

REPORT OF THE DIRECTORSFOR THE YEAR ENDED 30TH APRIL 1986139876
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The directors present their annual report and the audited financial statements for the year ended 30th April 1986.

TRADING RESULTS

The result of the year's trading, the financial position of the company and the dividends paid are shown in the annexed accounts.

REVIEW OF OPERATIONS

The principal activity of the company during the period under review was the merchanting and processing of chemicals. The directors are of the opinion that the activities of the company have been successfully developed during the period under review.

TANGIBLE FIXED ASSETS

Movements in tangible fixed assets are disclosed in note 8.

DIRECTORS

The following persons served as directors throughout the year:

S. Everard	J. N. Phillpotts
D. C. Walsh	K. Hough
P. S. Wood	D. I. King
F. G. Cartwright	

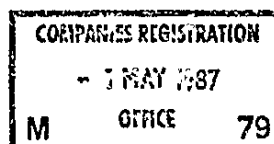
S Everard and D C Walsh resigned as directors on 1st May 1986.

K Hough and D I King retire by rotation and being eligible offer themselves for re-election.

S Everard, D C Walsh, P S Wood and K Hough are also directors of the ultimate holding company, Ellis & Everard plc and are not required to record their interests in shares in group companies in the register maintained by this company.

The interests of other directors and their families in the share capital of Ellis & Everard plc are set out below.

	At 30th April 1986			At 1st May 1985		
	Ordinary Shares	Ordinary Share Options	Ordinary Shares Profit Sharing Scheme	Ordinary Shares	Ordinary Share Options	Ordinary Shares Profit Sharing Scheme
✓ J.N. Phillpotts	1,103	8,582	1,229	1,838	6,153	1,118
✓ F.G. Cartwright	1,056	8,542	1,167	960	6,153	1,061



COMPANY STATUS

The company is not a close company within the meaning of the Income and Corporation Taxes Act 1970.

EMPLOYEES

The company continues to place great importance on the health, safety and welfare of its employees and the provisions of the Health and Safety at Work Act 1974. This is supplemented with special training and the maintenance of good communications with our employees.

The group has continued its policy of giving every consideration and assistance to the employment of disabled people.

Employees who become disabled are, wherever possible, encouraged and assisted to continue in their existing jobs or in more suitable alternative jobs, if that becomes necessary.

Job applications from disabled people are considered fully alongside those from the able-bodied and our selection for employment is based upon the aptitude and ability to do the job.

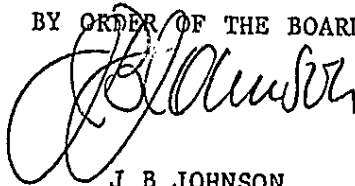
CHARITABLE AND POLITICAL CONTRIBUTIONS

The company contributed £449 to charities during the year. No political contributions were made.

AUDITORS

A resolution in accordance with Section 384, Companies Act 1985 for the re-appointment of Peat, Marwick, Mitchell & Co as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

BY ORDER OF THE BOARD



J B JOHNSON

Secretary

Ellis House
Holme Lane
Bradford
BD4 0PZ

10th July 1986

REPORT OF THE AUDITORS TO THE MEMBERS OF
ELLIS & EVERARD (CHEMICALS) LIMITED

We have audited the accounts on pages 4 to 13 in accordance with approved Auditing Standards.

In our opinion the accounts, which have been prepared on the basis of the accounting policies set out on page 7, give a true and fair view of the state of the company's affairs at 30th April 1986, and of its profit and source and application of funds for the year to that date, and comply with the Companies Act 1985.

Peat, Marwick, Mitchell & Co
PEAT, MARWICK, MITCHELL & CO
Chartered Accountants

Bradford
10th July 1986

ELLIS & EVERARD (CHEMICALS) LIMITEDPROFIT AND LOSS ACCOUNTFOR THE YEAR ENDED 30TH APRIL 1986

	<u>Note</u>	<u>1986</u> <u>£</u>	<u>1985</u> <u>£</u>
<u>TURNOVER</u>	2	42,745,214	39,323,602
Cost of sales		32,468,751	29,876,310
<u>GROSS PROFIT</u>		10,276,463	9,447,292
Distribution costs		3,004,568	2,829,886
Administration expenses		4,991,191	4,595,233
<u>OPERATING PROFIT</u>	3	2,280,704	2,022,173
Interest payable (net)	4	(223,863)	(149,362)
<u>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</u>		2,056,841	1,872,811
Taxation on profit on ordinary activities	6	767,832	830,622
<u>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</u>		1,289,009	1,042,189
Dividends	7	785,759	717,000
<u>RETAINED PROFIT FOR THE FINANCIAL YEAR</u>	16	503,250	325,189

ELLIS & EVERARD (CHEMICALS) LIMITEDBALANCE SHEET AT 30TH APRIL 1986

	<u>Note</u>	<u>1986</u> <u>£</u>	<u>1985</u> <u>£</u>
<u>FIXED ASSETS</u>			
Tangible fixed assets	8	5,157,669	4,693,516
<u>CURRENT ASSETS</u>			
Stocks	9	4,886,147	4,837,649
Debtors	10	6,318,627	6,119,976
Bank, cash and short term deposits		284,294	880,481
		11,489,068	11,838,106
<u>CREDITORS DUE WITHIN ONE YEAR</u>	11	9,067,349	9,378,298
<u>NET CURRENT ASSETS</u>		2,421,719	2,459,808
<u>TOTAL ASSETS LESS CURRENT LIABILITIES</u>		7,579,388	7,153,324
<u>CREDITORS DUE AFTER ONE YEAR</u>	12	11,038	11,224
<u>PROVISIONS FOR LIABILITIES AND CHARGES</u>	13	890,000	967,000
<u>NET ASSETS EMPLOYED</u>		6,678,350	6,175,100
<u>CAPITAL AND RESERVES</u>			
Called up share capital	15	800,000	800,000
Share premium account	16	825,543	825,543
Revaluation reserve	16	312,640	312,640
Revenue reserve	16	4,740,167	4,236,917
These accounts were approved by the board of directors on 10th July 1986 and are signed on their behalf by			
KENNETH HOUGH	<i>K. Hough</i>		
	Directors		
PETER S WOOD	<i>P. S. Wood</i>		
		6,678,350	6,175,100

ELLIS & EVERARD (CHEMICALS) LIMITEDSTATEMENT OF SOURCE AND APPLICATION OF FUNDSFOR THE YEAR ENDED 30TH APRIL 1986

	<u>1986</u>		<u>1985</u>	
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
<u>SOURCE OF FUNDS</u>				
Profit on ordinary activities before taxation		2,056,841		1,872,811
Adjustment for items not involving the movement of funds:				
Depreciation	635,942		564,164	
Loss/(profit) on sale of tangible fixed assets	<u>3,107</u>	<u>639,049</u>	<u>(10,903)</u>	<u>553,261</u>
<u>TOTAL GENERATED FROM OPERATIONS</u>		<u>2,695,890</u>		<u>2,426,072</u>
<u>FUNDS FROM OTHER SOURCES</u>				
Sale of tangible fixed assets-external	59,507		17,003	
-inter group	<u>5,391</u>		<u>-</u>	
Repayment of corporation tax	-	<u>64,898</u>	<u>16,008</u>	<u>33,011</u>
		<u>2,760,788</u>		<u>2,459,083</u>
<u>APPLICATION OF FUNDS</u>				
Creditors due after one year	186		190	
Purchase of tangible fixed assets-external	1,158,345		1,065,428	
-inter group	<u>9,755</u>		<u>-</u>	
Dividends paid	785,759		1,034,000	
Group relief paid	322,097		259,000	
Tax paid	<u>466,142</u>	<u>2,742,284</u>	<u>400,333</u>	<u>2,758,951</u>
		<u>18,504</u>		<u>(299,868)</u>
<u>INCREASE/(DECREASE) IN WORKING CAPITAL</u>				
Stocks	48,498		604,624	
Debtors	<u>198,651</u>		<u>362,582</u>	
Creditors due within one year (excluding inter group short term borrowings)	<u>723,534</u>	<u>970,683</u>	<u>(1,108,345)</u>	<u>(141,139)</u>
		<u>(952,179)</u>		<u>(158,729)</u>
		=====		=====
<u>MOVEMENT IN NET LIQUID FUNDS</u>				
(Decrease)/increase in bank, cash and short term deposits		(596,187)		8,313
Decrease/(increase) in bank overdrafts		(111,421)		472,958
(Increase) in inter group short term borrowings		(244,571)		(640,000)
		<u>(952,179)</u>		<u>(158,729)</u>
		=====		=====
<u>NET LIQUID POSITION</u>				
As at 30th April 1985		(1,633,692)		(1,474,963)
Movement during the year		<u>(952,179)</u>		<u>(158,729)</u>
		=====		=====
As at 30th April 1986		<u>(2,585,871)</u>		<u>(1,633,692)</u>
		=====		=====

ELLIS & EVERARD (CHEMICALS) LIMITED30TH APRIL 1986NOTES ON THE ACCOUNTS1. ACCOUNTING POLICIESAccounting convention

The accounts are prepared under the historical cost convention adjusted for the revaluation of certain tangible fixed assets.

Depreciation

All tangible fixed assets, other than freehold land, and assets in the course of construction are depreciated on a straight-line basis at annual rates calculated to write off their cost or valuation over the term of their useful lives, as follows:

Freehold buildings	-	10 to 50 years
Leasehold properties	-	the unexpired period of each lease or such shorter period as is considered appropriate
Plant, machinery and vehicles	-	4 to 15 years

Deferred taxation

Provision is made for deferred taxation under the liability method except where, in the opinion of the directors, the liability is unlikely to arise in the foreseeable future.

Advance corporation tax

Advance corporation tax is carried forward only to the extent that it is recoverable in the foreseeable future.

Stocks

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

Returnable containers

Containers are charged out to customers and credited on return, and provision is deducted from debtors for the amount by which the estimated amount of credits to be given exceeds the underlying value of containers to be returned.

Leased assets

The company has no material finance leases. The rental costs of all leased assets are charged against profits as incurred.

2. TURNOVER

Turnover relates to the merchandising of chemicals, excludes VAT but includes inter group sales. There were no exports during the year.

3. OPERATING PROFIT

	<u>1986</u> <u>£</u>	<u>1985</u> <u>£</u>
Operating profit is arrived at after charging:		
Depreciation	635,942	564,164
Loss on sale of tangible fixed assets	3,107	-
Directors' emoluments (note 5)	62,010	54,457
Auditors' remuneration	14,300	12,900
Hire & rental charges - plant & vehicles	223,021	209,803
- property	<u>155,167</u>	<u>147,257</u>
After crediting:		
Profit on sale of tangible fixed assets	<u>-</u>	<u>10,903</u>

4. INTEREST PAYABLE (NET)

Interest receivable:

Inter group	72	-
Short term deposits and loans	<u>15,912</u>	<u>25,780</u>
	15,984	25,780
Interest payable:		
Bank overdrafts	(9,780)	(10,099)
Loans repayable after five years	(774)	(786)
Inter group	<u>(229,293)</u>	<u>(164,257)</u>
	(239,847)	(175,142)
	<u>(223,863)</u>	<u>(149,362)</u>

5. EMPLOYEES

Employee costs during the year amounted to:
 Wages and salaries
 Social security costs
 Other pension costs
 Compensation, ex gratia and net redundancy payments

<u>1986</u> <u>£</u>	<u>1985</u> <u>£</u>
2,997,923	2,783,975
212,781	217,139
256,224	233,161
27,932	3,749
<u>3,494,860</u> <u>=====</u>	<u>3,238,024</u> <u>=====</u>

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

	<u>1986</u>	<u>1985</u>
Manual	156	156
Other	250	243
	<u>406</u> <u>===</u>	<u>399</u> <u>=====</u>

The emoluments of directors including estimated benefits but excluding pension scheme contributions were:

Chairman
 Highest paid director
 Other directors:

<u>25,992</u>	<u>22,767</u>
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	<u>1986</u>	<u>1985</u>
£ 0 - £5,000	4	5
£20,001 - £25,000	-	1
£25,001 - £30,000	1	-

6. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

Taxation on the profit for the year:

Corporation tax at 39.6% (1985 - 44.6%)
 Deferred taxation

855,000 (77,000)	795,000 42,000
<u>778,000</u> (10,168)	<u>837,000</u> (6,378)
<u>767,832</u> <u>=====</u>	<u>830,622</u> <u>=====</u>

Overprovision in prior years

7. DIVIDENDS

Paid: Interim
 Paid: Final

304,759 481,000	236,000 481,000
<u>785,759</u> <u>=====</u>	<u>717,000</u> <u>=====</u>

8. TANGIBLE FIXED ASSETS

	Land and buildings	Plant, machinery and vehicles	Payments on account and assets in course of construction	Total
	£	£	£	£
Cost or valuation				
At 30th April 1985	3,098,194	3,312,551	134,636	6,545,381
Additions	284,827	717,846	155,672	1,158,345
Disposals		(466,186)		(466,186)
Reclassifications	77,130	132,683	(209,813)	-
Inter group transfers		7,127		7,127
	<hr/>	<hr/>	<hr/>	<hr/>
At 30th April 1986	3,460,151	3,704,021	80,495	7,244,667
	<hr/>	<hr/>	<hr/>	<hr/>
At professional valuation 1983	2,519,373	-	-	2,519,373
At cost	940,778	3,704,021	80,495	4,725,294
	<hr/>	<hr/>	<hr/>	<hr/>
	3,460,151	3,704,021	80,495	7,244,667
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 30th April 1985	258,130	1,593,735	-	1,851,865
Charge for the year	148,269	487,673	-	635,942
Disposals	-	(403,572)	-	(403,572)
Inter group transfers		2,763		2,763
	<hr/>	<hr/>	<hr/>	<hr/>
At 30th April 1986	406,399	1,680,599	-	2,086,998
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 30th April 1986	3,053,752	2,023,422	80,495	5,157,669
	=====	=====	=====	=====
At 30th April 1985	2,840,064	1,718,816	134,636	4,693,516
	=====	=====	=====	=====

The net book value of land and buildings is as follows:

	<u>1986</u> <u>£</u>	<u>1985</u> <u>£</u>
Freehold	2,166,027	1,989,515
Long leasehold	694,640	673,607
Short leasehold	193,085	176,942
	<hr/>	<hr/>
	3,053,752	2,840,064
	=====	=====

The amount of land and buildings, included above at cost or valuation determined according to the historical cost accounting rules is as follows:

	<u>1986</u> <u>£</u>	<u>1985</u> <u>£</u>
Cost	3,393,158	3,031,201
Depreciation	575,988	446,923
	<hr/>	<hr/>
Net book value	2,817,170	2,584,278
	=====	=====

The non-depreciable element of land and buildings amounts to £537,103 (1985 - £419,850).

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	<hr/>	<hr/>
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	=====	=====

The non-depreciable element of land and buildings amounts to £537,103 (1985 - £419,850).

9. STOCKS

	<u>1986</u> <u>£</u>	<u>1985</u> <u>£</u>
Raw materials	4,013,329	3,991,121
Containers and consumables	872,818	846,528
	<u>4,886,147</u>	<u>4,837,649</u>
	<u>=====</u>	<u>=====</u>

10. DEBTORS

Trade debtors	6,066,087	5,909,528
Other debtors	8,093	7,293
Amounts due from fellow subsidiaries	143,722	96,369
Prepayments and accrued income	100,725	106,786
	<u>6,318,627</u>	<u>6,119,976</u>
	<u>=====</u>	<u>=====</u>

11. CREDITORS DUE WITHIN ONE YEAR

Current instalments on secured loan (note 12)	182	185
Bank overdrafts	335,594	224,173
Trade creditors	4,477,934	5,077,898
Amounts owed to parent company:		
Trading amounts	53,053	174,480
Advance corporation tax	180,767	300,000
Short term borrowings	2,534,571	2,290,000
Amounts owed to fellow subsidiaries:		
Trading amounts	89,677	75,670
Advance corporation tax payable	196,465	206,142
Corporation tax payable	474,361	288,858
Value added tax	260,520	218,034
Other creditors	196,121	191,274
Accruals	268,104	331,584
	<u>9,067,349</u>	<u>9,378,298</u>
	<u>=====</u>	<u>=====</u>

12. CREDITORS DUE AFTER ONE YEAR

Secured loan

9 ² / ₃ % loan repayable in instalments by 2005 (secured on a property)	11,220	11,409
Current instalments on secured loan (note 11)	<u>(182)</u>	<u>(185)</u>
	<u>11,038</u>	<u>11,224</u>
	<u>=====</u>	<u>=====</u>
Repayable:		
1 - 2 years	185	185
2 - 5 years	600	600
5 years and over	<u>10,253</u>	<u>10,439</u>
	<u>11,038</u>	<u>11,224</u>
	<u>=====</u>	<u>=====</u>

13. PROVISIONS FOR LIABILITIES AND CHARGES

Taxation deferred by accelerated capital allowances

<u>1986</u>	<u>1985</u>
<u>£</u>	<u>£</u>
890,000	967,000
=====	=====

No provision for deferred taxation is considered necessary on the surplus arising from the revaluation of land and buildings as it is not the intention of the directors to dispose of these assets in the foreseeable future. Should any revalued land and buildings be disposed of, it is considered that the tax on any capital gain would be deferred indefinitely by means of "rollover relief".

14. FUTURE LEASE RENTAL COMMITMENTS

	<u>1986</u>	<u>1985</u>
	<u>£</u>	<u>£</u>
Property rentals due within 1 year	141,927	141,927
	=====	=====
On leases expiring: within 1 year	2,315	2,315
within 2 - 5 years	24,130	24,130
after 5 years	115,482	115,482
Other lease rentals due within 1 year	111,238	124,650
	=====	=====
On leases expiring: within 1 year	42,331	47,435
within 2 - 5 years	68,907	77,215
	=====	=====

15. SHARE CAPITAL

Authorised, allotted, called up and fully paid
800,000 ordinary shares of £1 each

<u>1986</u>	<u>1985</u>
<u>£</u>	<u>£</u>
800,000	800,000
=====	=====

16. RESERVES

Share premium account

Balance at 30th April 1985 and 30th April 1986

825,543

Revaluation reserve

Balance at 30th April 1985 and 30th April 1986

312,640

Revenue reserve

Balance at 30th April 1985

4,236,917

Retained profit for the financial year

503,250

Balance at 30th April 1986

4,740,167

Total reserves at 30th April 1986

5,878,350

17. HOLDING COMPANY

The ultimate holding company is Ellis & Everard plc which is incorporated in the United Kingdom.

18. CONTINGENT LIABILITY

There is a fixed charge over certain properties owned by the company and a floating charge over all other assets, as security for an issue of 7 1/4% debenture stock 1987/92 by Ellis & Everard plc. The value of debenture stock in issue at 30th April 1986 amounted to £449,000 (1985 - £451,000). The company has guaranteed the borrowings of a fellow subsidiary which at 30th April 1986 amounted to \$7,000,000 (£4,513,000) (1985 - \$7,000,000 (£5,634,000)).

19. PENSIONS

The majority of employees are members of the Ellis & Everard Company Pension Scheme and are contracted out of the upper tier of the State Pension Scheme. The Scheme provides pension benefits related to service and final earnings and also lump sum death benefits and dependants' pensions. It is constituted as an independent and statutorily approved trust fund whose assets are invested independently.

The company's contribution is currently more than double that paid by the members, the rate being that recommended by the Actuary. In making his recommendation, the Actuary takes into account the effect of estimated future earnings increases on both past and future service benefits and the estimated rate of earnings on the funds invested.

The last actuarial valuation of the Scheme was carried out as at 1st January 1986. The results showed that the Scheme's Fund was sufficient to secure benefits accrued to the valuation date in full and that the present contribution rate is sufficient to provide the balance of benefits expected to accrue in the future.

20. CAPITAL COMMITMENTS

	<u>1986</u> <u>£</u>	<u>1985</u> <u>£</u>
Capital expenditure committed	15,000	57,000
Capital expenditure authorised by the directors but not yet committed	259,000	299,000
	<u>274,000</u> =====	<u>356,000</u> =====