

REPORT OF THE AUDITORS TO THE MEMBERS OF

ELLIS & EVERARD (UK) LIMITED

(FORMERLY ELLIS + EVERARD CHEMICALS LIMITED)

We have audited the financial statements on pages 5 to 21 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 30 April 1991 and of its profit and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*KPMG Peat Marwick McLintock*

KPMG PEAT MARWICK McLINTOCK  
Chartered Accountants

Bradford  
10 July 1991

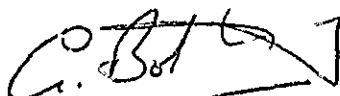
ELLIS & EVERARD (UK) LIMITED  
 PROFIT AND LOSS ACCOUNT  
 FOR THE YEAR ENDED 30 APRIL 1991

	<u>Note</u>	<u>1991</u> <u>£000</u>	<u>1990</u> <u>£000</u>
TURNOVER	2	65878	61294
Cost of sales		49096	45832
GROSS PROFIT		16782	15462
Distribution costs		4240	3827
Administration expenses		7741	7249
OPERATING PROFIT	3	4801	4386
Interest payable (net)	4	410	383
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		4391	4003
Taxation on profit on ordinary activities	6	1399	1433
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		2992	2570
Dividends	7	388	1155
RETAINED PROFIT FOR THE FINANCIAL YEAR	15	2604	1415
		=====	=====

ELLIS & EVERARD (UK) LIMITED  
BALANCE SHEET AT 30 APRIL 1991

	<u>Note</u>	<u>1991</u> <u>£000</u>	<u>1990</u> <u>£000</u>
FIXED ASSETS			
Tangible fixed assets	8	4745	9095
CURRENT ASSETS			
Stocks	9	7894	6153
Debtors	10	12403	9497
Cash at banks and in hand		1358	1051
		21655	16701
CREDITORS DUE WITHIN ONE YEAR	11	12663	13744
NET CURRENT ASSETS		8992	2957
TOTAL ASSETS LESS CURRENT LIABILITIES		13737	12052
CREDITORS DUE AFTER ONE YEAR	12	850	226
PROVISIONS FOR LIABILITIES AND CHARGES	13	290	670
NET ASSETS EMPLOYED		12589	11156
CAPITAL AND RESERVES			
Called up share capital	14	800	800
Share premium account	15	826	826
Revaluation reserve	15	-	152
Profit and loss account	15	10963	9378
		12589	11156

These accounts were approved by the Board of Directors on 10 July 1991 and are signed on their behalf by :-

  
G. C. BOTTING  
Director

ELLIS & EVERARD (UK) LIMITED  
STATEMENT OF SOURCE AND APPLICATION OF FUNDS  
FOR THE YEAR ENDED 30 APRIL 1991

SOURCE OF FUNDS	1991		1990	
	£000	£000	£000	£000
Profit on ordinary activities before taxation		4391		4003
Adjustment for items not involving the movement of funds:				
Depreciation	1016		936	
Profit on sale of tangible fixed assets: - external	(111)		(39)	
- inter group	( 78)		( 1)	
		827		896
<b>TOTAL GENERATED FROM OPERATIONS</b>		<b>5218</b>		<b>4899</b>
<b>FUNDS FROM OTHER SOURCES</b>				
Sale of tangible fixed assets: - external	194		102	
- inter group	5205		39	
		5399		141
		11617		5040
<b>APPLICATION OF FUNDS</b>				
Acquisition of subsidiary (note 16)	2886		-	
Purchase of tangible fixed assets - external	2732		1227	
- inter group	31		13	
Dividends paid	388		1155	
Tax paid	989		1684	
Transfer of tax liability to fellow subsidiary	460		-	
		7486		4079
		4131		961
<b>DECREASE / (INCREASE) IN WORKING CAPITAL</b>				
Stocks	(1174)		( 73)	
Debtors	( 790)		(1502)	
Creditors due within one year (excluding inter-group short term borrowings)	( 159)		557	
		(2123)		(1018)
		2008		( 57)
		=====		=====

ELLIS & EVERARD (UK) LIMITED  
STATEMENT OF SOURCE AND APPLICATION OF FUNDS  
(continued)  
FOR THE YEAR ENDED 30 APRIL 1991

	<u>1991</u>		<u>1990</u>
	<u>£000</u>	<u>£000</u>	<u>£000</u>
MOVEMENT IN NET LIQUID FUNDS			
Opening balance		(1726)	(1669)
Closing balances:			
Cash at bank and in hand	1358		1051
Bank overdrafts due within one year	( 36)		( 18)
Bank overdrafts due after one year	( 541)		( 226)
Inter group borrowings	( 126)		(2533)
Finance leases	( 373)		-
	<u>282</u>		<u>(1726)</u>
MOVEMENT DURING THE YEAR		2008	( 57)
		=====	=====

ELLIS & EVERARD (UK) LIMITED

30 APRIL 1991

NOTES ON THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Accounting Convention

The accounts are prepared under the historical cost convention, adjusted for the revaluation of certain tangible fixed assets, and in accordance with applicable accounting standards.

Acquisitions

The results of businesses acquired in the year are included from the effective date of acquisition. Goodwill arising on the acquisition of businesses is immediately written off directly to reserves.

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

Deferred taxation is provided on the liability method to the extent that it is probable that a liability will crystallise 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 a 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.

ELLIS & EVERARD (UK) LIMITED

30 APRIL 1991

NOTES ON THE FINANCIAL STATEMENTS

Leased assets

Where assets are financed by leasing agreements that give rights similar to ownership, the assets are treated as if they had been purchased and the leasing commitments are shown as obligations to the lessor. Leasing payments are treated as consisting of capital and interest elements and the interest is charged to the profit and loss account. For all other leases, the rental payments are charged to the profit and loss account on a straight line basis over the lives of the leases.

2. TURNOVER

Turnover relates to the merchandising of chemicals, excluding VAT, but including sales within the group.

3. OPERATING PROFIT

	<u>1991</u> <u>£000</u>	<u>1990</u> <u>£000</u>
Operating profit is arrived at after charging:		
Depreciation - owned assets	983	936
- leased assets	33	-
Directors' emoluments including pension scheme contributions	182	191
Auditors' remuneration	14	14
Hire and rental charges - plant and vehicles	94	131
- property	199	58
	=====	=====
And after crediting :		
Profit on sale of tangible fixed assets	189	40
	=====	=====

ELLIS & EVERARD (UK) LIMITED

30 APRIL 1991

NOTES ON THE FINANCIAL STATEMENTS

	<u>1991</u> <u>£000</u>	<u>1990</u> <u>£000</u>
INTEREST PAYABLE (NET)		
Interest receivable:		
Inter group	1	-
	<hr/>	<hr/>
Interest payable:		
Loans repayable within 5 years	-	29
Inter group	386	354
Finance leases	25	-
	<hr/>	<hr/>
	411	383
	<hr/>	<hr/>
Interest payable (Net)	410	383
	=====	=====

EMPLOYEES

Employee costs during the year amounted to:

Wages and salaries	4437	4210
Social security costs	340	320
Other pension costs	289	271
Compensation, ex gratia and net redundancy payments	52	29
	<hr/>	<hr/>
	5118	4830
	=====	=====



ELLIS & EVERARD (UK) LIMITED

30 APRIL 1991

NOTES ON THE FINANCIAL STATEMENTS

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

	<u>1991</u>	<u>1990</u>
Manual	146	148
Other	229	241
	<hr/>	<hr/>
	375	389
	=====	=====

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

Executive emoluments	152	158
Compensation for loss of office	<u>44</u>	<u>-</u>
	196	158
	=====	=====

Executive emoluments are analysed as follows :

Highest paid director	52	37
	=====	=====
Other directors:		

	<u>1991</u> <u>No.</u>	<u>1990</u> <u>No.</u>
£ 0 - 5,000	2	5
£ 15,001 - 20,000	-	1
£ 20,001 - 25,000	1	-
£ 35,001 - 40,000	2	3

ELLIS & EVERARD (UK) LIMITED

30 APRIL 1991

NOTES ON THE FINANCIAL STATEMENTS

6. TAXATION ON PROFIT ON ORDINARY ACTIVITIES	<u>1991</u> <u>£000</u>	<u>1990</u> <u>£000</u>
Taxation on the profit for the year:		
Corporation tax at 33.9 % (1989 35 %)	1348	1450
Deferred taxation (note 13)	80	(25)
	<hr/>	<hr/>
	1428	1425
(Over)/under provision in prior years	(29)	8
	<hr/>	<hr/>
	1399	1433
	=====	=====
7. DIVIDENDS		
Paid: Interim	388	400
Paid: Final	-	755
	<hr/>	<hr/>
	388	1155
	=====	=====

ELLIS & EVERARD (UK) LIMITED

30 APRIL 1991

NOTES ON THE FINANCIAL STATEMENTS

8. TANGIBLE FIXED ASSETS

	Land and Buildings	Plant, machinery and vehicles	Assets in course of construction	Total
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
Cost or valuation :				
At 30 April 1990	6708	5282	32	12022
Additions	92	1506	1134	2732
Acquisition of business	20	236	-	256
Disposals	-	(762)	-	( 762)
Inter group - additions	-	54	-	54
- disposals	(6622)	( 44)	-	(6666)
Reclassifications	( 4)	4	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 April 1991	194	6276	1166	7636
	<hr/>	<hr/>	<hr/>	<hr/>
At professional valuation 1987	60	-	-	60
At cost	134	6276	1166	7576
	<hr/>	<hr/>	<hr/>	<hr/>
	194	6276	1166	7636
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation :				
At 30 April 1990	376	2551	-	2927
Charge for the year	162	854	-	1016
Acquisition of business	2	141	-	143
Disposals	-	(679)	-	(679)
Inter group - additions	-	23	-	23
- disposals	(511)	(28)	-	(539)
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 April 1991	29	2862	-	2891
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value :				
At 30 April 1991	165	3414	1166	4745
	=====	=====	=====	=====
At 30 April 1990	6332	2731	32	9095
	=====	=====	=====	=====

ELLIS & EVERARD (UK) LIMITED

30 APRIL 1991

NOTES ON THE FINANCIAL STATEMENTS

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

	<u>1991</u> <u>£000</u>	<u>1990</u> <u>£000</u>
Freehold	12	3696
Long leasehold	12	469
Short leasehold	141	167
	<hr/>	<hr/>
	165	6332
	=====	=====

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

	<u>1991</u> <u>£000</u>	<u>1990</u> <u>£000</u>
Cost	133	7135
Depreciation	20	1041
	<hr/>	<hr/>
Net book value	113	6094
	=====	=====

As part of a group reorganisation a substantial proportion of the Company's properties were transferred to a fellow group undertaking, Cravenhurst Properties Limited, on 29 April 1991. This transfer was made at net book value less the associated deferred tax provisions relating to the sites involved (note 13). Henceforth the Company will rent these properties from Cravenhurst Properties Limited on an arm's length basis.

The non-depreciable element of land and buildings amounts to £ Nil (1990 - £ 1269000)

The net book value of assets held under finance leases was £ 315000 (1990 - £ Nil).

9. STOCKS

	<u>1991</u> <u>£000</u>	<u>1990</u> <u>£000</u>
Goods for resale	6624	4915
Containers and consumables	1270	1238
	<hr/>	<hr/>
	7894	6153
	=====	=====

ELLIS & EVERARD (UK) LIMITED

30 APRIL 1991

NOTES ON THE FINANCIAL STATEMENTS

10. DEBTORS	<u>1991</u> <u>£000</u>	<u>1990</u> <u>£000</u>
Trade debtors	11677	9054
Amounts owed by fellow subsidiaries	488	178
Other debtors	64	12
Prepayments and accrued income	174	253
	<hr/>	<hr/>
	12403	9497
	=====	=====
11. CREDITORS DUE WITHIN ONE YEAR		
Bank overdrafts	36	18
Trade creditors	7821	8069
Amounts owed to parent company:		
- Trading amounts	-	220
- Advance corporation tax	-	416
- Short term borrowings	-	2117
Amounts owed to fellow subsidiaries:		
- Trading amounts	919	459
- Short term borrowings	126	-
Advance corporation tax	-	752
Corporation tax	1497	915
Value added tax	1384	436
Other creditors	266	250
Accruals	557	592
Finance leases	56	-
Social security	1	-
	<hr/>	<hr/>
	12663	13744
	=====	=====
12. CREDITORS DUE AFTER ONE YEAR		
Finance leases	317	-
Bank overdraft repayable after 5 years	541	226
	<hr/>	<hr/>
	858	226
	=====	=====

The bank overdraft repayable after 5 years is drawn down under the group's evergreen facility. This facility can only be withdrawn by the bank with 5 years' notice. The overdraft is unsecured and is subject to interest charges at LIBOR + 3/8 %.

ELLIS & EVERARD (UK) LIMITED

30 APRIL 1991

NOTES ON THE FINANCIAL STATEMENTS

13. PROVISIONS FOR LIABILITIES AND CHARGES	<u>1991</u> <u>£000</u>	<u>1990</u> <u>£000</u>
Full potential liability for taxation deferred by accelerated capital allowances	290 =====	670 =====
Movements in provision for deferred taxation were :		
Balance at 30 April 1990	670	695
Transfer from profit and loss account (note 6)	80	(25)
Transfer to fellow subsidiary (note 8)	(460)	-
	<hr/>	<hr/>
Balance at 30 April 1991	290 =====	670 =====

No provision for deferred taxation is considered necessary on the surplus arising from the revaluation of land and buildings . Should any revalued property be disposed of it is considered that the tax on any capital gain arising would be deferred indefinitely by means of "rollover relief".

14. SHARE CAPITAL

	<u>1991</u> <u>£000</u>	<u>1990</u> <u>£000</u>
Authorised, allotted, called up and fully paid:		
800,000 ordinary shares of £1 each.	800 =====	800 =====

ELLIS & EVERARD (UK) LIMITED

30 APRIL 1991

NOTES ON THE FINANCIAL STATEMENTS

	<u>1991</u> <u>£000</u>	<u>1990</u> <u>£000</u>
15. RESERVES		
Share premium account	826 =====	826 =====
Revaluation reserve		
Balance at 30 April 1990	152	152
Transfer to profit and loss account	<u>(152)</u>	<u>-</u>
Balance at 30 April 1991	- =====	152 =====
Profit and loss account		
Opening balance 1 May	9378	7963
Retained profit for the financial year	2604	1415
Transfer from revaluation reserve	152	-
Goodwill on acquisitions ( note 16)	<u>(1171)</u>	<u>-</u>
Closing balance 30 April	10963 =====	9378 =====

16. ACQUISITIONS OF BUSINESSES

On 4 February 1991 the Company acquired the packed acid business of ICI Chemicals & Polymers Limited, a substantial shareholder of the parent Company Ellis & Everard plc, for a cash consideration, including expenses, of £260000.

On 2 April 1991 the Company acquired the business and assets of KD Thermoplastics Limited for a cash consideration, including expenses, of £2626000. Based in Chertsey, Surrey, KD Thermoplastics is the leading UK distributor of thermoplastic raw materials.

ELLIS & EVERARD (UK) LIMITED

30 APRIL 1991

NOTES ON THE FINANCIAL STATEMENTS

The fair value of assets acquired comprised :

	<u>£000</u>
Tangible fixed assets	113
Stocks	567
Debtors	2116
Creditors	(1081)
Goodwill on acquisitions (note 15)	<u>1171</u>
	2886
	=====
Cash consideration, including expenses :	
KD Thermoplastics	2625
Packed acids business	<u>260</u>
	2886
	=====

All tangible assets acquired related to the business of KD Thermoplastics Limited, no tangible assets were acquired in relation to the packed acids business.

No pre-acquisition provisions have been made in relation to the above, the net asset values as recorded in the accounting records of KD Thermoplastics Limited have been adjusted in determining the fair values recorded above upon the adoption of group accounting policies.

The cumulative amount of goodwill arising on acquisitions and written off directly against reserves is £1171000 (1990 - £ Nil).

17. FINANCE LEASES

Future obligations under finance leases comprise :

	<u>1991</u> <u>£000</u>	<u>1990</u> <u>£000</u>
Total lease payments	486	-
Interest allocated to future periods	<u>(113)</u>	<u>-</u>
	373	-
	=====	=====
Repayable :		
Within one year	56	-
Two to five years inclusive	<u>317</u>	<u>-</u>
	373	-
	=====	=====



ELLIS & EVERARD (UK) LIMITED

30 APRIL 1991

NOTES ON THE FINANCIAL STATEMENTS

	<u>1991</u> <u>£000</u>	<u>1990</u> <u>£000</u>
<b>18. FUTURE OPERATING LEASE COMMITMENTS</b>		
Property rentals due within 1 year		
On leases expiring: - after 5 years	200 =====	162 =====
Other lease rentals due within 1 year		
On commitments expiring - within 1 year	- =====	7 =====
<b>19. CAPITAL COMMITMENTS</b>		
Capital expenditure committed	100	740
Capital expenditure authorised by the Directors but not yet committed	625	1764
	<hr/> 725 =====	<hr/> 2504 =====
<b>20. CONTINGENT LIABILITIES</b>		

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 7.25 % debenture stock 1987 / 92 by Ellis & Everard plc. The value of debenture stock in issue at 30 April 1991 amounted to £ 191000 (1990 - £ 191000).

The Company has guaranteed the borrowings of certain other group companies under evergreen group borrowing facilities for five years, which at 30 April 1991 amounted to £ 19674000 (1990 - £13579000).

ELLIS & EVERARD (UK) LIMITED

30 APRIL 1991

NOTES ON THE FINANCIAL STATEMENTS

21. PENSIONS

The Company is a member of the Ellis & Everard group which operates a number of pension schemes worldwide. The main United Kingdom scheme, the Ellis & Everard Company Pension Scheme (1978) is of the defined benefit type and covers the majority of the employees of the Company. The total pension cost for the Company in the year, and the preceding year, is shown in note 5. The pension costs are assessed in accordance with the advice of independent qualified actuaries. The scheme was the subject of a full actuarial valuation in 1988 and particulars of this valuation are included in the accounts of Ellis & Everard plc.

There were no outstanding or overpaid contributions at 30 April 1991 (1990 - £ Nil).

22. POST BALANCE SHEET EVENT

On 1 May 1991 the assets and liabilities of the following fellow group undertakings were transferred to the Company at net book value :

D F Anstead Limited  
Cargo Fleet Chemical Company Limited  
Ellis + Everard Exports Limited  
Ellis + Everard Specialities Limited

In accordance with the terms of agency agreements signed by the above named and the Company their businesses will, from 1 May 1991, operate as trading divisions of the Company ; and consequently all trading transactions of these Companies will be dealt with in the accounts of the Company.

23. PARENT COMPANY

The ultimate parent company is Ellis & Everard plc which is incorporated in the United Kingdom and registered in England and Wales.