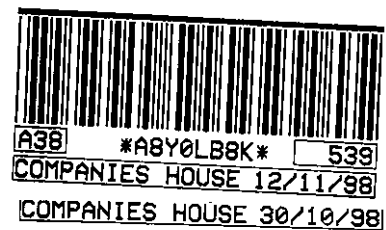


KINGFISHER COLOURS LIMITED

ABBREVIATED FINANCIAL STATEMENTS

For the year ended 31st December, 1997

Company Registration No. 1498805



# KINGFISHER COLOURS LIMITED

## DIRECTORS REPORT

The Directors present their report and the audited Financial Statements of the Company for the year ended 31st December, 1997.

### PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of the Company, which has remained unchanged during the financial year, is that of manufacturing and distribution of cosmetic, pharmaceutical and food colours. The Directors are satisfied with the Company's trading in the year and its position at the year end, but are reviewing matters in the prevailing world economic conditions.

### RESULTS AND DIVIDENDS

The profit for the year after taxation was £78,144. The Directors do not recommend a dividend and accordingly the amount will be transferred to reserves.

### DIRECTORS AND THEIR INTERESTS

The Directors in office for the year, and their beneficial interests in the Company's issued Ordinary Share Capital, were as follows:-

	Ordinary Shares of £1 each <u>31.12.1997 and 31.12.1996</u>
Dr. D.C. Jones - Chairman	45
Mr. R.M. Beal	9
Dr. K. Quarmby	6

### FIXED ASSETS

There were additions to Fixed Assets of £21,484. The movements are shown in Note 7 on page 9.

### DIRECTORS' RESPONSIBILITIES

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 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;
- \* follow applicable accounting standards, subject to any material departures disclosed and explained in the accounts;
- \* prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

KINGFISHER COLOURS LIMITED

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' RESPONSIBILITIES (CONTINUED)

The Directors are responsible for keeping proper accounting records 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. They 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.

AUDITORS

The auditors, Messrs. Simon Murray & Co., will be proposed for re-appointment in accordance with Section 385, of the Companies Act, 1985.

BY ORDER OF THE BOARD:-

SECRETARY:

Dr. D.C. Jones

DATED:

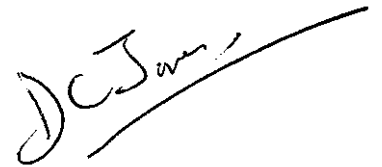
29th October, 1998

REGISTERED OFFICE:

124/126 Cardiff Road,  
Richfield Avenue Trading Estate,  
Reading,  
Berks., RG1 8NX.

REGISTERED NO:

1498805



## KINGFISHER COLOURS LIMITED

### AUDITORS' REPORT TO THE DIRECTORS OF KINGFISHER COLOURS LIMITED UNDER PARAGRAPH 24 OF SCHEDULE 8 TO THE COMPANIES ACT, 1985

We have examined the Abbreviated Financial Statements set out on pages 5 to 12, together with the full statutory Financial Statements of the Company for the year ended 31st December, 1997, prepared under Section 226 of the Companies Act, 1985, as modified by the exemptions provided by Schedule 8.

#### RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors are responsible for preparing the Abbreviated Financial Statements in accordance with Schedule 8 to the Companies Act, 1985. It is our responsibility to form an independent opinion as to the Company's entitlements to the exemptions claimed in the Directors' Statement on page 3, and whether the Abbreviated Financial Statements have been properly prepared in accordance with that Schedule.

#### BASIS OF OPINION

We have carried out the procedures we considered necessary to confirm, by reference to the full statutory Financial Statements that the Company is entitled to the exemptions and that the Abbreviated Financial Statements have been properly prepared from those Financial Statements. The scope of our work for the purpose of this report does not include examining or dealing with events after the date of our report on the full statutory Financial Statements.

#### OPINION

In our opinion the Company is entitled under Section 246 and 247 of the Companies Act, 1985, to the exemptions conferred by Section B of Part III of Schedule 8 to that Act, in respect of the year ended 31st December, 1997, and the Abbreviated Financial Statements on pages 3 to 7 have been properly prepared in accordance with that Schedule.

#### OTHER INFORMATION

On 30th October, 1998, we reported, as auditors of Kingfisher Colours Limited to the shareholders on the full statutory Financial Statements for the year ended 31st December, 1997, and our audit report was as follows:-

"We have audited the Financial Statements on pages 4 to 11 which have been prepared in accordance with the accounting policies set out on pages 7 and 8."

KINGFISHER COLOURS LIMITED

AUDITORS' REPORT TO THE DIRECTORS OF  
KINGFISHER COLOURS LIMITED  
UNDER PARAGRAPH 24 OF SCHEDULE 8 TO THE  
COMPANIES ACT, 1985

CONTINUED

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described on page 1 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 Financial 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 judgments 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 mis-statement, 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 at 31st December, 1997, and of its results for the year then ended, and have been properly prepared in accordance with the Companies Act, 1985.

Woburn House,  
YELVERTON,  
Devon, PL20 6BS.

  
SIMON MURRAY & CO.  
Chartered Accountants,  
and Registered Auditors

Dated 30 October, 1998

KINGFISHER COLOURS LIMITED

ABBREVIATED PROFIT AND LOSS ACCOUNT

For the year ended 31st December, 1997

	Note	<u>1997</u> £	<u>1996</u> £
Gross Profit		991,573	871,870
Other Operating Expenses		(878,818)	(776,662)
Operating Profit	5	112,755	95,208
Rental Income		-	-
Interest Received		12,595	12,335
Interest Payable		(22,706)	(25,877)
Profit on ordinary activities before taxation		102,644	81,666
Taxation	6	(24,500)	(20,000)
Profit for the financial year after taxation		78,144	61,666
Retained Profit at 01.01.1997/1996		<u>659,204</u>	<u>597,538</u>
Retained Profit at 31.12.1997/1996		<u>£737,348</u>	<u>£659,204</u>

CONTINUING OPERATIONS

None of the Company's activities were acquired or discontinued during the above two financial years.

TOTAL RECOGNISED GAINS AND LOSSES

The Company has no recognised gains or losses other than the profit or loss for the above two financial years.

KINGFISHER COLOURS LIMITED

ABBREVIATED BALANCE SHEET

As at 31st December, 1997

	Note	<u>1997</u> £	<u>1996</u> £
<u>FIXED ASSETS</u>			
Tangible Assets	7	<u>653,487</u>	<u>674,396</u>
<u>CURRENT ASSETS</u>			
Stocks	8	279,901	314,087
Debtors	9	590,557	542,423
Cash at Bank and in Hand		<u>272,213</u>	<u>329,791</u>
		1,142,671	1,186,301
<u>CREDITORS: Amounts falling due within one year</u>	10	( <u>904,407</u> )	( <u>1,006,825</u> )
<u>NET CURRENT ASSETS</u>		<u>238,264</u>	<u>179,476</u>
<u>TOTAL ASSETS LESS CURRENT LIABILITIES</u>		891,751	853,872
<u>CREDITORS: Amounts falling due after more than one year</u>	11	( <u>154,343</u> )	( <u>194,608</u> )
<u>NET ASSETS</u>		<u>£737,408</u>	<u>£659,264</u>
<u>CAPITAL AND RESERVES</u>			
Called Up Share Capital	12	60	60
Profit and Loss Account		<u>737,348</u>	<u>659,204</u>
<u>SHAREHOLDERS' FUNDS</u>	13	<u>£737,408</u>	<u>£659,264</u>

The Directors have taken advantage of the exemptions conferred by Section B of Part III, Section 8 of the Companies Act, 1985, and have done so on the grounds that, in their opinion, the Company qualifies as a medium-sized company and is entitled to these exemptions.

SIGNED ON BEHALF OF THE BOARD:

Dr. D.C. Jones     )  
Mr. R.M. Beal     )  
Dr. K. Quarmby    )

Directors



APPROVED BY THE BOARD:

29th October, 1998

Dated

# KINGFISHER COLOURS LIMITED

## CASH FLOW STATEMENT

For the year ended 31st December, 1997

	<u>1997</u> £	<u>1996</u> £
Net Cash Outflow/Inflow from operating activities	(7,083)	37,705
Returns on investments and servicing of finance interest received		
Interest Received	12,595	12,335
Interest Paid	<u>(22,706)</u>	<u>(25,877)</u>
Net Cash Outflow/Inflow from returns on investments and servicing of finance	(17,194)	24,163
Taxation		
Corporation Tax Paid	(20,000)	(85,000)
Investing Activities		
Fixed Asset Expenditure	(21,484)	(59,781)
Sale of Fixed Assets	<u>1,100</u>	<u>2,900</u>
Net Cash Outflow before financing and decrease in cash	£(57,578)	£(117,718)

### NOTES TO THE CASH FLOW STATEMENTS:

1. Reconciliation of operating profit to net cash outflow from operating activities:

Operating Profit	112,755	95,209
Depreciation Charges	41,293	32,609
Increase in Debtors	(48,134)	(52,050)
Decrease/Increase in Creditors	(147,184)	24,663
Decrease/Increase in Stocks	<u>34,186</u>	<u>(62,725)</u>
Net cash outflow/Inflow from operating activities	<u>£(7,083)</u>	<u>£(37,705)</u>

2. Analysis of the balances in cash during the year:

Balance @ 1.1.97/96	329,791	447,509
Net cash outflow	<u>(57,578)</u>	<u>(117,718)</u>
Balance @ 31.12.97/96	<u>£272,213</u>	<u>£329,791</u>



# KINGFISHER COLOURS LIMITED

## NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS

For the year ended 31st December, 1997

### 1. ACCOUNTING POLICIES

#### a) BASIS OF ACCOUNTING

The Financial Statements have been prepared under the historical cost convention, and in accordance with applicable accounting standards.

#### b) TURNOVER

Turnover represents net invoiced commission, excluding V.A.T.

#### c) TANGIBLE FIXED ASSETS

Tangible Fixed Assets are stated at cost less accumulated depreciation. Depreciation is provided, after taking account of any grants receivable, at the following annual rates in order to write off each asset over its estimated useful life:-

##### Depreciation

Freehold Property	- Nil
Leasehold Property	- Over the length of the lease which is less than 50 years.
Plant and Machinery	- 20% on cost.
Fixtures and Fittings	- 20% on cost.
Motor Vehicles	- 25% on cost.

#### d) STOCKS

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

#### e) DEFERRED TAXATION

Provision is made at current rates for taxation deferred in respect of all material timing differences except to the extent that, in the opinion of the Directors, there is reasonable probability that the liability will not arise in the foreseeable future.

#### f) FOREIGN CURRENCIES

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

# KINGFISHER COLOURS LIMITED

## NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS

For the year ended 31st December, 1997

### 1. ACCOUNTING POLICIES

#### g) LEASED ASSETS

Rental applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profit as incurred.

#### h) INTEREST RECEIVABLE

Interest is credited when receivable by the Company.

### 2. TURNOVER

Turnover represents net invoiced sales, excluding V.A.T.

### 3. EMPLOYEES

	<u>1997</u> £	<u>1996</u> £
Staff costs during the year amounted to:-		
Salaries	386,177	375,168
Social Security Costs	<u>38,501</u>	<u>37,083</u>
	£424,678	£412,251
The average weekly number of employees during the year was:-	17	16

### 4. DIRECTORS' EMOLUMENTS

	<u>1997</u> £	<u>1996</u> £
Directors' Emoluments	£385,459	£300,312-
Highest Paid Director	<u>£211,982</u>	<u>£161,195</u>

### 5. OPERATING PROFIT

The operating profit is stated after charging:-

	<u>1997</u> £	<u>1996</u> £
Depreciation	41,293	32,609
Operating Lease Charges	40,650	40,650
Auditors Remuneration	5,350	5,000
Hire of Equipment	85	-

### 6. TAXATION

	<u>1997</u> £	<u>1996</u> £
U.K. Corporation Tax @ 23/24% (96: 24/25%)	£24,500	20,000

The charge for taxation is based on the taxation adjusted profit for the year.

# KINGFISHER COLOURS LIMITED

## NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS

For the year ended 31st December, 1997

### 7. TANGIBLE FIXED ASSETS

	Total £	Freehold £	Leasehold Property £	Plnt Mchny Fix. & Ftgs £	Motor Vehicles £
<u>COST</u>					
1st Jan '97	879,042	558,044	5,759	256,249	58,990
Disposals	(5,500)	-	-	-	(5,500)
Additions	21,484	-	-	11,989	9,495
At 31st December '97	895,026	558,044	5,759	268,238	62,985
<u>DEPRECIATION</u>					
1st Jan '97	204,646	-	2,309	161,935	40,402
Eliminated	(5,500)	-	-	-	(5,500)
Charge for year	42,393	-	347	34,479	7,567
At 31st December '97	241,339	-	2,656	196,414	42,469
<u>NET BOOK VALUE</u>					
At 31.12.97	653,487	£558,044	£3,103	£71,824	£20,516
At 31.12.96	£674,396	£558,044	£3,450	£94,314	£18,588

- (a) Fixed Assets are stated in the Balance Sheet at cost less aggregate depreciation.
- (b) Plant, Machinery, Fixtures & Fittings and Motor Vehicles are written down on a straight line basis at 20% and 25% per annum respectively.
- (c) Freehold Property is not amortised.
- (d) Leasehold Property is amortised over the length of the lease which is less than 50 years.
- (e) Depreciation in the Profit and Loss Account is shown net of any profit or loss on realisation.

### 8. STOCKS

	<u>1997</u> £	<u>1996</u> £
Raw Materials	100,700	53,725
Work in Progress	67,161	80,707
Finished Goods	112,040	179,655
	<u>£279,901</u>	<u>£314,087</u>

- (a) Stocks are valued at the lower of cost and net realisable value. (See note 1 (d)).

# KINGFISHER COLOURS LIMITED

## NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS

For the year ended 31st December, 1997

### 9. DEBTORS

	<u>1997</u> £	<u>1996</u> £
Trade Debtors	570,425	511,930
Other	<u>20,132</u>	<u>30,493</u>
	<u>£590,557</u>	<u>£542,423</u>

### 10. CREDITORS: Amounts falling due within one year:-

	<u>1997</u> £	<u>1996</u> £
Bank Loans & Overdrafts	63,197	76,464
Trade Creditors	418,830	536,473
Other Creditors	259,364	234,634
Other Taxation and Social Security costs	100,788	95,944
Accruals	37,589	43,171
Corporation Tax	<u>24,639</u>	<u>20,139</u>
	<u>£904,407</u>	<u>£1,006,825</u>

(a) The Bank Loan is secured by a debenture and a charge over the Company's freehold property.

### 11. CREDITORS: Amounts falling due after more than one year:-

	<u>1997</u> £	<u>1996</u> £
Bank Loan (a)	<u>£154,343</u>	<u>£194,608</u>

(a) The Bank Loan is secured by a debenture and a charge over the Company's freehold property.

The Bank Loan, the aggregate total of which is £217,540 (1996 £257,804) is repayable in annual instalments of £63,196, which commenced on 18th April, 1995.

### 12. CALLED UP SHARE CAPITAL

	<u>1997</u> £	<u>1996</u> £
<u>Authorised</u>		
100 Ordinary Shares of £1 each	£100	£100
<u>Allotted, Called Up and Fully Paid</u>		
60 Ordinary Shares of £1 each	£ 60	£ 60

KINGFISHER COLOURS LIMITED

NOTES TO THE ABBREVIATED FINANCIAL STATEMENTS

For the year ended 31st December, 1997

13. RECONCILIATION OF MOVEMENTS ON SHAREHOLDERS' FUNDS

	<u>1997</u> £	<u>1996</u> £
Profit for financial year after taxation	78,144	61,666
Opening Shareholders funds as at 1st January, 1997/96	<u>659,264</u>	<u>597,598</u>
Closing Shareholders' funds as at 31st December, 1997/96	<u>£737,408</u>	<u>£659,264</u>

14. OPERATING LEASES AND LEASE OBLIGATION

The annual commitment under non-cancellable operating leases, analysed according to the period in which each lease expires, are as follows:-

	<u>Leaseholder</u> <u>1997</u> £	<u>Property</u> <u>1996</u> £
Over five years	<u>£40,650</u>	<u>£40,650</u>

15. CONTINGENT LIABILITIES

The Directors are aware of a possible claim against the Company for faulty goods. The potential amount is thought to be in the region of £50,000, although a formal claim has not been received by the Company. The Directors will vigorously defend any such action against the Company and, accordingly, do not consider any provision necessary.