u>252</u>

The notes on pages 8 to 20 form part of these accounts.

NALCO INVESTMENTS UK LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1995

1 ACCOUNTING POLICIES

A summary of the principal Group accounting policies is set out below.

(a) Basis of accounting

The accounts are prepared under the historical cost convention and are in accordance with applicable accounting standards.

(b) Basis of consolidation

The Group accounts consolidate the accounts of the Company and of Nalco Limited and its subsidiary and related undertakings made up to 31 December. The Group's share of the results and net assets of related undertakings are included in the consolidated profit and loss account and consolidated balance sheet respectively.

(c) Goodwill

Goodwill is held in the balance sheet, and is amortised in equal annual instalments over 40 years.

(d) Fixed assets - depreciation

Freehold land is not depreciated. Depreciation of buildings and equipment is calculated over their estimated useful lives using the straight line method. The estimated useful lives of major classes of depreciable assets are as follows:

Buildings	40 years
Plant, machinery and other equipment	3 - 20 years
Motor vehicles	3 - 5 years

(e) Stocks

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

(f) Pension costs

The Group operates funded defined benefit pension schemes for the majority of its employees. Contributions are charged to the profit and loss account so as to spread the cost of pensions over the expected service lives of the employees in the schemes having regard to any actuarial surplus or deficiency.

NALCO INVESTMENTS UK LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1995 (Continued)

1 ACCOUNTING POLICIES (Continued)

(g) Turnover

Turnover comprises the value of goods and services (excluding VAT and similar taxes, trade discounts and intra-group transactions) supplied in the normal course of business. The directors consider the whole of the activities of the Group relate to one class of business.

(h) Foreign currencies

Normal trading activities denominated in foreign currencies are recorded in sterling at actual exchange rates as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the year-end are reported at the rates of exchange prevailing at the year-end, except where covered by forward contracts. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is reported as an exchange gain or loss in the profit and loss account.

As regards overseas subsidiary and related undertakings, for the purposes of consolidation and application of the equity method of accounting, the closing rate/net investment method is used, under which translation gains or losses are shown as a movement on Other Reserves. Profit and loss accounts are translated at the average exchange rates for the period.

(i) Deferred taxation

Provision is made for taxation deferred by reliefs, principally accelerated taxation allowances on UK capital expenditure, only to the extent that it will crystallise in the foreseeable future.

(j) Leased assets

Lease payments in respect of operating leases are charged to the profit and loss account as incurred.

NALCO INVESTMENTS UK LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1995 (Continued)

2 SEGMENTAL INFORMATION

The analysis of turnover by geographical area is as follows:

	<u>1995</u> £'000	<u>1994</u> £'000
United Kingdom	34,979	37,669
Other European countries	8,375	8,144
Middle and Far East	2,717	1,915
Africa and Asia	1,047	1,263
The Americas	1,504	1,332
Others	<u>56</u>	<u>8</u>
	48,678	50,331

3 OPERATING EXPENSES

	<u>1995</u> £'000	<u>1994</u> £'000
Distribution costs	2,903	2,547
Selling and administrative expenses	<u>18,530</u>	<u>19,316</u>
	21,433	21,863

4 COSTS OF FUNDAMENTAL RESTRUCTURING

In 1994 the Group incurred exceptional costs of £2,973,000, mainly redundancy and early retirement pension costs, arising from the downsizing of Nalco Limited consequent primarily upon the transfer of its Petroleum Chemicals business to Nalco Exxon Energy Chemicals Limited, a related undertaking of Nalco Chemical Company.

5 DIRECTORS, EMPLOYEES AND PENSION COSTS

Directors

No emoluments were paid to the directors in the year by the company or its subsidiaries (1994 - Nil).

Employees

The average number of persons employed by the Group during the year was as follows:

	<u>1995</u> Number	<u>1994</u> Number
Production	56	66
Selling and administration	<u>258</u>	<u>311</u>
	314	377

NALCO INVESTMENTS UK LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1995 (Continued)

5 DIRECTORS, EMPLOYEES AND PENSION COSTS (Continued)

Costs relating to the above persons amounted to:

	<u>1995</u> £'000	<u>1994</u> £'000
Wages and salaries	7,723	9,800
Social security costs	601	699
Other pension costs	<u>942</u>	<u>1,115</u>
	9,266	11,614
	<u> </u>	<u> </u>

Pension Schemes

The Group operates two pension schemes for the majority of its employees in the United Kingdom; it also contributes to an overseas scheme.

The UK schemes are of the funded defined benefit type and costs are assessed with the advice of a qualified actuary using the projected unit and attained age methods.

For the purposes of assessing excess funding and contributions under SSAP 24, the principal actuarial assumptions are:

- i) the investment return on the schemes' assets will, on average, exceed non-promotional pay growth by 2.5% per annum and exceed the future rate of dividend growth by 4.5% per annum.
- ii) that pensions can be secured on a gross rate of interest of at least 9% per annum at the time payment commences before allowing for discretionary pension increases on the total pension received by scheme and state at 5% per annum.

The latest actuarial assessment of the company schemes was at 31 December 1993. The total market value of the assets of the schemes at the valuation date was £20.9m. The combined actuarial value of the assets was 100% of the combined value of the accrued benefits allowing for expected future increases in pay. As at 31 December 1994, a balance sheet provision of £1,097,000 was set up as a result of the early retirement programme carried out in 1994. The pension charge in 1995 was £703,000 and the balance sheet provision at 31 December 1995 was £987,000.

The overseas scheme is the Nalfleet Pension Scheme, a defined contribution plan. During the year the Group's contributions to this scheme were £53,000.

A further £186,000 was incurred on pension administration costs and pension expenses in respect of the employees located overseas.

NALCO INVESTMENTS UK LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1995 (Continued)

6 SHARE OF PROFIT IN RELATED UNDERTAKING

	<u>1995</u>	<u>1994</u>
	£'000	£'000
Nalco South East Asia Pte Ltd	566	806
	<u> </u>	<u> </u>

7 INTEREST RECEIVABLE

	<u>1995</u>	<u>1994</u>
	£'000	£'000
Bank and other interest receivable	25	12
	<u> </u>	<u> </u>

8 INTEREST PAYABLE

	<u>1995</u>	<u>1994</u>
	£'000	£'000
On long term loan from Nalco Delaware Company	3,852	5,586
On bank borrowings	<u>216</u>	<u>69</u>
	4,068	5,655
	<u> </u>	<u> </u>

9 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

The profit on ordinary activities before
taxation is stated after charging:

	<u>1995</u>	<u>1994</u>
	£'000	£'000
Depreciation	2,596	3,018
Auditors' remuneration		
- for audit services	22	36
- for non audit services	17	19
Hire of plant and machinery	145	155
Operating lease rentals	367	255
	<u> </u>	<u> </u>

NALCO INVESTMENTS UK LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1995 (Continued)

10 TAXATION

	<u>1995</u> £'000	<u>1994</u> £'000
UK Corporation Tax at 33%		
Current period	-	-
Adjustments for prior years	-	(20)
Deferred taxation	(194)	(758)
Double tax relief	-	(15)
Overseas taxation	<u>222</u>	<u>209</u>
	28	(584)
Share of taxation charge of related undertaking	<u>171</u>	<u>233</u>
	199	(351)
	<u>==</u>	<u>==</u>

Deferred taxation provided and not provided is summarised as follows:

<u>Group</u>	<u>1995</u>		<u>1994</u>	
	<u>Provided</u> £'000	<u>Not provided</u> £'000	<u>Provided</u> £'000	<u>Not provided</u> £'000
Capital allowances in excess of depreciation	-	(368)	-	307
Other timing differences	<u>(854)</u>	<u>(326)</u>	<u>(660)</u>	<u>(362)</u>
	(854)	(694)	(660)	(55)
	<u>==</u>	<u>==</u>	<u>==</u>	<u>==</u>
 <u>Company</u>				
Other timing differences	<u>(854)</u>	-	<u>(618)</u>	-
	<u>==</u>	<u>==</u>	<u>==</u>	<u>==</u>

NALCO INVESTMENTS UK LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1995 (Continued)

11 INTANGIBLE ASSETS

	<u>1995</u>	<u>Group</u>
	<u>£'000</u>	<u>1994</u>
		<u>£'000</u>
Goodwill at 1 January 1995	57,976	59,579
Amount amortised	<u>(1,603)</u>	<u>(1,603)</u>
Goodwill at 31 December 1995	<u>56,373</u>	<u>57,976</u>

Goodwill of £64,121,000 arose on the acquisition on 20 March 1991 of Nalco Limited and its subsidiaries and related undertaking. The cumulative amount of goodwill written off at 31 December 1995 was £7,748,000 (1994 - £6,145,000).

12 TANGIBLE FIXED ASSETS

	<u>Freehold</u>	<u>Plant and</u>	<u>Motor</u>	
	<u>land and</u>	<u>machinery</u>	<u>vehicles</u>	
	<u>buildings</u>	<u>£'000</u>	<u>and other</u>	
	<u>£'000</u>		<u>equipment</u>	<u>Total</u>
		<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
GROUP				
<u>Cost</u>				
At 1 January 1995	5,137	8,254	8,664	22,055
Additions	117	507		
Disposals	-	(12)	(1,140)	(1,152)
At 31 December 1995	5,254	8,749	9,679	23,682
<u>Depreciation</u>				
At 1 January 1995	620	3,408	4,894	8,922
Charge for the year	199	749	1,648	2,596
Disposals	-	(5)	(907)	(912)
At 31 December 1995	819	4,152	5,635	10,606
<u>Net book amount</u>				
At 31 December 1995	4,435	4,597	4,044	13,076
At 31 December 1994	4,517	4,846	3,770	13,133

NALCO INVESTMENTS UK LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1995 (Continued)

13 FIXED ASSET INVESTMENTS

Shares in subsidiary undertakings

	<u>Company</u> £'000
Acquisition of shares at cost	79,937
Loan	<u>3,009</u>
At 1 December 1994 and 31 December 1995	82,946

Shares in related undertaking

	<u>Group</u> £'000
<u>Opening balance</u>	
Shares at cost	820
Translation adjustments	615
Group's share of retained profits	<u>2,072</u>
Balance at 1 January 1995	3,507
<u>Movements during the year</u>	
Translation adjustments	143
Group's share of retained profits	<u>395</u>
<u>Balance at 31 December 1995</u>	<u>4,045</u>

	<u>Country</u>	<u>Class of capital</u>	<u>Percentage held</u>
Subsidiary undertakings			
Nalco Limited	England	Ordinary	100
Alfloc Limited	England	Ordinary	100
Nalfleet Inc	USA	Common	100
Nalco Norge A/S	Norway	Ordinary	100
Related undertaking			
Nalco South East Asia Pte Ltd	Singapore	Ordinary	50

With the exception of Alfloc Limited, which is dormant, the above undertakings are all involved in the provision of services, speciality chemicals and industrial water treatment equipment for the paper, oil and shipping industries and for general process uses.

NALCO INVESTMENTS UK LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1995 (Continued)

14 STOCKS

	<u>Group</u>	
	<u>1995</u>	<u>1994</u>
	£'000	£'000
Raw materials and consumables	1,169	1,329
Finished goods	<u>2,507</u>	<u>2,425</u>
	3,676	3,754
	<u>=====</u>	<u>=====</u>

The replacement value of these stocks does not differ materially from the amounts shown above.

15 DEBTORS

	<u>Group</u>		<u>Company</u>	
	<u>1995</u>	<u>1994</u>	<u>1995</u>	<u>1994</u>
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade debtors	9,505	9,852	-	-
Owed by group undertakings	628	290	1	1
Owed by related undertaking	526	178	-	-
Other debtors	325	169	-	-
Prepayments and accrued income	<u>611</u>	<u>629</u>	<u>-</u>	<u>-</u>
	11,595	11,118	1	1
Amounts falling due after more than one year:				
Deferred tax (see note 10)	<u>854</u>	<u>660</u>	<u>854</u>	<u>618</u>
	12,449	11,778	855	619
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

NALCO INVESTMENTS UK LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1995 (Continued)

16 CREDITORS (amounts falling due within one year)

	Group		Company	
	<u>1995</u>	<u>1994</u>	<u>1995</u>	<u>1994</u>
	£'000	£'000	£'000	£'000
Bank overdraft	2,008	800	-	-
Trade creditors	4,582	3,815	-	-
Owed to group undertakings	5,873	4,578	1,635	1,874
Corporation tax	78	147	-	-
Other taxation and social security	366	670	-	-
Other creditors	836	2,316	-	-
Accruals and deferred income	<u>1,273</u>	<u>1,187</u>	<u>-</u>	<u>-</u>
	15,016	13,513	1,635	1,874
	<u><u>15,016</u></u>	<u><u>13,513</u></u>	<u><u>1,635</u></u>	<u><u>1,874</u></u>

17 CREDITORS (amounts falling due after more than one year)

	Group		Company	
	<u>1995</u>	<u>1994</u>	<u>1995</u>	<u>1994</u>
	£'000	£'000	£'000	£'000
Loan from Nalco Delaware Company	20,000	41,535	20,000	41,535
Deferred taxation (see note 10)	-	-	-	-
Pension provision (see note 5)	<u>987</u>	<u>1,097</u>	<u>-</u>	<u>-</u>
	20,987	42,632	20,000	41,535
	<u><u>20,987</u></u>	<u><u>42,632</u></u>	<u><u>20,000</u></u>	<u><u>41,535</u></u>

The above loan is at an interest rate of 13.4% per annum and is repayable in the year 2000.

18 CALLED UP SHARE CAPITAL

	<u>1995</u>	<u>1994</u>
	£'000	£'000
Authorised, allotted and fully paid:		
43,875,307 (1994 - 20,000,000) Ordinary Shares of £1 each	43,875	20,000
	<u><u>43,875</u></u>	<u><u>20,000</u></u>

On 24 July 1995, 21,535,422 shares were issued consequent upon the capitalisation of the loan from Nalco Delaware Company. On the same day a further 2,339,885 shares were issued for cash. The purpose of the share issues was to improve the Company's capital base.

NALCO INVESTMENTS UK LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1995 (Continued)

19 OTHER RESERVES

	<u>Group</u> £'000
Balance at 1 January 1995	2,765
Profit retained in related undertaking (note 20)	395
Translation adjustments	<u>230</u>
Balance at 31 December 1995	<u>3,390</u>

Other reserves comprise profits retained in related undertaking and unrealised translation gains.

20 PROFIT AND LOSS ACCOUNT

	<u>Group</u> £'000	<u>Company</u> £'000
Balances at 1 January 1995	(7,832)	(1,254)
Loss for the period	(3,618)	647
Profit retained in related undertaking (note 19)	<u>(395)</u>	<u>-</u>
Balances at 31 December 1995	<u>(11,845)</u>	<u>(607)</u>

As permitted by Section 230 of the Companies Act 1985, the Company's own profit and loss account has not been included in these accounts.

21 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>Group</u>		<u>Company</u>	
	Year ended 31 December 1995	Year ended 31 December 1994	Year ended 31 December 1995	Year ended 31 December 1994
	£'000	£'000	£'000	£'000
Loss for the financial period	(3,618)	(5,207)	647	(723)
Translation gains on foreign currency net investments	<u>230</u>	<u>114</u>	<u>-</u>	<u>-</u>
	(3,388)	(5,093)	647	(723)
Opening Shareholders' Funds	34,003	39,096	37,816	38,539
Issue of share capital	<u>23,875</u>	<u>-</u>	<u>23,875</u>	<u>-</u>
Closing Shareholders' Funds	<u>54,490</u>	<u>34,003</u>	<u>62,338</u>	<u>37,816</u>

NALCO INVESTMENTS UK LIMITED

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1995 (Continued)

22 COMMITMENTS

	Group	
	<u>1995</u>	<u>1994</u>
	£'000	£'000
<u>Capital</u>		
Expenditure contracted but not provided for	556	539
Expenditure authorised but not yet contracted for	366	357
	<u> </u>	<u> </u>
<u>Revenue</u>		
Operating leases which expire within:		
One year	4	97
Two to five years	392	177
	<u> </u>	<u> </u>

23 NOTES TO THE CASH FLOW STATEMENT

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

	<u>1995</u>	<u>1994</u>
	£'000	£'000
Operating profit	1,661	3,855
Depreciation charges	2,596	3,018
Decrease/(increase) in stocks	78	(252)
Increase in debtors	(477)	(709)
Increase in creditors	<u>483</u>	<u>1,079</u>
Net cash inflow from operating activities	<u>4,341</u>	<u>6,991</u>

(b) Analysis of changes in cash and cash equivalents during the period

	£'000
Balance at 1 January 1995	(800)
Net cash outflow before adjustments for the effect of foreign exchange rate changes	(422)
Effect of foreign exchange rate changes	<u>88</u>
Balance at 31 December 1995	<u>(1,134)</u>

(c) Analysis of the balances of cash and cash equivalents as shown in the balance sheet

	<u>Change</u>	<u>31 December 1995</u>	<u>31 December 1994</u>
	£'000	£'000	£'000
Cash at bank and in hand	874	874	-
Bank overdraft	<u>(1,208)</u>	<u>(2,008)</u>	<u>(800)</u>
	<u>(334)</u>	<u>(1,134)</u>	<u>(800)</u>

NALCO INVESTMENTS UK LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1995 (Continued)

23 NOTES TO THE CASH FLOW STATEMENT (CONTINUED)

(d) Analysis of changes in financing

	Share capital/ <u>premium</u> £'000	Loan from <u>Nalco Delaware</u> £'000
At 1 January 1995	39,070	41,535
Capitalisation of loan amount	21,535	(21,535)
Issue of further shares for cash	<u>2,340</u>	<u>-</u>
At 31 December 1995	<u>62,945</u>	<u>20,000</u>

24 ULTIMATE PARENT COMPANY

The ultimate parent company is Nalco Chemical Company, incorporated in the United States of America. Copies of its accounts can be obtained from One Nalco Center, Naperville, Illinois 60563-1198, USA.