

CAYLEY CHEMICAL CORPORATION LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30th JUNE, 1997

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COMPANY INFORMATION

COMPANY NUMBER

2116782

REGISTERED OFFICE

10 Manor Park
Mackenzie Way,
Cheltenham, Gloucestershire

DIRECTOR

P.J. Mills, B.Sc.

SECRETARY

B. Earl, M.A. (Cantab)

BANKERS

Barclays Bank PLC
Mackenzie Way,
Cheltenham, Gloucestershire

AUDITORS

N.B. Lancaster and Co.,
Chartered Accountants,
and Registered Auditor
5 Cecil Street,
Carlisle
CA1 1NL



CAYLEY CHEMICAL CORPORATION LIMITEDDIRECTORS REPORT

The Director presents his tenth Annual Report to the Members of the Company, together with the Audited Accounts for the year ended 30th June, 1997.

<u>TRADING RESULTS</u>	<u>Y.E. 30.6.1997</u>	<u>Y.E. 30.6.1996</u>
Profit on Ordinary Activities Before Taxation	60,852	181,169
Taxation	14,733	49,276
Profit on Ordinary Activities After Taxation	<u>46,119</u> =====	<u>131,893</u> =====

STATE OF AFFAIRS

The Director considers that the Company's State of Affairs is satisfactory.

The Director voted a Dividend of £32,000 during the year. The Company's Holding Company, C.C.C. Trading Limited, waived its entitlement to the Dividend and the whole amount was paid to the remaining Shareholder, Mr. P.J. Mills.

PRINCIPAL ACTIVITIES

The Company's principal activity is acting as Dealers in Chemical Products.

FIXED ASSETS

The Company's movements in Fixed Assets are set out in Note 13 to the Accounts.

DIRECTORS AND THEIR INTERESTS

The Director serving during the year and his interest in the Company's Share Capital was as follows:-

	<u>ORD. SHARES</u> <u>AT 30.6.1997</u>	<u>ORD. SHARES</u> <u>AT 30.6.1996</u>
P.J. Mills,	9,402 (40%)	9,402 (40%)

Through Mr. Mills ownership and control of C.C.C. Trading Limited (who hold the remining 60% of Shares in the Company) he effectively controls 100% of the Shares in Cayley Chemical Corporation Limited.

CAYLEY CHEMICAL CORPORATION LIMITEDDIRECTORS REPORT (CONTD.)OTHER SUBSTANTIAL HOLDINGS (In Excess of 3% Issued Share Capital)ORD. SHARES
AT 30.6.1997

C.C.C. Trading Limited

14,100 (60%)

C.C.C. Trading Limited acquired the above holding on 23rd October, 1989 on which date Cayley Chemical Corporation Limited became a subsidiary of C.C.C. Trading Limited

The Company's Director, Mr. P.J. Mills, is sole Director of C.C.C. Trading Limited and he and his wife are the sole shareholders in C.C.C. Trading Limited.

CHARITABLE AND POLITICAL DONATIONS

Charitable	NIL (Previous Year = NIL)
Political	NIL (Previous Year = NIL)

INCOME AND CORPORATION TAXES ACT

The Company is a "Close Company" within the meaning of the Act.

AUDITORS

Messrs. N.B. Lancaster and Co., Chartered Accountants have indicated their willingness to continue as Registered Auditor and a resolution reappointing them as Registered Auditor will be put to the Annual General Meeting.

BY ORDER OF THE BOARD



P.J. MILLS,

DIRECTOR24th NOVEMBER, 1997

CAYLEY CHEMICAL CORPORATION LIMITEDSTATEMENT OF DIRECTORS RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

Directors are required by the Companies Act 1985 to prepare financial statements which give a true and fair view of the state of the Company's affairs at the end of the financial year and of the profit and loss for that period.

It is also the Directors responsibility to maintain adequate accounting records, safeguard the assets of the company and prevent and detect fraud and other irregularities.

The Directors confirm that suitable Accounting Policies, consistently applied and supported by responsible and prudent judgement and estimates, have been used in the preparation of the Financial Statements and that applicable Accounting Standards have been followed.

BY ORDER OF THE BOARD



P. J. MILLS

DIRECTOR

24th NOVEMBER, 1997

AUDITORS REPORT
TO THE MEMBERS OF
CAYLEY CHEMICAL CORPORATION LIMITED

We have audited the financial statements on pages 5 and 7 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 to 12.

Respective Responsibilities of Directors and Auditors

As described on page 3 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 the evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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 explanation 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 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 30th June, 1997 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985.


N.B. Lancaster

N.B. LANCASTER AND CO.,
CHARTERED ACCOUNTANTS
AND REGISTERED AUDITOR,
5 CECIL STREET,
CARLISLE.

24th NOVEMBER, 1997

BALANCE SHEET AS AT 30th JUNE, 1997

As At 30.6.1996

		<u>ASSETS EMPLOYED</u>	
		<u>FIXED ASSETS</u>	
	286663	Tangible Assets (Note 13)	291257
		<u>CURRENT ASSETS</u>	
537882		Debtors (Note 7)	730256
397473		Cash at Bank and In Hand (Note 8)	318491
<u>935355</u>			<u>1048747</u>
=====			=====
		<u>LESS CURRENT LIABILITIES</u>	
521276		Creditors Falling Due Within One Year (Note 9)	601721
<u>521276</u>			<u>601721</u>
=====			=====
	414079	<u>NET CURRENT ASSETS</u>	447026
	700742	<u>TOTAL ASSETS LESS CURRENT LIABILITIES</u>	738283
	138034	<u>LESS CREDITORS FALLING DUE AFTER ONE YEAR</u> (Note 10)	161456
	562708	<u>NET ASSETS</u>	576827
	<u>562708</u>		<u>576827</u>
			=====
		<u>REPRESENTED BY:-</u>	
		<u>CAPITAL AND RESERVES</u>	
	23502	<u>CALLED UP SHARE CAPITAL</u> (Note 11)	23502
		<u>RESERVES:-</u>	
4371		Share Premium Account	4371
534835		Profit and Loss Account	548954
<u>539206</u>			<u>553325</u>
=====			=====
	562708	<u>CAPITAL EMPLOYED</u>	576827
	<u>562708</u>		<u>576827</u>
			=====
		<u>APPROVED BY THE DIRECTOR ON 24th NOVEMBER, 1997</u>	
		<u>AND SIGNED ON BEHALF OF THE BOARD BY:-</u>	
		<u>P.J. Mills</u>  <u>Director</u>	

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30th JUNE, 1997

Y.E. 30.6.1996

3926837	<u>TURNOVER</u> (Note 1(b))	3758486
3467374	<u>Less</u> Cost of Sales	3435597
459463	<u>GROSS PROFIT</u>	322889
278167	<u>Less</u> Net Operating Expenses	255167
181296	<u>OPERATING PROFIT</u>	67722
6500	<u>Add</u> Interest Received (Note 2)	8322
187796		76044
6627	<u>Less</u> Interest Payable (Note 3)	15192
181169	<u>PROFIT ON ORDINARY ACTIVITIES BEFORE TAX</u> (Note 4)	60852
49276	<u>TAXATION</u> (Note 6)	14733
131893	<u>PROFIT ON ORDINARY ACTIVITIES AFTER TAX</u>	46119
	<u>APPROPRIATIONS</u>	
34000	- Dividends	32000
97893	<u>RETAINED PROFIT FOR FINANCIAL YEAR</u>	14119
436942	<u>Add</u> Retained Earnings B/Fwd.	534835
534835	<u>RETAINED EARNINGS</u>	548954
=====		=====

NOTES1. Continuing Operations

None of the Company's activities were acquired or discontinued during the above Financial Years.

2. Total Recognised Gains and Losses

The Company has no recognised gains or losses other than the Profit shown for each Financial Year.

CASH FLOW STATEMENTS FOR THE YEAR ENDED 30th JUNE, 1997

Y.E. 30.6.1996

			<u>NET CASH INFLOW FROM OPERATING ACTIVITIES:-</u>		
	181296	Profit Before Tax and Interest			67722
11811		Depreciation Provisions	15896		
(65805)		Changes in - Debtors	(192374)		
(191833)		- Creditors	113192		
	(245827)				63286
	(64531)				4436
	=====				=====
		<u>RETURNS ON INVESTMENT AND SERVICING OF FINANCE:-</u>			
(6500)		Interest Received	(8322)		
6627		Interest Paid	15192		
34000		Dividend Paid	32000		
	34127		38870		
	=====		=====		
	19602	Taxation Paid	49626		
	=====		=====		
		<u>INVESTING ACTIVITIES</u>			
90183		Purchases of Fixed Assets	35055		
-		Sales of Fixed Assets	14565		
	90183		20490		
	=====		=====		
	143912				108986
	(208443)	<u>NET CASH (OUTFLOW) BEFORE FINANCING</u>			(104550)
	=====				=====
		<u>FINANCING</u>			
39000		Decrease/Increase in Directors Loan			(18760)
16040		Decrease/Increase in Hire Purchase Loan			(8421)
(131487)		Increase/Decrease in Building Society Loan			1613
	(76447)				(25568)
	(131996)	<u>(DECREASE) IN CASH RESOURCES:-</u>			(78982)
	(208443)				(104550)
	=====				=====

CAYLEY CHEMICAL CORPORATION LIMITEDNOTES TO THE ACCOUNTS1. ACCOUNTING POLICIES(a) Basis of Preparation

The Accounts have been prepared under the Historical Cost Convention and comply with applicable Statements of Standard Accounting Practice.

(b) Turnover

Turnover represents the value of Invoiced Sales to customers less credits and provision for doubtful debts exclusive of Value Added Tax. Turnover attributable to Geographical Markets outside the U.K. amounted to 100% (1996 - 100%).

(c) Depreciation

Provision is made for Depreciation of Tangible Assets at the following rates computed by the reducing balance method in order to write off the cost of Assets over their estimated useful lives:-

Office Equipment, Fixtures and Fittings - 25% p.a. on Reducing Balance

Motor Vehicles - 25% p.a. on Reducing Balance

No provision is made for the Depreciation of Freehold Property as in the opinion of the Director the property is maintained to the highest standard and is worth at least the Book Value shown in the Accounts.

(d) Leasing Commitments

Assets acquired under Finance Leases are capitalised in the Accounts and the Finance Charge on Finance Leases are charged to the Profit and Loss Account over the period of the Lease.

Assets acquired under Operating Leases are not capitalised and the rentals are charged to Profit and Loss Account when incurred.

(e) Translation of Foreign Currencies

Assets and Liabilities in foreign currency are translated into Sterling at the Exchange rates ruling at the Balance Sheet date

Exchange differences on the translation of foreign currency are shown as a separate item in the financial statements (see Note 4).

CAYLEY CHEMICAL CORPORATION LIMITEDNOTES TO THE ACCOUNTS

2. <u>Interest Received</u>	1997	1996
Short Term Bank Interest Received	8,322	6,500
	=====	=====
3. <u>Interest Payable</u>		
Hire Purchase Interest	1,919	2,437
Northern Rock Loan Interest (Over 5 Years)	13,273	4,190
	15,192	6,627
	=====	=====
4. <u>Profit on Ordinary Activities Before Tax</u>		
Is stated after charging the following items:-		
Depreciation	15,896	11,811
Auditors Remuneration	3,500	3,500
Directors Remuneration (See Note 5)	44,806	47,538
Staff Costs (See Note 5)	58,361	90,057
Payments Under Operating Leases	390	520
Exchange (Gain)/Loss on Translation of Foreign Currencies	15,258	(322)
Rent Received from Office Sub-Let	(7,000)	(2,187)
	=====	=====
5. <u>Staff Costs</u>		
Salaries (Excluding Directors Remuneration)	49,987	78,943
Social Security Costs	4,226	7,325
Pension Contributions	4,148	3,789
	58,361	90,057
	=====	=====
The Average Weekly number of employees during the year (excluding Directors) was as follows:-		
Office Staff	4	5
	=====	=====
Directors Remuneration During the Year was as follows:-		
Salary	24,133	27,284
Social Security Costs	2,450	2,860
Pension Contributions	4,866	4,459
Benefits in Kind	13,357	12,935
	44,806	47,538
	=====	=====
The Emoluments of the Chairman (and Highest Paid Director) was £24,133 (Previous Year = £27,284)		
The Analysis of Directors Remuneration was as follows:-		
£20,001 - £25,000	1	-
£25,001 - £30,000	-	1
	=====	=====

CAYLEY CHEMICAL CORPORATION LIMITEDNOTES TO THE ACCOUNTS

6.	<u>Taxation</u>	<u>1997</u>	<u>1996</u>
	Provision for Corporation Tax on Profits for Year	14,383	49,276
	Interest on Late Payment	350	-
		<u>14,733</u>	<u>49,276</u>
		=====	=====
7.	<u>Debtors</u>		
	Trade Debtors	609,089	302,132
	Other Debtors	9,777	8,716
	Amounts owed by Holding Company:-		
	- C.C.C. Trading Limited	111,390	227,034
		<u>730,256</u>	<u>537,882</u>
		=====	=====
8.	<u>Cash at Bank and In Hand</u>		
	Balances at Barclays Bank P.L.C.		
	- Sterling	201,276	112,177
	- Foreign Currencies	117,215	285,296
		<u>318,491</u>	<u>397,473</u>
		=====	=====
9	<u>Creditors Falling Due Within One Year</u>		
	Trade Creditors	562,251	448,295
	Other Creditors (Including Taxation and Social Security)	9,637	9,101
	Accruals	3,500	4,800
	Corporation Tax Due	14,383	49,276
	Hire Purchase Creditors Repayable in Under 12 Months	11,950	9,804
		<u>601,721</u>	<u>521,276</u>
		=====	=====

CAYLEY CHEMICAL CORPORATION LIMITEDNOTES TO THE ACCOUNTS

	<u>1997</u>	<u>1996</u>
10. <u>Creditors Falling Due After One Year</u>		
Hire Purchase Creditors Due for Repayment in Over 12 Months	11,822	5,547
Directors Loan Account (Interest Free; No Fixed Repayment Date) - Mr. P.J. Mills	19,760	1,000
Northern Rock Building Society Loan	129,874	131,487
	<u>161,456</u>	<u>138,034</u>
	=====	=====

The Northern Rock Building Society Loan is repayable over 20 Years and is secured on the Freehold Premises of No 9 and No 10 Manor Park, MacKenzie Way, Cheltenham owned by the Company.

11 Called Up Share Capital

<u>Authorised</u> - 100,000 Ordinary Shares of £1 each	100,000	100,000
	=====	=====
<u>Issued</u> - 23,502 Ordinary Shares of £1 each, Fully Paid	23,502	23,502
	=====	=====

12. Ultimate Holding Company

The Company's Ultimate Holding Company is C.C.C. Trading Limited (Registered in England) which owns 14,100 Ordinary Shares equivalent to 60% of the Issued Share Capital of Cayley Chemical Corporation Limited. 100% of the Share Capital of C.C.C. Trading Limited is owned by Mr. P.J. Mills and family. Mr. Mills is sole Director and remaining 40% shareholder in Cayley Chemical Corporation Limited.

CAYLEY CHEMICAL CORPORATION LIMITEDNOTES TO THE ACCOUNTS

		<u>FREEHOLD PROPERTY</u>	<u>OFFICE EQUIPMENT AND FITTINGS</u>	<u>MOTOR VEHICLES</u>	<u>TOTAL</u>
13	Cost as at 30.6.1996	251,230	13,396	70,180	334,806
	Additions	-	-	35,055	35,055
	Disposals	-	-	(40,578)	(40,578)
	Cost as at 30.6.1997	<u>251,230</u>	<u>13,396</u>	<u>64,657</u>	<u>329,283</u>
	Depreciation as at 30.6.1996	-	11,733	36,410	48,143
	Elimination Relating to Disposals	-	-	(23,459)	(23,459)
	Provision for Depreciation	-	415	12,927	13,342
	Depreciation as at 30.6.1997	<u>-</u>	<u>12,148</u>	<u>25,878</u>	<u>38,026</u>
	<u>Net Book Value As At 30.6.1996</u>	<u>251,230</u>	<u>1,663</u>	<u>33,770</u>	<u>286,663</u>
	<u>Net Book Value As At 30.6.1997</u>	<u>251,230</u>	<u>1,248</u>	<u>38,779</u>	<u>291,257</u>

No Depreciation is provided on the Company's Freehold property as in the opinion of the Director it will be maintained to the highest standard and is worth at least the amount of the purchase price at the Accounting Date.