

FUERST DAY LAWSON (U.S.A.) LIMITED

Report and Financial Statements

for the year ended 31 December 2003

**Deloitte & Touche LLP
London**



FUERST DAY LAWSON (U.S.A.) LIMITED

REPORT AND FINANCIAL STATEMENTS

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FUERST DAY LAWSON (U.S.A) LIMITED

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2003.

ACTIVITIES

The principal activity of the company is the sale of specialist raw materials.

REVIEW OF THE BUSINESS AND FUTURE PROSPECTS

Trading during 2003 was affected by difficult market conditions but operating profits improved due to cost savings. The results overall are expected to be satisfactory in 2004.

RESULTS AND DIVIDENDS

Details of the results for the year are set out in the profit and loss account on page 5. The directors recommend that no dividend be paid in respect of the year (2002 - £nil per share). The retained profit for the year of £33,375 (2002 profit- £18,495) has been transferred to reserves.

DIRECTORS AND THEIR INTERESTS

The following persons served as directors during the year:

Fox Roy Merchants Limited

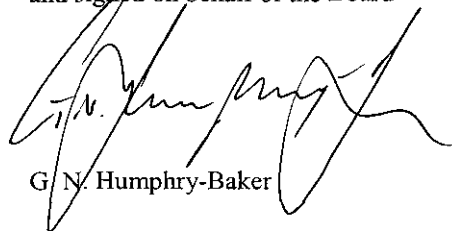
J C Duffus & Co. (London) Limited

No director held any beneficial interests in the shares of the company or any other group company.

AUDITORS

On 1 August 2003 Deloitte & Touche transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnership Act 2000. The company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP. Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board



G. N. Humphry-Baker

Secretary

15 June 2004

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom 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 as at the end of the financial period 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 ;
- state whether applicable accounting standards have been followed; 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 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 the system of internal control, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

FUERST DAY LAWSON (U.S.A.) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF FUERST DAY LAWSON (U.S.A) LIMITED

We have audited the financial statements of Fuerst Day Lawson (U.S.A.) Limited for the year ended 31 December 2003 which comprise the profit and loss account, the balance sheet and the related notes 1 to 14. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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 United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 circumstances of the company, 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 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte + Touche Ltd

Deloitte & Touche LLP,
Chartered Accountants and Registered Auditors,
London.

15 June 2004 Date

FUERST DAY LAWSON (U.S.A.) LIMITED**PROFIT AND LOSS ACCOUNT**
Year ended 31 December 2003

	Note	2003 £	2002 £
TURNOVER	1	3,002,764	5,705,796
Cost of sales		(2,811,899)	(5,433,839)
Gross profit		190,865	271,957
Operating charges		(150,000)	(250,000)
OPERATING PROFIT	3	40,865	21,957
Interest receivable and similar income		337	714
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		41,202	22,671
Tax charge on profit on ordinary activities	5	(7,827)	(4,176)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		33,375	18,495
Retained profit brought forward		73,191	54,696
Retained profit carried forward		106,566	73,191

The company's turnover and operating profit all relate to continuing operations. There were no acquisitions or discontinued operations during the current or preceding period.

All recognised gains or losses and all movements in shareholders' funds in both the year ended 31 December 2003 and the year ended 31 December 2002 are reflected in the profit and loss account.

Notes 1 to 14 form an integral part of these accounts.

FUERST DAY LAWSON (U.S.A.) LIMITED

BALANCE SHEET 31 December 2003

	Note	2003 £	2002 £
CURRENT ASSETS			
Stocks		1,129,309	1,817,493
Debtors	6	380,953	994,323
Cash at bank and in hand		101,618	114,768
		<u>1,611,880</u>	<u>2,926,584</u>
CREDITORS: amounts falling due within one year			
Bank overdrafts		1,083,913	2,218,554
Trade creditors		388,844	519,702
Amounts due to group undertakings	7	23,730	109,773
Other creditors including taxation and social security	8	7,827	4,364
		<u>1,504,314</u>	<u>2,852,393</u>
NET CURRENT ASSETS		<u>107,566</u>	<u>74,191</u>
CAPITAL AND RESERVES			
Called up share capital	9	1,000	1,000
Profit and loss account		106,566	73,191
TOTAL EQUITY SHAREHOLDERS' FUNDS	10	<u>107,566</u>	<u>74,191</u>

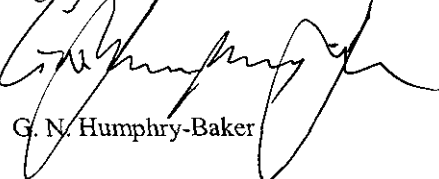
These financial statements were approved by the Board of Directors on 15 June 2004

Signed for and on behalf of Fox Roy Merchants Limited



M D Lawson

Signed for and on behalf of JC Duffus & Co (London) Limited



G. N. Humphry-Baker

Notes 1 to 14 form an integral part of these accounts.

FUERST DAY LAWSON (U.S.A.) LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 December 2003

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Turnover

Turnover is the total amount (excluding value added tax) invoiced to customers by the company and, in the case of sales in which the company acts as agent of a supplier, the company's commission earnings.

Stocks and valuation of forward raw material contracts

Stocks are valued at the lower of cost and net realisable value and represent goods held for resale.

Provision is made where an overall net loss is anticipated on a raw material on the maturity of the contracts outstanding at the accounting date; overall net profits are not recognised until maturity. Provision is also made for losses on forward contracts outstanding at the accounting date arising in respect of specific defaults by counterparties.

Foreign currency

Transactions denominated in foreign currencies are translated into sterling at either the exchange hedge rates contracted at the bank or at the rates ruling at the date of the transactions. Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date or, where relevant, at rates contracted for forward currency contracts. Resulting exchange translation differences are dealt with through the profit and loss account.

Pension costs

The cost to the company of contributions made in respect of the independent pension plans of certain employees is charged to the profit and loss account as they are paid.

Deferred taxation

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax liabilities and assets are not discounted.

2. CASH FLOW STATEMENT

The company has taken advantage of an exemption afforded by FRS(1) revised, not to prepare a cash flow statement as more than 90% of the voting rights are controlled within the group and its cash flows are included within the parent company's consolidated financial statements.

3. OPERATING PROFIT

	2003	2002
	£	£
Operating profit is arrived at after charging:		
Auditors' remuneration	258	458

FUERST DAY LAWSON (U.S.A.) LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 December 2003

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

Directors' remuneration

The directors of the company were not entitled to any remuneration for their services to the company in 2003 (2002 – nil).

	2003 No.	2002 No.
Average number of persons employed		
Trading and administration	1	2

An analysis between trading and administrative staff is inappropriate as trading staff are also involved in administrative duties.

	2003 £	2002 £
Staff costs during the period (including directors)		
Wages and salaries	30,342	101,754
Social security costs	3,493	12,408
Other pension costs	17	151
	<u>33,852</u>	<u>114,313</u>

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

	2003 £	2002 £
United Kingdom corporation tax charge at 19% (2002 – 19.25%) based on the profit for the year	7,827	4,364
Adjustments in respect of prior years	-	(188)
	<u>7,827</u>	<u>4,176</u>

6. DEBTORS

	2003 £	2002 £
Trade debtors	372,383	899,223
Amounts owed by parent undertaking	-	94,990
Amount owed by fellow subsidiary undertaking	8,460	-
Other debtors	110	110
	<u>380,953</u>	<u>994,323</u>

All debtors are due within one year.

FUERST DAY LAWSON (U.S.A.) LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 December 2003

7. AMOUNTS OWED TO GROUP UNDERTAKINGS

	2003 £	2002 £
Amounts owed to parent undertaking	23,730	-
Amounts owed to fellow subsidiary undertaking	-	109,773
	<u>23,730</u>	<u>109,773</u>

8. OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY

	2003 £	2002 £
Corporation tax	<u>7,827</u>	<u>4,364</u>

9. CALLED UP SHARE CAPITAL

	2003 £	2002 £
Authorised, allotted and fully paid: 1,000 Ordinary shares of £1 each	<u>1,000</u>	<u>1,000</u>

10. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2003 £	2002 £
Profit for the financial year	<u>33,375</u>	<u>18,495</u>
Net addition to shareholders' funds	33,375	18,495
Opening shareholders' funds	<u>74,191</u>	<u>55,696</u>
Closing shareholders' funds	<u>107,566</u>	<u>74,191</u>

11. PARENT COMPANY

The company's ultimate parent company (also the immediate controlling party) is Fuerst Day Lawson Holdings Limited, a company incorporated in Great Britain. The ultimate controlling party is Mr Maurice Day Lawson.

Copies of the group accounts for Fuerst Day Lawson Holdings Limited are available from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

12. RELATED PARTY TRANSACTIONS

The company has taken advantage of an exemption afforded by FRS8 not to disclose transactions with other group companies by virtue of more than 90% of the voting rights being controlled within the group.

FUERST DAY LAWSON (U.S.A.) LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 December 2003

13. CONTINGENT LIABILITIES

The company has entered into guarantees securing certain banking facilities of its parent company and fellow subsidiaries. The overdraft in respect of such facilities amounted to £2,632,620 at 31 December 2003 (2002 - £2,596,035).

The company has entered into an indemnity agreement with one of its bankers in respect of guarantees to a US Customs agent.

Other contingent liabilities which arose in the normal course of business comprised:

	2003	2002
	£	£
VAT group election	109,806	-

14. SEGMENTAL ANALYSIS

No segmental analysis of the activities of the company is given since, in the opinion of the directors, this would be seriously prejudicial to the interests of the company.