

COMPANY REGISTRATION NUMBER 1052410

**APOLLO CHEMICALS LIMITED**  
**FINANCIAL STATEMENTS**  
**30 APRIL 2006**



**RONALD SHAW & CO**  
Chartered Accountants & Registered Auditors

Ashford House  
95 Dixons Green  
Dudley  
West Midlands

# APOLLO CHEMICALS LIMITED

## FINANCIAL STATEMENTS

YEAR ENDED 30 APRIL 2006

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**APOLLO CHEMICALS LIMITED**  
**OFFICERS AND PROFESSIONAL ADVISERS**

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**The board of directors**

Mr A.E. Jones  
Mr R.F. Saunders  
Mrs G. Saunders

**Company secretary**

Mr J.H. Saunders

**Registered office**

Ashford House  
95 Dixons Green  
Dudley  
West Midlands

**Auditor**

RONALD SHAW & CO  
Chartered Accountants  
& Registered Auditors  
Ashford House  
95 Dixons Green  
Dudley  
West Midlands

**Bankers**

Fortis Bank  
Camomile Court  
23 Camomile Street  
London

**Solicitors**

Waldrons Solicitors  
Wychbury Court  
Two Woods Lane  
Brierley Hill  
West Midlands

# APOLLO CHEMICALS LIMITED

## THE DIRECTORS' REPORT

YEAR ENDED 30 APRIL 2006

The directors have pleasure in presenting their report and the audited financial statements of the company for the year ended 30 April 2006.

### PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the year consisted of manufacturing and factoring adhesives. There has been no significant change in this activity during the year.

	2006 £	2005 £
Turnover	<u>14,448,970</u>	<u>15,215,384</u>
Profit before taxation	54,189	23,839
Taxation	<u>9,872</u>	<u>2,614</u>
Profit for the year	<u>44,317</u>	<u>21,225</u>

All the turnover and profit before taxation arose from the above activity. An analysis of the turnover by geographical segment is given in note 2 to the financial statements.

The level of activity and the year end financial position were satisfactory. The directors expect that the present level of activity will be increased during the year ending 30th April 2007.

### RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £44,317. Particulars of dividends paid and proposed are detailed in note 9 to the financial statements.

### FINANCIAL INSTRUMENTS

Details of the company's financial risk management objectives and policies are included in note 17 to the accounts.

### DIRECTORS

The directors who served the company during the year were as follows:

Mr A.E. Jones  
Mr R.F. Saunders  
Mrs G. Saunders

The company is a wholly owned subsidiary and the interests of the group directors are disclosed in the financial statements of the parent company.

## APOLLO CHEMICALS LIMITED

### THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 30 APRIL 2006

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#### **DIRECTORS' RESPONSIBILITIES**

The directors are responsible for preparing the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

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

- select suitable accounting policies, as described on pages 10 to 12, and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that 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 safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware:

- there is no relevant audit information of which the company's auditors are unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

#### **AUDITOR**

A resolution to re-appoint RONALD SHAW & CO as auditor for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

**APOLLO CHEMICALS LIMITED**

**THE DIRECTORS' REPORT** *(continued)*

**YEAR ENDED 30 APRIL 2006**

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Registered office:  
Ashford House  
95 Dixons Green  
Dudley  
West Midlands

Signed by order of the directors



MR J.H. SAUNDERS  
Company Secretary

Approved by the directors on 23 October 2006

**APOLLO CHEMICALS LIMITED**  
**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF**  
**APOLLO CHEMICALS LIMITED**  
**YEAR ENDED 30 APRIL 2006**

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We have audited the financial statements of Apollo Chemicals Limited for the year ended 30 April 2006 which comprise the Profit and Loss Account, Balance Sheet, Cash Flow Statement and the related notes. These financial statements have been prepared on the basis of the accounting policies set out therein.

**RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR**

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and *International Standards on Auditing (UK and Ireland)*.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985, and whether the information given in the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

**BASIS OF AUDIT OPINION**

We conducted our audit in accordance with *International Standards on Auditing (UK and Ireland)* 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:

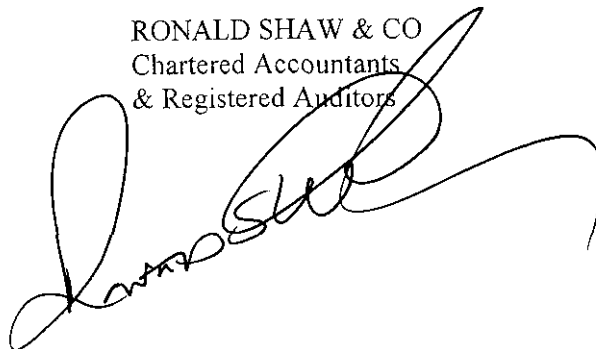
- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 30 April 2006 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

**APOLLO CHEMICALS LIMITED**  
**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF**  
**APOLLO CHEMICALS LIMITED** *(continued)*  
**YEAR ENDED 30 APRIL 2006**

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Ashford House  
95 Dixons Green  
Dudley  
West Midlands

RONALD SHAW & CO  
Chartered Accountants  
& Registered Auditors

A large, stylized handwritten signature in black ink, likely belonging to Ronald Shaw, is written over the text of the firm's name.

Our audit was completed on 24 October 2006 and our opinion was expressed at that date.



**APOLLO CHEMICALS LIMITED****PROFIT AND LOSS ACCOUNT****YEAR ENDED 30 APRIL 2006**

	Note	2006 £	2005 £
<b>TURNOVER</b>	<b>2</b>	<b>14,448,970</b>	15,215,384
Change in stocks of finished goods		(117,958)	(173,248)
Other operating income	<b>3</b>	—	225,000
		<u>14,331,012</u>	<u>15,267,136</u>
<b>OPERATING COSTS:</b>			
Raw materials and consumables		8,663,535	9,183,511
Other external charges		792,833	774,601
Staff costs	<b>4</b>	3,178,154	3,310,356
Depreciation written off fixed assets	<b>5</b>	175,950	211,511
Other operating charges		<u>1,523,205</u>	<u>1,782,282</u>
<b>OPERATING (LOSS)/PROFIT</b>	<b>5</b>	<b>(2,665)</b>	4,875
Interest receivable		75,394	36,964
Interest payable and similar charges	<b>7</b>	(18,540)	(18,000)
		<u>54,189</u>	<u>23,839</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>54,189</b>	23,839
Tax on profit on ordinary activities	<b>8</b>	9,872	2,614
		<u>£44,317</u>	<u>£21,225</u>
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<b>£44,317</b>	<b>£21,225</b>

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the year as set out above.

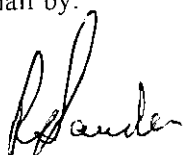
## APOLLO CHEMICALS LIMITED

## BALANCE SHEET

30 APRIL 2006

	Note	2006 £	2005 £
<b>FIXED ASSETS</b>			
Tangible assets	10	1,521,816	1,544,498
Investments	11	3	3
		<u>1,521,819</u>	<u>1,544,501</u>
<b>CURRENT ASSETS</b>			
Stocks	12	943,200	1,111,557
Debtors	13	3,226,863	3,432,609
Cash at bank		2,979	325,123
		<u>4,173,042</u>	<u>4,869,289</u>
<b>CREDITORS: Amounts falling due within one year</b>	14	<u>2,624,655</u>	<u>2,362,216</u>
<b>NET CURRENT ASSETS</b>		<u>1,548,387</u>	<u>2,507,073</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>3,070,206</u>	<u>4,051,574</u>
<b>CREDITORS: Amounts falling due after more than one year</b>	15	<u>154,156</u>	<u>179,841</u>
		<u><b>£2,916,050</b></u>	<u><b>£3,871,733</b></u>
<b>CAPITAL AND RESERVES</b>			
Called-up equity share capital	21	1,405	1,405
Share premium account	22	139	139
Revaluation reserve	22	613,146	613,146
Other reserves	22	667	667
Profit and loss account	22	2,300,693	3,256,376
<b>SHAREHOLDERS' FUNDS</b>	22	<u><b>£2,916,050</b></u>	<u><b>£3,871,733</b></u>

These financial statements were approved by the directors on the 23 October 2006 and are signed on their behalf by:



Mr R.F. Saunders  
Director

# **APOLLO CHEMICALS LIMITED**

## **CASH FLOW STATEMENT**

**YEAR ENDED 30 APRIL 2006**

	Note	2006 £	2005 £
NET CASH INFLOW FROM OPERATING ACTIVITIES	23	736,971	807,950
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	24	56,854	18,964
TAXATION	25	39,591	—
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	26	(153,268)	(243,318)
EQUITY DIVIDENDS PAID		(1,000,000)	—
CASH (OUTFLOW)/INFLOW BEFORE FINANCING		(319,852)	583,596
FINANCING	27	(21,623)	77,404
(DECREASE)/INCREASE IN CASH	28	<u>£(341,475)</u>	<u>£661,000</u>

**APOLLO CHEMICALS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 APRIL 2006**

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**1. ACCOUNTING POLICIES**

**Basis of accounting**

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets and financial instruments.

The financial statements have been prepared in accordance with applicable accounting standards.

Although this company has a wholly owned subsidiary, it has taken advantage of the exemption from preparing group accounts under Section 228, on the basis that it is included in the consolidated accounts prepared by the ultimate parent company.

**Turnover**

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax.

**Fixed assets**

All fixed assets are initially recorded at cost.

**Depreciation**

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Freehold Property	- 100 years
Long Leasehold Property	- 125 years
Plant & Equipment	- 4 years
Office Equipment	- 7 years
Motor Vehicles	- 4 years
Short Leasehold Property	- 20 years

**Stocks**

Stock has been valued at the lower of cost and net realisable value. Cost in the case of products manufactured by the company consists of direct material and labour costs, together with relevant factory overheads.

**Hire purchase agreements**

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account on a straight line basis.

**Operating lease agreements**

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

**APOLLO CHEMICALS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 APRIL 2006**

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**1. ACCOUNTING POLICIES** *(continued)*

**Pension costs**

The company operates a defined contribution pensions scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year.

**Foreign currencies**

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured at historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items are taken to the profit and loss account. Exchange differences arising on non-monetary items, carried at fair value, are included in the profit and loss account, except for the differences arising on the retranslation of non-monetary items in respect of which gains and losses are recorded in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

**Financial instruments**

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

**Trade and other debtors**

Trade and other debtors are recognised and carried forward at invoices amounts less provisions for any doubtful debts. Bad debts are written off when identified.

**Cash and cash equivalents**

Cash and cash equivalents are included in the balance sheet at cost. Cash and cash equivalents comprise cash at bank and in hand and short term deposits with an original maturity of three months or less.

**APOLLO CHEMICALS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 APRIL 2006**

**1. ACCOUNTING POLICIES** *(continued)*

## Interest-bearing loans and borrowings

All loans and borrowings are recognised initially at cost, which is the fair value of the consideration received, net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are measured at amortised cost using the effective interest method. Gains or losses are recognised in the profit and loss account when liabilities are derecognised or impaired, as well as through the amortisation process.

**2. TURNOVER**

The total turnover arose from the activity of manufacturing and factoring adhesives.

The analysis of turnover by geographical area is as follows:-

	2006 £	2005 £
United Kingdom	12,911,588	13,880,913
Eire	176,433	113,947
Rest of Europe	1,072,728	1,021,570
Middle East	43,455	22,518
Far East	5,454	5,805
South America	9,000	4,800
United States of America	13,137	57,834
India	98,143	69,710
China	80,874	38,287
South Africa	38,158	-
	<u>14,448,970</u>	<u>15,215,384</u>

**3. OTHER OPERATING INCOME**

	2006 £	2005 £
Management charges receivable	—	<u>225,000</u>

**APOLLO CHEMICALS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 APRIL 2006**

**4. PARTICULARS OF EMPLOYEES**

The average number of staff employed by the company during the financial year amounted to:

	2006	2005
	No	No
Number of production staff	45	50
Number of administrative staff	16	12
Number of management staff	3	5
Number of sales and technical staff	19	17
	<u>83</u>	<u>84</u>

The aggregate payroll costs of the above were:

	2006	2005
	£	£
Wages and salaries	2,725,901	2,837,776
Social security costs	347,726	347,524
Other pension costs	78,115	98,644
Directors life assurance policies	26,412	26,412
	<u>£3,178,154</u>	<u>£3,310,356</u>

**5. OPERATING (LOSS)/PROFIT**

Operating (loss)/profit is stated after charging:

	2006	2005
	£	£
Depreciation of owned fixed assets	71,089	81,895
Depreciation of assets held under hire purchase agreements	116,561	132,503
Profit on disposal of fixed assets	(11,700)	(2,887)
Operating lease costs:		
Land and buildings	129,100	129,100
Plant and machinery	6,288	-
Office equipment	4,237	3,667
Auditor's remuneration		
- as auditor	<u>9,500</u>	<u>9,500</u>

**6. DIRECTORS' EMOLUMENTS**

The directors' aggregate emoluments in respect of qualifying services were:

	2006	2005
	£	£
Emoluments receivable	<u>588,952</u>	<u>748,212</u>

**APOLLO CHEMICALS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 APRIL 2006**

**6. DIRECTORS' EMOLUMENTS** *(continued)*

The number of directors who accrued benefits under company pension schemes was as follows:

	2006	2005
	No	No
Money purchase schemes	<u>1</u>	<u>2</u>

**7. INTEREST PAYABLE AND SIMILAR CHARGES**

	2006	2005
	£	£
Interest payable on bank borrowing	2,221	1,948
Hire purchase	<u>16,319</u>	<u>16,052</u>
	<u>£18,540</u>	<u>£18,000</u>

**8. TAXATION ON ORDINARY ACTIVITIES****(a) Analysis of charge in the year**

	2006	2005
	£	£
Current tax:		
UK Corporation tax based on the results for the year at 19% (2005 - 19%)	5,231	2,614
Over/under provision in prior year	<u>4,641</u>	<u>-</u>
Total current tax	<u>£9,872</u>	<u>£2,614</u>

**(b) Factors affecting current tax charge**

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 19% (2005 - 19%).

	2006	2005
	£	£
Profit on ordinary activities before taxation	<u>54,189</u>	<u>23,839</u>
Profit/(loss) on ordinary activities by rate of tax	10,296	4,529
Expenses not deductible for tax purposes	828	1,877
Capital allowances for period in excess of depreciation	(5,893)	(3,792)
Adjustments to tax charge in respect of previous periods	<u>4,641</u>	<u>-</u>
Total current tax (note 8(a))	<u>£9,872</u>	<u>£2,614</u>



**APOLLO CHEMICALS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 APRIL 2006**

**8. TAXATION ON ORDINARY ACTIVITIES** *(continued)*

**(c) Factors that may affect future tax charges**

No provision for deferred taxation has been made in relation to the revaluation of freehold and leasehold land and buildings included in the revaluation reserve. If the interest in freehold and leasehold land and buildings were disposed of at its balance sheet amount it is estimated that the tax liability would amount to approximately £6,000.

**9. DIVIDENDS**

**Dividends on equity shares**

	2006 £	2005 £
Paid		
Equity dividends on ordinary shares	<u>1,000,000</u>	<u>—</u>

**10. TANGIBLE FIXED ASSETS**

	Freehold & Leasehold Property £	Plant & Equipment £	Office Equipment £	Motor Vehicles £	Total £
<b>COST OR VALUATION</b>					
At 1 May 2005	1,381,700	2,547,278	328,176	509,201	4,766,355
Additions	—	43,198	3,070	118,700	164,968
Disposals	—	—	—	(167,334)	(167,334)
<b>At 30 April 2006</b>	<u>1,381,700</u>	<u>2,590,476</u>	<u>331,246</u>	<u>460,567</u>	<u>4,763,989</u>
<b>DEPRECIATION</b>					
At 1 May 2005	162,857	2,386,606	298,548	373,846	3,221,857
Charge for the year	11,061	77,579	7,979	91,031	187,650
On disposals	—	—	—	(167,334)	(167,334)
<b>At 30 April 2006</b>	<u>173,918</u>	<u>2,464,185</u>	<u>306,527</u>	<u>297,543</u>	<u>3,242,173</u>
<b>NET BOOK VALUE</b>					
<b>At 30 April 2006</b>	<u>1,207,782</u>	<u>126,291</u>	<u>24,719</u>	<u>163,024</u>	<u>1,521,816</u>
At 30 April 2005	<u>1,218,843</u>	<u>160,672</u>	<u>29,628</u>	<u>135,355</u>	<u>1,544,498</u>

**APOLLO CHEMICALS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 APRIL 2006**

**10. TANGIBLE FIXED ASSETS** *(continued)*

	2006 £	2005 £
<b>COST OR VALUATION</b>		
Freehold	418,671	418,671
Long leasehold	957,685	957,685
Short leasehold	5,344	5,344
	<u>1,381,700</u>	<u>1,381,700</u>
<b>DEPRECIATION</b>		
Freehold	(29,311)	(25,124)
Long leasehold	(140,325)	(133,719)
Short leasehold	(4,282)	(4,014)
	<u>(173,918)</u>	<u>(162,857)</u>

The leasehold buildings are on land which has been leased for a term of 125 years from 12th December 1974. Freehold land and buildings have been amortised over 100 years.

Other tangible fixed assets including additions to land and buildings are included at cost.

The directors are not aware of any material change in the property values.

In respect of certain fixed assets stated at valuations, the comparable historical cost and depreciation values are as follows:

	Freehold Property £	Long Leasehold Property £	Total £
<b>Net book value at end of year</b>	<u>389,360</u>	<u>817,360</u>	<u>1,206,720</u>
<b>Historical cost</b>	<u>218,226</u>	<u>544,984</u>	<u>763,210</u>
<b>Depreciation:</b>			
At 1 May 2005	13,094	76,080	89,174
Charge for year	<u>2,182</u>	<u>3,760</u>	<u>5,942</u>
At 30 April 2006	<u>15,276</u>	<u>79,840</u>	<u>95,116</u>
<b>Net historical cost value:</b>			
At 30 April 2006	<u>202,950</u>	<u>465,144</u>	<u>668,094</u>
At 1 May 2005	<u>205,132</u>	<u>468,904</u>	<u>674,036</u>

**APOLLO CHEMICALS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 APRIL 2006**

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**10. TANGIBLE FIXED ASSETS** *(continued)***Hire purchase agreements**

Included within the net book value of £1,521,816 is £218,460 (2005 - £256,020) relating to assets held under hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £116,561 (2005 - £132,503).

**11. INVESTMENTS**

**Raleigh Adhesive Coatings Limited**  
**(wholly owned)**

	£
<b>COST</b>	
At 1 May 2005 and 30 April 2006	<u>3</u>
<b>NET BOOK VALUE</b>	
At 30 April 2006	<u>3</u>
At 30 April 2005	<u>3</u>

The company's investment in subsidiary undertaking represents the cost of acquisition of 100% of the ordinary share capital of Raleigh Adhesive Coatings Limited a company registered in England and Wales, which provides adhesive tapes.

At 30th April 2006, the aggregate share capital and reserves of the subsidiary undertaking amounted to £1,505,741 (2005 £1,428,512) and the profit for the year was £77,229 (2005 £60,099).

**12. STOCKS**

	2006	2005
	£	£
Raw materials	639,908	688,970
Finished goods	302,308	420,266
Stationery	984	2,321
	<u>£943,200</u>	<u>£1,111,557</u>

**APOLLO CHEMICALS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 30 APRIL 2006**

**13. DEBTORS**

	2006 £	2005 £
Trade debtors	3,139,232	3,303,743
Corporation tax repayable	—	44,232
Amounts due from ultimate holding company - Apollo Chemicals Group Limited	25,000	25,000
Other debtors	1,032	3,548
Prepayments and accrued income	61,599	56,086
	<u>£3,226,863</u>	<u>£3,432,609</u>

**14. CREDITORS: Amounts falling due within one year**

	2006 £	2005 £
Bank overdrafts	19,331	—
Trade creditors	1,218,706	1,105,017
Amounts due to subsidiary company- Raleigh Adhesive Coatings Limited	422,206	123,227
Corporation tax	5,231	—
PAYE and social security	224,726	193,627
VAT	119,770	253,455
Hire purchase agreements	104,642	100,580
Other creditors	95,198	5,198
Directors current accounts	91,114	9,917
Accruals and deferred income	323,731	571,195
	<u>£2,624,655</u>	<u>£2,362,216</u>

**15. CREDITORS: Amounts falling due after more than one year**

	2006 £	2005 £
Hire purchase agreements	<u>154,156</u>	<u>179,841</u>

**16. COMMITMENTS UNDER HIRE PURCHASE AGREEMENTS**

Future commitments under hire purchase agreements are as follows:

	2006 £	2005 £
Amounts payable within 1 year	104,642	100,580
Amounts payable between 2 to 5 years	<u>154,156</u>	<u>179,841</u>
	<u>258,798</u>	<u>280,421</u>

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**17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The company holds or issues financial instruments in order to achieve three main objectives, being:

(a) to finance its operations;

(b) to manage its exposure to interest and currency risks arising from its operations and from its sources of finance; and

(c) for trading purposes.

In addition, various financial instruments (e.g. trade debtors, trade creditors, accruals and prepayments) arise directly from the company's operations.

**18. COMMITMENTS UNDER OPERATING LEASES**

At 30 April 2006 the company had annual commitments under non-cancellable operating leases as set out below.

	2006		2005	
	Land & Buildings £	Other Items £	Land & Buildings £	Other Items £
Operating leases which expire:				
Within 2 to 5 years	91,850	16,495	91,850	3,667
After more than 5 years	37,250	-	37,250	-
	<u>£129,100</u>	<u>£16,495</u>	<u>£129,100</u>	<u>£3,667</u>

**19. CONTINGENCIES**

The company has given an unlimited guarantee to its subsidiary company Raleigh Adhesive Coatings Limited. In the opinion of the directors no liability will arise under this guarantee.

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**20. RELATED PARTY TRANSACTIONS**

Transactions with fellow subsidiary undertakings during the year were conducted in the normal course of business:-

R.F. Saunders

Sales to

Raleigh Adhesive Coatings Limited £46,814 (2005 £32,935)

Purchases from

Raleigh Adhesive Coatings Limited £3,795,596 (2005 £3,758,859)

Management charges to

Raleigh Adhesive Coatings Limited £ Nil (2005 £225,000)

Management charges from

Apollo Chemicals Group Limited £95,000 (2005 £125,000)

**21. SHARE CAPITAL**

**Authorised share capital:**

	2006	2005
	£	£
15,000 Ordinary shares of £1 each	15,000	15,000
71 Ordinary "B" shares of £1 each	71	71
	<u>£15,071</u>	<u>£15,071</u>

**Allotted, called up and fully paid:**

	2006		2005	
	No	£	No	£
Ordinary shares of £1 each	1,334	1,334	1,334	1,334
Ordinary "B" shares of £1 each	71	71	71	71
	<u>£1,405</u>	<u>£1,405</u>	<u>£1,405</u>	<u>£1,405</u>
<b>Equity shares</b>				
Ordinary shares of £1 each	1,334	1,334	1,334	1,334
Ordinary "B" shares of £1 each	71	71	71	71
	<u>1,405</u>	<u>1,405</u>	<u>1,405</u>	<u>1,405</u>

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**22. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES**

	Share capital £	Share premium account £	Revaluation reserve £	Capital redemption reserve £	Profit and loss account £	Total share- holders' funds £
Balance brought forward	1,405	139	613,146	667	3,235,151	3,850,508
Profit for the year	—	—	—	—	21,225	21,225
Balance brought forward	£1,405	£139	£613,146	£667	£3,256,376	£3,871,733
Profit for the year	—	—	—	—	44,317	44,317
Equity dividends	—	—	—	—	1,000,000	1,000,000
Balance carried forward	<u>£1,405</u>	<u>£139</u>	<u>£613,146</u>	<u>£667</u>	<u>£2,300,693</u>	<u>£2,916,050</u>

**23. RECONCILIATION OF OPERATING (LOSS)/PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	2006 £	2005 £
Operating (loss)/profit	(2,665)	4,875
Depreciation	187,650	214,398
Profit on disposal of fixed assets	(11,700)	(2,887)
Decrease in stocks	168,357	224,826
Decrease in debtors	161,514	1,141,790
Increase/(decrease) in creditors	233,815	(775,052)
Net cash inflow from operating activities	<u>£736,971</u>	<u>£807,950</u>

**24. RETURNS ON INVESTMENTS AND SERVICING OF FINANCE**

	2006 £	2005 £
Interest received	75,394	36,964
Interest paid	(2,221)	(1,948)
Interest element of hire purchase	<u>(16,319)</u>	<u>(16,052)</u>
Net cash inflow from returns on investments and servicing of finance	<u>56,854</u>	<u>18,964</u>

**25. TAXATION**

	2006 £	2005 £
TAXATION	<u>39,591</u>	<u>—</u>

**APOLLO CHEMICALS LIMITED**  
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**26. CAPITAL EXPENDITURE**

	2006 £	2005 £
Payments to acquire tangible fixed assets	(164,968)	(265,068)
Receipts from sale of fixed assets	11,700	21,750
<b>Net cash outflow from capital expenditure</b>	<b><u>(153,268)</u></b>	<b><u>(243,318)</u></b>

**27. FINANCING**

	2006 £	2005 £
Capital element of hire purchase	(21,623)	77,404
<b>Net cash (outflow)/inflow from financing</b>	<b><u>(21,623)</u></b>	<b><u>77,404</u></b>

**28. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT**

	2006 £	2005 £
(Decrease)/increase in cash in the period	(341,475)	661,000
Cash outflow in respect of hire purchase	<u>21,623</u>	<u>(77,404)</u>
	(319,852)	583,596
Change in net debt	(319,852)	583,596
Net funds at 1 May 2005	44,702	(538,894)
<b>Net debt at 30 April 2006</b>	<b><u>£(275,150)</u></b>	<b><u>£44,702</u></b>

**29. ANALYSIS OF CHANGES IN NET DEBT**

	At 1 May 2005 £	Cash flows £	At 30 Apr 2006 £
Cash in hand and at bank	325,123	(322,144)	2,979
Overdrafts	—	(19,331)	(19,331)
Hire purchase agreements	(280,421)	21,623	(258,798)
<b>Net debt</b>	<b><u>£44,702</u></b>	<b><u>£(319,852)</u></b>	<b><u>£(275,150)</u></b>

**30. ULTIMATE PARENT COMPANY**

The company's ultimate holding company is Apollo Chemicals Group Limited, a company registered in England and Wales.