

E&E Limited

Directors' report and financial statements

30 April 1999

Registered number 139876



Directors' report and financial statements

Contents

Directors' report	1
Statement of directors' responsibilities	4
Report of the auditors to the members of E&E Limited	5
Profit and loss account	6
Balance sheet	7
Notes	8

Directors' report

The directors present their annual report and the audited financial statements for the year ended 30 April 1999.

Principal activity

The principal activity of the company is the sale, marketing and distribution of chemicals.

The trade, assets and liabilities of Chemitrade Limited, a fellow subsidiary undertaking, were transferred to the company on 1 September 1999 at net book value.

Results and dividends

The results of the company for the year ended 30 April 1999 are shown in the profit and loss account on page 6.

The company has paid an interim dividend of £2,500,000 (1998: £2,000,000) and the directors propose a final dividend of £4,500,000 (1998: £4,000,000).

Tangible fixed assets

In the opinion of the directors the market value of the company's properties is not materially different from the value included in the company's financial statements.

Directors and directors' interests

The directors who held office during the year, or were appointed after the year end, were as follows:

GC Botting	(resigned 2 November 1998)
FG Cartwright	(resigned 4 January 2000)
MI Latham	(appointed 1 February 1999)
JJ McKenzie	
KA Morrison	(appointed 29 June 1998)
RR Porter	(resigned 31 July 1998)
MR Pugh	(appointed 29 June 1998)
MD Reid	
DI Walmsley	(resigned 2 September 1999)

Directors' report (continued)

Directors and directors' interests (continued)

The directors who held office at the end of the financial year had the following interests in the shares of the ultimate parent company, Ellis & Everard plc, as recorded in the register of directors' share and debenture interests:

	30 April 1998	Share options granted	Share options exercised	Share options lapsed	30 April 1999
FG Cartwright					
Ordinary shares	18,607				23,551
Ordinary share options	85,568	5,000	-	-	90,568
Savings related share options	11,939	-	4,465	-	7,474
JJ McKenzie					
Ordinary shares	5,587				7,205
Contingent interests in ordinary shares	4,268	-	-	-	4,268
Ordinary share options	60,000	-	-	-	60,000
Savings related share options	9,693	10,481	1,440	3,856	14,878
KA Morrison					
Ordinary share options	13,000	5,000	-	-	18,000
Savings related share options	4,140	4,192	-	-	8,332
MR Pugh					
Ordinary shares	25				25
Ordinary share options	11,000	5,000	-	-	16,000
Savings related share options	7,273	2,096	-	-	9,369
MD Reid					
Ordinary shares	1,072				6,103
Contingent interests in ordinary shares	5,286	-	-	-	5,286
Ordinary share options	64,000	-	-	-	64,000
Savings related share options	12,359	10,481	4,801	6,629	11,410

Contingent interests in shares represent those interests in shares and matched shares under a group incentive plan, whereby a part of any incentive bonus may be deferred and denominated in Ellis & Everard plc shares. Details of the incentive plan are included in the financial statements of Ellis & Everard plc.

DI Walmsley is also a director of the ultimate parent company, Ellis & Everard plc, therefore his interests in group undertakings are not required to be recorded in the register of directors' interests maintained by this company.

Employee involvement and employment policies

Information concerning employees and their remuneration is given in the notes to the financial statements.

The company is committed to the principle of equal opportunity in employment. It seeks to ensure that no applicant or employee receives less favourable treatment on the grounds of gender, marital status, race, colour, ethnic origin, disability or religious beliefs or is disadvantaged by conditions which cannot be objectively justified. Furthermore, the harassment of one employee by another is strictly forbidden and a matter for disciplinary action. It is also the company's policy to comply with best practice on employment of disabled people. Full and fair consideration is given for employment, training and career development. Wherever possible this includes the retraining and retention of staff who become disabled during their employment.

Directors' report *(continued)*

Employee involvement and employment policies *(continued)*

Management of the company is decentralised and this is supported by a framework of human resource policies and an extensive communications network. There is regular communication and consultation with employees on matters of concern to them and participation and involvement in the development of the business is encouraged. We recognise the importance of a well educated and highly trained workforce and employees are encouraged and assisted in undertaking continuous personal development. The group supports and invests in training programmes aimed at achieving the highest standards of personal performance, safe working practises and customer service.

The pension funds within the company are administered by independent trustees including employee and pensioner representatives. In the UK, contact with and between retired employees is maintained through a Pensioners' Consultative Committee which also administers a hardship relief fund.

Payment of suppliers

The company agrees terms and conditions for its business transactions with suppliers. Payment is then made in accordance with these terms, subject to the other terms and conditions being met by the supplier.

Trade creditors shown in the balance sheet at 30 April 1999 represent 55 days of average purchases during the year (1998: 51 days).

Year 2000

We are actively seeking to minimise any disruption to our operations arising from the year 2000 date change. An internal programme is in hand to check all management information and operating systems and, where necessary, to take action to ensure that they will continue to operate.

Whilst it is not possible for any organisation to give an assurance that year 2000 compliance can be achieved in full, the directors are satisfied that appropriate action is being taken to minimise the risks involved. All costs, which have not been quantified, will be expensed as incurred in accordance with generally accepted accounting practice.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company will be proposed at the forthcoming Annual General Meeting.

By order of the board



Stephen Brian Smith
Secretary

46 Peckover Street
Bradford
West Yorkshire
BD1 5BD

18 February 2000

Statement of directors' responsibilities

The following statement, which should be read in conjunction with the auditors' report set out on page 5, is made for the purpose of clarifying the respective responsibilities of the directors and auditors.

The directors are required by law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company at the end of the financial year, and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- *select suitable accounting policies and then apply them consistently;*
- *make judgements and estimates that are reasonable and prudent;*
- *state whether applicable accounting standards have been followed, subject to any material departures which are disclosed and explained in the financial statements; and*
- *prepare the financial statements on the basis of a going concern where they have a reasonable expectation that the company will continue in operational existence for the foreseeable future.*

The directors are responsible for ensuring that proper accounting records are maintained which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. The directors are also responsible for the company's system of internal financial control which is designed to provide reasonable assurance of:

- the safeguarding of assets against unauthorised use or disposition;
- the prevention and detection of fraud and other irregularities; and
- the reliability of financial information published both internally and externally.



KPMG Audit Plc

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Neville Street
Leeds
LS1 4DW

Report of the auditors to the members of E&E Limited

We have audited the financial statements on pages 6 to 18.

Respective responsibilities of directors and auditors

As described on page 4 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements 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 financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, 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 financial statements 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 financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 April 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

18 February 2000

Profit and loss account

for the year ended 30 April 1999

	<i>Note</i>	1999 £000	1998 £000
Turnover - continuing operations	2	172,758	179,609
Cost of sales		(136,541)	(141,985)
		<hr/>	<hr/>
Gross profit		36,217	37,624
Distribution costs		(9,003)	(8,642)
Administrative expenses		(18,077)	(17,420)
Exceptional item	3	(756)	-
		<hr/>	<hr/>
Operating profit - continuing operations		8,381	11,562
Interest receivable and similar income		29	12
		<hr/>	<hr/>
Profit on ordinary activities before taxation	4	8,410	11,574
Tax on profit on ordinary activities	7	(2,819)	(3,588)
		<hr/>	<hr/>
Profit on ordinary activities after taxation		5,591	7,986
Dividends	8	(7,000)	(6,000)
		<hr/>	<hr/>
(Unrecovered loss)/retained profit for the financial year	16	(1,409)	1,986
		<hr/> <hr/>	<hr/> <hr/>

There were no recognised gains or losses in either the current or preceding year other than those reflected in the profit and loss account.

There is no material difference between the reported profits and the historical cost profits for either year.

A statement of movements on reserves can be found at note 16 and a reconciliation of movements in shareholders' funds at note 17.

Balance sheet

at 30 April 1999

	Note	1999 £000	1998 £000
Fixed assets			
Tangible assets	9	17,965	15,944
Current assets			
Stocks	10	17,353	17,033
Debtors	11	42,794	40,911
Cash at banks and in hand		637	1,148
		<u>60,784</u>	<u>59,092</u>
Creditors: amounts falling due within one year	12	(48,055)	(45,279)
		<u>12,729</u>	<u>13,813</u>
Net current assets			
		<u>30,694</u>	<u>29,757</u>
Total assets less current liabilities			
Creditors: amounts falling due after more than one year	13	(6,300)	(4,337)
Provisions for liabilities and charges	14	(1,550)	(1,167)
		<u>22,844</u>	<u>24,253</u>
Net assets			
		<u>22,844</u>	<u>24,253</u>
Capital and reserves			
Called up share capital	15	800	800
Share premium account		826	826
Profit and loss account	16	21,218	22,627
		<u>22,844</u>	<u>24,253</u>
Shareholders' funds - equity	17	<u>22,844</u>	<u>24,253</u>

These financial statements were approved by the board of directors on 18 February 2000 and are signed on its behalf by:



Mike Latham
Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared using the historical cost convention, modified by the revaluation of certain freehold and leasehold properties, and in accordance with applicable UK accounting standards.

Cash flow statement

Under Financial Reporting Standard No. 1 (Revised 1996), the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking of a company registered in England and Wales.

Goodwill

Goodwill arising on the acquisition of businesses prior to 30 April 1998 is written off against reserves as incurred. If such a business is sold or closed, the associated goodwill is reinstated in the balance sheet and is written off in the profit and loss account. Goodwill arising on the acquisition of businesses completed after 30 April 1998 is capitalised as an intangible asset and written off over its economic useful life, normally 20 years.

Depreciation

Depreciation is provided on tangible fixed assets, other than freehold land and assets in the course of construction, at rates calculated to write off their cost or valuation, less their estimated residual value, on a straight line basis over the following estimated useful lives:

Freehold buildings	-	50 years maximum.
Leasehold properties	-	the unexpired period of the lease or such shorter period as is considered appropriate. Where a property is leased from a fellow group company the depreciation charge is determined by reference to the state of ownership of the particular property to the group.
Ancillary building work	-	10 to 25 years.
Storage tanks and other fixed plant	-	7 to 15 years.
Fixtures and fittings	-	5 years.
Vehicles	-	4 to 6 years.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Notes (continued)

1 Accounting policies (continued)

Deferred taxation

Provision is made in respect of capital allowances and other timing differences to the extent that it is reasonably probable that such liabilities will crystallise in the foreseeable future.

Leased assets

Assets acquired by means of finance leases are included in the balance sheet at cost and depreciated at rates appropriate for the category of asset concerned. The finance element of rentals is charged to the profit and loss account. Operating lease rental payments are expensed as incurred.

Retirement benefits

Retirement benefits are funded by contributions made by the company and its employees to trustee administered funds. For defined benefit schemes, contribution rates are calculated periodically by independent actuaries and the cost charged against profits over the estimated working lives of the employees. For defined contribution schemes, contributions are charged to the profit and loss account in the year in which they are payable.

Stocks

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

Returnable containers

Where customers have been charged for returnable containers, a provision is deducted from debtors for the amount by which the estimated amount of credits to be granted exceeds the stock value of the containers to be returned.

2 Turnover

Turnover relates to the sale and distribution of chemicals, excluding value added tax.

Geographical analysis of turnover	1999 £000	1998 £000
United Kingdom	164,522	170,933
Rest of Europe	4,044	3,591
Rest of World	4,192	5,085
	<hr/>	<hr/>
	172,758	179,609
	<hr/>	<hr/>

Notes (continued)

3 Exceptional item

	1999 £000	1998 £000
Restructuring costs	756	-
	<u>756</u>	<u>-</u>

Restructuring costs principally comprise those costs incurred in the restructuring and rationalisation of the packaged goods business.

4 Profit on ordinary activities before taxation

	1999 £000	1998 £000
<i>Profit on ordinary activities before taxation is stated</i>		
<i>after charging:</i>		
Auditors' remuneration:		
- audit fees	58	51
- other fees	45	10
Directors' emoluments, including pension contributions (note 6)	467	358
Depreciation:		
- owned assets	2,856	2,579
- leased assets	91	277
Hire and rental charges:		
- plant and vehicles	486	483
- property	1,592	1,526
Foreign exchange losses	10	-
<i>after crediting:</i>		
Profit on disposal of tangible fixed assets	38	93
Foreign exchange gains	-	17
	<u>38</u>	<u>110</u>

Notes (continued)

5 Employees

The average number of employees, including directors, during the year, analysed by category, was as follows:

	Number of employees	
	1999	1998
Administrative	280	261
Sales and distribution	409	428
	<hr/>	<hr/>
	689	689
	<hr/>	<hr/>

Employee costs during the year amounted to:

	1999	1998
	£000	£000
Wages and salaries	12,663	11,557
Social security costs	974	918
Pension costs (note 19)	1,051	997
	<hr/>	<hr/>
	14,688	13,472
	<hr/>	<hr/>

Directors' emoluments

	1999	1998
	£000	£000
<i>Emoluments:</i>		
Management services	471	373
Pension contributions	98	80
	<hr/>	<hr/>
	569	453
	<hr/>	<hr/>

The aggregate emoluments of the highest paid director were £99,871 (1998: £87,588). Five (1998: five) of the directors made gains on the exercise of share options during the year.

Seven of the directors are remunerated by the company, and of these two participate in defined benefit pension schemes and five participate in defined contribution schemes. The highest paid director participated in a defined contribution scheme.

Two of the directors are remunerated by the ultimate parent company. The costs of DI Walmsley are not shown in the above figures as he is a director of the ultimate parent company.

Notes (continued)

7 Tax on profit on ordinary activities

	1999 £000	1998 £000
Corporation tax at 31% (1998: 31%) on the profit for the year on ordinary activities	2,600	3,588
Deferred taxation	219	-
	<hr/> 2,819	<hr/> 3,588
Adjustments in respect of prior years		
- current taxation	(164)	-
- deferred taxation	164	-
	<hr/> 2,819	<hr/> 3,588
	<hr/> <hr/>	<hr/> <hr/>

8 Dividends

	1999 £000	1998 £000
Interim paid	2,500	2,000
Final proposed	4,500	4,000
	<hr/> 7,000	<hr/> 6,000
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

9 Tangible fixed assets

	Land and buildings	Plant and machinery	Total
	£000	£000	£000
<i>Cost or valuation</i>			
30 April 1998	4,907	24,345	29,252
Additions	1,345	3,919	5,264
Disposals	-	(1,335)	(1,335)
Transfers	-	71	71
	<hr/>	<hr/>	<hr/>
30 April 1999	6,252	27,000	33,252
	<hr/>	<hr/>	<hr/>
Cost	6,192	27,000	33,192
Professional valuation - 1987	60	-	60
	<hr/>	<hr/>	<hr/>
	6,252	27,000	33,252
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
30 April 1998	1,214	12,094	13,308
Charge for year	387	2,560	2,947
Disposals	-	(979)	(979)
Transfers	-	11	11
	<hr/>	<hr/>	<hr/>
30 April 1999	1,601	13,686	15,287
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
30 April 1999	4,651	13,314	17,965
	<hr/>	<hr/>	<hr/>
30 April 1998	3,693	12,251	15,944
	<hr/>	<hr/>	<hr/>

Notes (continued)

9 Tangible fixed assets (continued)

The net book amount of land and buildings comprises:

	1999 £000	1998 £000
Freehold	16	17
Long leasehold	444	520
Short leasehold	4,191	3,156
	<hr/> 4,651 <hr/>	<hr/> 3,693 <hr/>

Valuations of land and buildings are on an existing use basis. There is no material difference between the reported net book value and the historical cost net book value of land and buildings.

Non depreciated land amounted to £72,000 (1998: £72,000).

10 Stocks

	1999 £000	1998 £000
Inventory held for resale	14,916	15,066
Containers and consumables	2,437	1,967
	<hr/> 17,353 <hr/>	<hr/> 17,033 <hr/>

11 Debtors

	1999 £000	1998 £000
Amounts due within one year:		
Trade debtors	33,272	32,406
Amounts owed by ultimate parent company	4,000	4,000
Amounts owed by fellow group undertakings	1,628	535
Other debtors	113	137
Prepayments and accrued income	588	640
	<hr/> 39,601 <hr/>	<hr/> 37,718 <hr/>
Amounts due after one year:		
Amounts owed by fellow group undertakings	3,193	3,193
	<hr/> 42,794 <hr/>	<hr/> 40,911 <hr/>

Notes *(continued)*

12 Creditors: amounts falling due within one year

	1999		1998
	£000	£000	£000
Bank loans and overdrafts		114	99
Trade creditors		24,098	23,615
Amounts owed to ultimate parent company		9,621	9,621
Amounts owed to fellow group undertakings		6,291	1,774
Other creditors including taxation and social security:			
Corporation tax	2,862		2,701
Advance corporation tax	-		1,000
Other taxes and social security	1,671		2,186
	<hr/>		<hr/>
Taxation and social security	4,533		5,887
Other creditors	401		878
	<hr/>		<hr/>
		4,934	6,765
Accruals and deferred income		2,997	3,405
		<hr/>	<hr/>
		48,055	45,279
		<hr/> <hr/>	<hr/> <hr/>

13 Creditors: amounts falling due after more than one year

	1999	1998
	£000	£000
Bank loans and overdrafts	6,300	4,337
	<hr/> <hr/>	<hr/> <hr/>

Bank loans and overdrafts are repayable within two to five years.

Notes (continued)

14 Provisions for liabilities and charges

	Deferred taxation £000
30 April 1998	1,167
Charged to profit and loss account	383
	<hr/>
30 April 1999	1,550
	<hr/> <hr/>

15 Share capital

	1999 £000	1998 £000
<i>Authorised, allotted, called up and fully paid</i>		
800,000 ordinary shares of £1 each	800	800
	<hr/> <hr/>	<hr/> <hr/>

16 Profit and loss account

	1999 £000
30 April 1998	22,627
Unrecovered loss for the financial year	(1,409)
	<hr/>
30 April 1999	21,218
	<hr/> <hr/>

The cumulative amount of goodwill arising on acquisitions and written off directly against the profit and loss account is £900,000 (1998: £900,000).

Notes (continued)

17 Reconciliation of movements in shareholders' funds

	1999 £000	1998 £000
Profit for the financial year	5,591	7,986
Dividends	(7,000)	(6,000)
Net addition to shareholders' funds	(1,409)	1,986
Opening shareholders' funds	24,253	22,267
Closing shareholders' funds	22,844	24,253

18 Commitments

- (i) Capital commitments at the end of the financial year for which no provision has been made:

	1999 £000	1998 £000
Contracted	196	645

- (ii) Annual commitments under non-cancellable operating leases are as follows:

	1999	Other	1998	Other
	Land and buildings £000	£000	Land and buildings £000	£000
Operating leases which expire:				
- within one year	48	497	37	442
- in the second to fifth years inclusive	117	-	117	-
- after five years	1,352	-	1,352	-
	1,517	497	1,506	442

Of the land and buildings commitment, £165,000 (1998: £154,000) is payable to a fellow group undertaking.

Notes (continued)

19 Pension scheme

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 1998 and particulars of this valuation are included in the financial statements of Ellis & Everard plc.

There were no outstanding or prepaid contributions at 30 April 1999 and 30 April 1998.

20 Post balance sheet event

The trade, assets and liabilities of Chemitrade Limited, a fellow subsidiary undertaking, were transferred to the company on 1 September 1999 at net book value.

21 Ultimate parent company and parent undertaking of larger group of which the company is a member

The ultimate parent company is Ellis & Everard plc, a company registered in England and Wales. Ellis & Everard plc is the only company which prepares group financial statements incorporating the financial statements of this company. These group financial statements are available to the public and may be obtained from Companies House, Crown Way, Maindy, Cardiff CF4 3UZ.

The immediate parent undertaking is Ellis & Everard (UK Holdings) Limited, which is registered in England and Wales.