

Plasti-Kote Limited

Report and Accounts

31 December 1999

Company No. 2013215



The directors present their report and the accounts for the year ended 31 December 1999.

RESULTS AND DIVIDENDS

The company's principal activity is the distribution of spray paints and supply of marine products.

The profit for the year, after taxation, amounted to £661,850 (1998: £729,068) which is to be added to the retained profit brought forward. The directors do not recommend payment of a final ordinary dividend.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The directors are pleased with the result for the year and anticipate a steady level of growth during 2000.

DIRECTORS AND THEIR INTERESTS

The directors who served during the year were as follows:

S H McCarthy	
M Watson	
J Rapp	
S Briggs	
R Engh	
P Reyelts	(resigned 14 May 1999)
K Arthur	
M Brandt	(appointed 14 May 1999)

The only directors' interests in the share capital of the company at the year end were as follows:

	<i>At 31 December 1999</i>	<i>At 1 January 1999</i>
	<i>Ordinary shares of £1 each</i>	<i>Ordinary shares of £1 shares</i>
	<i>No.</i>	<i>No.</i>
S H McCarthy	50	50
M Watson	25	25
J Rapp	50	50

YEAR 2000 COMPLIANCE

Prior to 31 December 1999, steps were taken to review computer and date dependent systems critical to the company's ongoing operations and preparation of financial information to establish the impact, if any, which the Year 2000 might have on the accuracy of their calculations, processing and reporting. Although it is not possible to guarantee that no Year 2000 problems remain, the company believes that its internal systems are Year 2000 compliant.

The company continues to address the business risk from third parties with whom it deals on business or financial matters, including key customers and suppliers. Contingency plans have been developed to minimise the risk of disruption. No significant disruptions has occurred to date.

Although the millennium date change has passed and no significant problems have been encountered, the directors recognise that there is still a risk of Year 2000 impacting the business but do not expect this to be significant.

CHARITABLE DONATIONS

During the year, the company made various charitable contributions totalling £1,780 (1998: £682).

AUDITORS

A resolution to re-appoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

On Behalf of the Board



S H McCarthy

8 June 2000

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE ACCOUNTS

Company law requires the directors to prepare accounts 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 accounts, 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, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts 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 accounts 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.

REPORT OF THE AUDITORS to the members of Plasti-Kote Limited

We have audited the accounts on pages 6 to 13, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 8.

Respective Responsibilities of Directors and Auditors

As described on page 4 the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

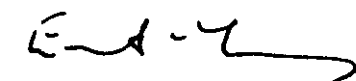
Basis of Opinion

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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 31 December 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Registered Auditor
Cambridge

8 June 2000

Plasti-Kote Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 December 1999

	Notes	1999 £	1998 £
TURNOVER	2	6,939,443	7,076,413
Cost of sales		(3,002,768)	(2,989,653)
Gross profit		3,936,675	4,086,760
Administrative expenses		(618,950)	(483,079)
Selling and distribution costs		(2,490,987)	(2,634,169)
Other income from group undertakings		79,548	72,000
OPERATING PROFIT	3	906,286	1,041,512
Interest receivable	5	57,115	47,938
Interest payable and similar charges	6	(160)	(963)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		963,241	1,088,487
Tax on profit on ordinary activities	7	(301,391)	(359,419)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		661,850	729,068
Retained profit brought forward		1,852,713	1,123,645
Retained profit carried forward		2,514,563	1,852,713

A statement of total recognised gains and losses has not been presented as the company has no recognised gains or losses other than the profit for the year.

Plasti-Kote Limited

BALANCE SHEET at 31 December 1999


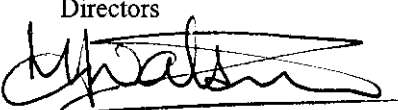
	Notes	1999 £	1998 £
FIXED ASSETS			
Tangible assets	8	116,389	84,271
		<u>116,389</u>	<u>84,271</u>
CURRENT ASSETS			
Stocks	9	660,368	688,464
Debtors	10	1,147,548	1,241,483
Cash at bank and in hand		1,662,954	1,010,878
		<u>3,470,870</u>	<u>2,940,825</u>
CREDITORS: amounts falling due within one year	11	(1,072,196)	(1,171,883)
NET CURRENT ASSETS		<u>2,398,674</u>	<u>1,768,942</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,515,063</u>	<u>1,853,213</u>
CAPITAL AND RESERVES			
Called up share capital	13	500	500
Profit and loss account		2,514,563	1,852,713
TOTAL EQUITY SHAREHOLDERS' FUNDS	14	<u>2,515,063</u>	<u>1,853,213</u>

ERNST & YOUNG

S H McCarthy)

M Watson)

8 June 2000


Directors


NOTES TO THE ACCOUNTS
at 31 December 1999

1. ACCOUNTING POLICIES

Accounting convention

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

Depreciation

Depreciation is provided on all tangible assets at rates calculated to write off the cost of each asset evenly over its estimated useful life, as follows:

Leasehold improvements	-	over the lease term
Computer equipment	-	4 years
Office furniture	-	4 years
Office equipment	-	3 years
Warehouse equipment	-	3 to 5 years

Stocks

Stocks are stated at the lower of cost and net realisable value as follows:

Cost incurred in bringing each product to its present location and condition, cost being purchase cost plus freight and duty charges on a first-in, first-out basis.

Net realisable value is based on estimated selling prices less any further costs expected to be incurred to completion and disposal.

Foreign currencies

Transactions in foreign currencies are recorded at the 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.

All differences are taken to the profit and loss account.

Deferred taxation

Deferred taxation is provided on the liability method on all timing differences to the extent that they are expected to reverse in the future, calculated at the rate at which it is estimated that tax will be payable.

Leasing Commitments

Rentals paid under operating leases are charged to the profit and loss account over the period of the lease.

Pensions

The company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

Plasti-Kote Limited

NOTES TO THE ACCOUNTS

at 31 December 1999

2. TURNOVER

Turnover, which excludes value added tax, represents the invoiced value of goods sold and services supplied. The company's principal activities are the selling and distribution of spray paints and marine products primarily within the UK.

An analysis of turnover by geographical area is as follows:

	1999 £'000	1998 £'000
United Kingdom	6,637	6,768
Other European	291	303
United States of America	1	1
Other	10	4
	<u>6,939</u>	<u>7,076</u>

3. OPERATING PROFIT

(a) This is stated after charging:

	1999 £	1998 £
Depreciation - owned assets	49,196	33,665
- assets held under finance leases and hire purchase contracts	4,907	4,907
Auditors' remuneration	9,300	8,250
Operating lease rentals - land and buildings	86,500	53,375
- vehicles and other	57,823	55,581
	<u></u>	<u></u>

(b) Directors' remuneration:

	£	£
Emoluments	242,479	286,289
	<u></u>	<u></u>
Company contributions paid to money purchase pension schemes	22,817	27,312
	<u></u>	<u></u>
	No.	No.
Members of money purchase pension schemes	2	2
	<u></u>	<u></u>

The amounts in respect of the highest paid director are as follows:

	£	£
Emoluments	130,361	152,038
	<u></u>	<u></u>
Company contributions paid to money purchase pension schemes	12,284	14,506
	<u></u>	<u></u>

Plasti-Kote Limited

NOTES TO THE ACCOUNTS at 31 December 1999

4. STAFF COSTS

	1999 £	1998 £
Wages and salaries	596,514	573,104
Social security costs	63,918	57,215
Other pension costs	27,794	27,833
	<u>688,226</u>	<u>658,152</u>

During the year the average monthly number of staff employed was 24 (1998 - 21) excluding non-executive directors.

5. INTEREST RECEIVABLE

	1999 £	1998 £
Interest receivable from parent undertaking	2,355	13,058
Other	54,760	34,880
	<u>57,115</u>	<u>47,938</u>

6. INTEREST PAYABLE AND SIMILAR CHARGES

	1999 £	1998 £
Finance charges payable under finance leases and hire purchase contracts	160	963
	<u>160</u>	<u>963</u>

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1999 £	1998 £
UK Corporation Tax	307,712	358,801
Corporation tax under/(over) provided in previous years	(6,321)	618
	<u>301,391</u>	<u>359,419</u>

Plasti-Kote Limited

NOTES TO THE ACCOUNTS

at 31 December 1999

8. TANGIBLE FIXED ASSETS

	<i>Leasehold improvements</i>	<i>Computer equipment</i>	<i>Office furniture</i>	<i>Office equipment</i>	<i>Warehouse equipment</i>	<i>Total</i>
	£	£	£	£	£	£
Cost:						
At 1 January 1999	19,157	74,325	13,138	3,431	57,451	167,502
Additions	8,227	20,239	1,967	437	55,351	86,221
At 31 December 1999	27,384	94,564	15,105	3,868	112,802	253,723
Depreciation:						
At 1 January 1999	4,338	43,284	6,950	2,287	26,372	83,231
Charge for period	5,204	19,160	3,064	720	25,955	54,103
At 31 December 1999	9,542	62,444	10,014	3,007	52,327	137,334
Net book values:						
At 31 December 1999	17,842	32,120	5,091	861	60,475	116,389
At 1 January 1999	14,819	31,041	6,188	1,144	31,079	84,271

Included within computer equipment are assets held under finance leases and hire purchase contracts with a net book value of £1,227 (1998 - £6,134). The related depreciation charge for the year in respect of these assets was £4,907 (1998 - £4,907).

9. STOCKS

	<i>1999</i>	<i>1998</i>
	£	£
Finished goods	560,151	590,887
Finished goods in transit	100,217	97,577
	660,368	688,464

10. DEBTORS

	<i>1999</i>	<i>1998</i>
	£	£
Trade debtors	1,106,692	1,034,285
Amounts owed by parent undertaking	-	121,381
Prepayments and accrued income	40,856	85,210
Other debtors	-	607
	1,147,548	1,241,483

Plasti-Kote Limited

NOTES TO THE ACCOUNTS at 31 December 1999

11. CREDITORS: amounts falling due within one year

	1999 £	1998 £
Obligations under finance leases and hire purchase contracts	-	982
Trade creditors	267,748	177,234
Amounts owed to parent undertaking	252,537	104,124
Corporation tax	226,195	358,801
Other taxes and social security	125,585	166,678
Other creditors	1,910	5,363
Accruals	198,221	358,701
	<u>1,072,196</u>	<u>1,171,883</u>

12. DEFERRED TAXATION

Deferred tax provided in the accounts and the amounts not provided are as follows:

	<i>Provided</i>		<i>Not provided</i>	
	1999 £	1998 £	1999 £	1998 £
Capital allowances in advance of depreciation	-	631	(3,271)	-
Other short term timing differences	-	(631)	(11,657)	(18,444)
	<u>-</u>	<u>-</u>	<u>(14,928)</u>	<u>(18,444)</u>

13. SHARE CAPITAL

	<i>Authorised</i>		<i>Allotted, called up and fully paid</i>	
	1999 No.	1998 No.	1999 £	1998 £
Ordinary shares of £1 each	1,000	1,000	500	500

14. RECONCILIATION OF SHAREHOLDERS' FUNDS

	1999 £	1998 £
At 1 January	1,853,213	1,124,145
Profit for the year	661,850	729,068
At 31 December	<u>2,515,063</u>	<u>1,853,213</u>

15. PENSION COMMITMENTS

The company operates a defined contribution pension scheme for its directors. The assets of the scheme are held separately from those of the company in an independently administered fund.

NOTES TO THE ACCOUNTS
at 31 December 1999

16. FINANCIAL COMMITMENTS

Annual commitments under non-cancellable operating leases are as follows:

	<i>Land and buildings</i>	<i>Other</i>	<i>Land and buildings</i>	<i>Other</i>
	1999	1999	1998	1998
	£	£	£	£
Operating leases which expire:				
within one year	—	—	—	5,868
two to five years	86,500	57,823	86,500	42,626
	<u>86,500</u>	<u>57,823</u>	<u>86,500</u>	<u>48,494</u>

17. RELATED PARTIES

The Company has taken advantage of the exemption in FRS 8 from disclosing transactions with related parties that are of the Valspar Corporation group or investors of the group.

18. PARENT UNDERTAKING AND CONTROLLING PARTY

The company's immediate parent undertaking is Plasti-Kote Co Inc., which is incorporated in the United States.

In the directors' opinion, the company's ultimate parent undertaking and controlling party is the Valspar Corporation, which is incorporated in the United States. Copies of its group accounts, which include the company, are available from 1101 South Third Street, Minneapolis, MN55 415.