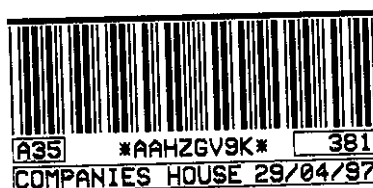


WD-40 COMPANY LIMITED

DIRECTORS' REPORT AND ACCOUNTS

31 AUGUST 1996

Registered in England and Wales - Number 1755958



WD-40 COMPANY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 AUGUST 1996

The directors present their report and the audited accounts of the company for the year ended 31 August 1996.

Principal activities and review of the business

The company continues to manufacture and market WD40 in the UK, Europe, Middle East and Africa. Sales of WD40 increased by 17.5% over those of the previous year with more than 30% growth in Europe and with growth in all areas. These results represent a continuation of the trend shown in our 1994/95 report. During the year the company purchased the 3 in 1 brand rights for the UK, Europe and Middle East. Sales of 3 in 1 account for 11% of the 30% increase in total sales over those for the previous year and made a satisfactory contribution to the operating profit of the year.

At the beginning of the year the company renewed its Licence Agreement with its parent company. Under the new agreement royalty is payable on sales and in respect of increased marketing services. This new agreement resulted in an increase of the royalty payable of £1,400,000 over that payable in the previous year. The company also increased its selling and general administration expenses in anticipation of further sales growth in 1996/97. These cost increases more than account for the 11% reduction in operating profits.

With continuing growth in sales, the directors expect a return to growth in operating profit in the immediate future.

Results and dividends

The profit for the year after taxation amounted to £2,275,661 (1995 - £2,584,581).

A dividend of £1,272,221 was paid in respect of the year (1995 - £1,194,414).

Directors

The directors of the company during the year were as follows:

K S Gallon

G Schleif

C Kerfoot (appointed on 11 September 1995, resigned 21 November 1996)

G O Ridge (appointed on 6 August 1996)

W Noble (appointed 21 November 1996)

WD-40 COMPANY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 AUGUST 1996

Directors' responsibility for preparing the accounts

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss for the financial year.

The directors consider that in preparing the financial statements on pages 4 to 13 the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

The directors have responsibility for ensuring that the company keeps accounting records which disclose with reasonable accuracy the financial position of the company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

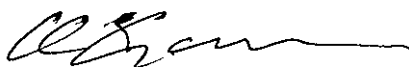
The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Auditors

The auditors, Price Waterhouse, shall be deemed to be re-appointed for subsequent financial year in accordance with Section 386 of the Companies Act 1985.

By Order of the Board

KS Gallon
Secretary



21 April 1997

Price Waterhouse



AUDITORS' REPORT TO THE SHAREHOLDERS OF WD-40 COMPANY LIMITED

We have audited the financial statements on pages 4 to 13 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described in the directors' report, 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 31 August 1996 and of its profit and cashflow for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

Chartered Accountants
and Registered Auditors

21 April 1997

WD-40 COMPANY LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 AUGUST 1996

	Notes	1996 £'000	1995 £'000
Turnover	2	19,669	15,173
Cost of sales		(9,916)	(6,363)
Gross profit		9,753	8,810
Distribution costs		(1,106)	(802)
Sales and general administration		(5,293)	(4,237)
Operating profit	3	3,354	3,771
Interest receivable		98	105
Profit on ordinary activities before taxation		3,452	3,876
Tax on profit on ordinary activities	4	(1,177)	(1,292)
Profit on ordinary activities after taxation		2,275	2,584
Retained profit brought forward		4,846	3,456
		7,121	6,040
Dividends paid and proposed		(1,272)	(1,194)
Retained profit carried forward		5,849	4,846

The company's recognised gains and losses consist wholly of the retained profit for the financial year. All company operations are continuing.


The notes on pages 7 to 13 form part of these accounts.

WD-40 COMPANY LIMITED

BALANCE SHEET - 31 AUGUST 1996

	Notes	1996	1995
		£'000	£'000
Fixed assets			
Tangible assets	5	1,167	1,002
Intangible assets	6	953	-
		<u>2,120</u>	<u>1,002</u>
Current assets			
Stock	7	1,639	1,204
Debtors	8	4,035	2,542
Cash at bank and in hand		2,000	3,447
		<u>7,674</u>	<u>7,193</u>
Creditors: amounts falling due within one year	9	<u>(3,617)</u>	<u>(3,077)</u>
Net current assets		<u>4,057</u>	<u>4,116</u>
Total assets less current liabilities		<u>6,177</u>	<u>5,118</u>
Provision for liabilities and charges			
Deferred taxation	10	(78)	(22)
		<u>6,099</u>	<u>5,096</u>
Capital and reserves			
Share capital	11	250	250
Profit and loss account		5,849	4,846
Total shareholders funds	16	<u>6,099</u>	<u>5,096</u>

Approved by the Board on 21 April 1997



G O Ridge

The notes on pages 7 to 13 form part of these accounts.

WD-40 COMPANY LIMITED

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 AUGUST 1996

	Notes	<u>1996</u>	<u>1995</u>
		£'000	£'000
Net cash inflow from operating activities	12	2,393	3,726
Net cash (outflow)/inflow on returns on investments and service of finance			
Interest received		97	105
Dividends paid		(1,272)	(1,194)
		<u> </u>	<u> </u>
		(1,175)	(1,089)
Taxation			
Corporation tax paid (including advance corporation tax paid)		(1,341)	(676)
Net cash outflow from investing activities			
Purchase of brand rights		(998)	-
Purchase of tangible fixed assets		(353)	(323)
Sale of fixed assets		27	75
		<u> </u>	<u> </u>
		(1,324)	(248)
(Decrease)/increase in cash and cash equivalents	12	<u> </u>	<u> </u>
		(1,447)	1,713
		<u> </u>	<u> </u>

The notes on pages 7 to 13 form part of these accounts.

WD-40 COMPANY LIMITED

NOTES TO THE ACCOUNTS - 31 AUGUST 1996

1 Accounting policies

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

The company has adopted the following accounting policies.

Turnover

Turnover represents the invoiced value of goods supplied after deduction of settlement discount and value added tax.

Stock

Stock has been included in the accounts at the lower of cost and net realisable value.

Fixed assets and depreciation and amortisation

Fixed assets are stated at cost less depreciation, which has been calculated to write off the fixed assets on a straight line basis over their estimated useful lives at the following rates:

Motor vehicles	-	25%
Buildings	-	2½%
Plant and machinery	-	10%
Fixtures and fittings	-	10% - 20%
Goodwill amortisation	-	6 ² / ₃ %

No depreciation is provided on freehold land.

Goodwill arising on the acquisitions of companies and brand rights is amortised over the economic life of the goodwill.

Taxation

The company applies US accounting principles for deferred taxation so as to be consistent with its holding company. Deferred taxation has accordingly been provided in respect of timing differences for taxation purposes relating to the excess of capital allowances over related depreciation. In addition deferred taxation has been provided in respect of other timing differences which are expected to reverse in the foreseeable future. The provision made does not differ significantly from the amount which would be provided under Statement of Standard Accounting Practice No.15 issued by the Accounting Standards Committee in the United Kingdom.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Trading results are translated at the monthly average rates during the year. Foreign currency exchange differences are dealt with through the profit and loss account.

WD-40 COMPANY LIMITED

NOTES TO THE ACCOUNTS - 31 AUGUST 1996 (continued)

2	Turnover	1996 £'000	1995 £'000
	Geographical analysis of turnover:-		
	UK/Eire	8,983	7,523
	Europe	7,836	5,162
	Africa/Middle East	2,850	2,488
		<u>19,669</u>	<u>15,173</u>
	Included within the total turnover are sales amounting to £1,628,000 resulting from the acquisition of the brand rights of 3 in 1 during the year. It is not considered practicable to disclose the operating profit contribution from this acquisition due to the complete integration of this product line into the existing business.		
3	Operating profit	1996 £'000	1995 £'000
	Operating profit is stated after charging/(crediting):		
	Salaries	1,311	1,184
	Social security costs	194	151
	Other pension costs	143	133
	Depreciation	171	164
	Amortisation of goodwill	45	-
	(Profit)/loss on sale of fixed assets	(10)	10
	Royalties	1,942	544
	Auditors' remuneration		
	- for audit services	15	14
	- for other services in UK	2	2
	Exchange gain	(88)	(104)
		<u></u>	<u></u>
4	Taxation	1996 £'000	1995 £'000
	The taxation charge based on profit for the year is made up as follows:		
	Corporation tax at 33% (1994 : 33%)	1,117	1,317
	Deferred tax (Note 10)	56	(31)
	Overseas tax	4	6
		<u>1,177</u>	<u>1,292</u>

WD-40 COMPANY LIMITED

NOTES TO THE ACCOUNTS - 31 AUGUST 1996 (continued)

5 Tangible fixed assets

	Freehold land £'000	Building £'000	Plant, tools and machinery £'000	Fixtures, fittings & equipment £'000	Motor vehicles £'000	Total £'000
Cost						
At 1 September 1995	117	622	136	491	287	1,653
Additions	-	-	7	133	213	353
Disposals	-	-	-	(156)	(95)	(251)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 August 1996	117	622	143	468	405	1,755
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation						
At 1 September 1995	-	154	112	282	103	651
Charge for year	-	16	5	61	89	171
Disposals	-	-	-	(156)	(78)	(234)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 August 1996	-	170	117	187	114	588
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book amount						
At 31 August 1996	117	452	26	281	291	1,167
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 August 1995	117	468	24	209	184	1,002
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

WD-40 COMPANY LIMITED

NOTES TO THE ACCOUNTS - 31 AUGUST 1996 (continued)

5 Tangible fixed assets (continued)

Capital commitments:

	1996 £'000	1995 £'000
Future capital expenditure not provided for in the accounts for which contracts have been placed	Nil	Nil
Expenditure authorised but not contracted	119	250

6 Intangible fixed assets

	1996 £'000	1995 £'000
Goodwill at cost	998	-
Less: amortisation	(45)	-
Net book value at 31 August 1996	953	-

The goodwill relates to the acquisition of the 3 in 1 brand rights during the year for the UK, Europe and Middle East. The goodwill is being amortised on a straight line basis over 15 years.

7 Stock

	1996 £'000	1995 £'000
Raw materials	5	35
Work in progress	38	67
Finished goods	1,596	1,102
	1,639	1,204

8 Debtors

	1996 £'000	1995 £'000
Trade debtors	3,764	2,331
Prepayments and accrued income	271	211
	4,035	2,542

WD-40 COMPANY LIMITED

NOTES TO THE ACCOUNTS - 31 AUGUST 1996 (continued)

9	Creditors : amounts falling due within one year	1996	1995
		£'000	£'000
	Trade creditors	1,491	1,076
	Amounts owed to group undertakings	349	42
	Taxation and social security	923	1,095
	Accruals and deferred income	854	864
		<u>3,617</u>	<u>3,077</u>
		<u><u> </u></u>	<u><u> </u></u>
10	Deferred taxation	1996	1995
		£'000	£'000
	Excess of capital allowances claimed over depreciation	91	80
	Other timing differences	(13)	(58)
		<u> </u>	<u> </u>
		78	22
		<u><u> </u></u>	<u><u> </u></u>
	There is no unprovided potential deferred tax liability.		
11	Share capital	1996	1995
		£'000	£'000
	Authorised:		
	500,000 ordinary shares of £1 each	500	500
		<u><u> </u></u>	<u><u> </u></u>
	Issued, allotted and fully paid:		
	250,000 ordinary shares of £1 each	250	250
		<u><u> </u></u>	<u><u> </u></u>

WD-40 COMPANY LIMITED

NOTES TO THE ACCOUNTS - 31 AUGUST 1996 (continued)

12 Cash flow statement

Net cash inflow from operating activities:	1996 £'000	1995 £'000
Operating profit	3,354	3,771
Amortisation	45	-
Depreciation	171	164
(Profit)/Loss on sale of fixed assets	(10)	10
Stock decrease/(increase)	(435)	64
Debtors increase	(1,493)	(650)
Creditors increase	761	367
	<u>2,393</u>	<u>3,726</u>
Analysis of changes in cash and cash equivalents during the year:	1996 £'000	1995 £'000
Balance as at 1 September 1995	3,447	1,734
Net cash (outflow)/inflow	(1,447)	1,713
Balance as at 31 August 1996	<u>2,000</u>	<u>3,447</u>

13 Pension commitments

There is a Group Company Pension/Life Assurance scheme administered by Standard Life. This is a money-purchase non-contributory scheme open to all employees after a qualifying period of service.

14 Directors' emoluments

Aggregate directors' emoluments, including pension contributions and retirement payments amounted to £146,044 (1995 - £125,631). Included in directors' emoluments are amounts, excluding pension contributions, payable to:

	1996 £'000	1995 £'000
Chairman	NIL	NIL
Highest paid director	128	107
Other directors	1996 Number	1995 Number
Nil - £5,000	2	3

Of the other directors included above, none received any emoluments in respect of the services to the company (1995 - none).

WD-40 COMPANY LIMITED

NOTES TO THE ACCOUNTS - 31 AUGUST 1996 (continued)

15 Employees

The average weekly number of persons employed in the company was 44 (1995 - 36).

16 Reconciliation of movements in shareholders' funds

	1996 £'000	1995 £'000
Profit for the financial year	2,275	2,584
Dividends	(1,272)	(1,194)
	<hr/>	<hr/>
Opening shareholders' funds	1,003	1,390
	5,096	3,706
	<hr/>	<hr/>
Closing shareholders' funds	6,099	5,096
	<hr/>	<hr/>

17 Ultimate holding company

The ultimate holding company is WD-40 Company incorporated in the United States. This is the smallest and largest group for which group accounts are prepared including this company. Copies of group accounts can be requested from WD-40 Company, 1061 Cudahy Place, San Diego, California, 92110, USA.