

ELLIS & EVERARD CHEMICALS LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 30 APRIL 1989

The Directors submit their annual report and the audited financial statements for the year ended 30 April 1989.

ACTIVITIES

The principal activity of the Company is the processing, sale and distribution of chemicals. The Directors are of the opinion that the activities of the Company have been successfully developed during the year.

RESULTS

The profit for the year, the financial position of the Company and the dividends paid are shown in the annexed accounts.

TANGIBLE FIXED ASSETS

Movements in tangible fixed assets are disclosed in note 8.

DIRECTORS AND THEIR SHAREHOLDINGS IN ELLIS & EVERARD PLC

The Directors who served during the year were:-

J.N. PHILLIPOTS	F.G. CARTWRIGHT	G.B. WARD
P.S. WOOD	S.B. SMITH	M.G. KENDALL
S.A. BULL	J.J. MCKENZIE	G.C. BOTTING

M.G. Kendall was appointed as a director on 1 May 1988 and G.C. Botting on 1 January 1989.

S.B. Smith and G.B. Ward retire by rotation, and being eligible offer themselves for re-election. G.C. Botting, having been appointed since the last Annual General Meeting, retires and offers himself for re-election.

P.S. Wood and J.N. Phillipotts are also Directors of the ultimate holding company, Ellis & Everard plc, and are not required to record their interest in shares in group companies in the register maintained by this Company.

The interests of the other Directors and their families in the share capital of Ellis & Everard plc are set out below:

	<u>At 30 April 1989</u>			<u>At 1 May 1988</u> <u>or later date of appointment</u>		
	Ordinary Shares	Ordinary Share Options	Ordinary Shares Profit Sharing Scheme	Ordinary Shares	Ordinary Share Options	Ordinary Shares Profit Sharing Scheme
F.G. CARTWRIGHT	5067	37319	-	3378	21152	1924
J.J. MCKENZIE	225	10188	-	150	6880	-
S.B. SMITH	250	10328	-	750	7508	-
G.B. WARD	1521	22931	-	1014	7517	-
S.A. BULL	-	10610	-	-	5317	-
G.C. BOTTING	-	5000	-	-	-	-
M.G. KENDALL	-	-	-	-	-	-

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### EMPLOYEES AND EMPLOYMENT POLICIES

The Company has continued its policy of keeping its employees informed of matters which affect them through the Company magazine, through a broad range of consultative bodies at which employees discuss matters of mutual interest, and through increasing our commitment to employee training and development.

The Company's policy is to give full and fair consideration to applications for employment from disabled people having regard to their particular aptitudes and activities when related to any suitable opportunities available. Should an employee become disabled, the Company where practicable, seeks to continue the employment and arrange appropriate training.

The Company's policy also provides that selection and promotion of new and existing employees will be determined solely upon merit and the application of criteria which are related to the effective performance of the job and the needs of the business. No applicant or employee will be treated less favourably in employment because of his or her age, colour, disablement, marital status, race, religion or sex.

The Company continues to place great importance on the health, safety and welfare of its employees and believes that it more than complies with the Health and Safety at Work Act 1974.

### CHARITABLE AND POLITICAL CONTRIBUTIONS

The Company made £ 1723 contributions to charities during the year. No political contributions were made.

### CLOSE COMPANY STATUS

The Company is not a close company under the Income and Corporation Taxes Act 1988. There has been no change since 30 April 1989.

### AUDITORS

In accordance with Section 384 of the Companies Act 1985 a resolution for the re-appointment of Peat Marwick McLintock as Auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

BY ORDER OF THE BOARD



R.G. WELBURN  
Secretary

46 Peckover Street  
Bradford  
BD1 5BD

7 July 1989

REPORT OF THE AUDITORS TO THE MEMBERS OF

ELLIS + EVERARD CHEMICALS LIMITED

We have audited the financial statements on pages 4 to 14 in accordance with Auditing Standards.

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 30 April 1989, and of its profit and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Peat Marwick McLintock.*

PEAT MARWICK McLINTOCK  
Chartered Accountants

Bradford  
7 July 1989

ELLIS + EVERARD CHEMICALS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 APRIL 1989

	<u>Note</u>	<u>1989</u> <u>£</u>	<u>1988</u> <u>£</u>
<u>TURNOVER</u>	2	55197418	51970984
Cost of Sales		41394692	39434814
		<hr/>	<hr/>
<u>GROSS PROFIT</u>		13802726	12536170
Distribution costs		3547193	3392655
Administration expenses		6566641	5694449
		<hr/>	<hr/>
<u>OPERATING PROFIT</u>	3	3688892	3449066
Interest payable (net)	4	237427	203903
		<hr/>	<hr/>
<u>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</u>		3451465	3245163
Taxation on profit on ordinary activities	6	1225000	1160000
		<hr/>	<hr/>
<u>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</u>		2226465	2085163
Dividends	7	1195000	748000
		<hr/>	<hr/>
<u>RETAINED PROFIT FOR THE FINANCIAL YEAR</u>	14	1031465 =====	1337163 =====


ELLIS & EVERARD CHEMICALS LIMITED

BALANCE SHEET AT 30 APRIL 1989

	<u>Note</u>	<u>1989</u>	<u>1988</u>
		<u>£</u>	<u>£</u>
<u>FIXED ASSETS</u>			
Tangible Fixed Assets	8	4491458	6372938
<u>CURRENT ASSETS</u>			
Stocks	9	6080095	5078003
Debtors	10	7994373	7883117
Cash at bank and in hand		1013995	413355
		<u>15088763</u>	<u>13374475</u>
<u>CREDITORS DUE WITHIN ONE YEAR</u>	11	13544245	10317322
		<u>1544518</u>	<u>3057153</u>
<u>NET CURRENT ASSETS</u>			
		<u>10435956</u>	<u>9429491</u>
<u>TOTAL ASSETS LESS CURRENT LIABILITIES</u>			
<u>PROVISIONS FOR LIABILITIES AND CHARGES</u>	12	695000	720000
		<u>9740956</u>	<u>8709491</u>
<u>NET ASSETS EMPLOYED</u>		<u>=====</u>	<u>=====</u>
<u>CAPITAL AND RESERVES</u>			
Called up share capital	13	800000	800000
Share premium account	14	825543	825543
Revaluation reserve	14	151909	233821
Profit and loss account	14	7963504	6850127
		<u>9740956</u>	<u>8709491</u>
		<u>=====</u>	<u>=====</u>

These accounts were approved by the Board of Directors on 7 July 1989 and are signed on their behalf by

  
J. N. PHILLPOTTS  
Director

  
G. C. BOTTING  
Director

ELLIS + EVERARD CHEMICALS LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEAR ENDED 30 APRIL 1989

<u>SOURCE OF FUNDS</u>	<u>1989</u>	<u>1988</u>
	£	£
Profit on ordinary activities before taxation	3451465	3245163
Adjustment for items not involving the movement of funds:		
Depreciation	776107	702459
Profit on sale of tangible fixed assets: - external	(23340)	(7190)
- inter group	(7408)	--
	745359	695269
<u>TOTAL GENERATED FROM OPERATIONS</u>	<u>4196824</u>	<u>3940432</u>
<u>FUNDS FROM OTHER SOURCES</u>		
Sale of tangible fixed assets: - external	228111	51072
- inter group	165757	-
	393868	51072
	4590692	3991504
<u>APPLICATION OF FUNDS</u>		
Creditors falling due after one year	-	10774
Purchase of tangible fixed assets - external	3167421	1819336
- inter group	490906	18833
Dividends paid	1195000	748000
Tax paid	746679	705191
Group relief paid	-	256867
	5600006	3559001
	(1009314)	432503
<u>DECREASE / (INCREASE) IN WORKING CAPITAL</u>		
Stocks	(1002092)	576406
Debtors	(111556)	(235440)
Creditors due within one year (excluding inter-group short term borrowings)	2567592	(821706)
	453944	(480740)
	444630	(48237)
<u>MOVEMENT IN NET LIQUID FUNDS</u>	<u>=====</u>	<u>=====</u>
Opening balance	(2113001)	(2064764)
Closing balances:		
Cash at bank and in hand	1013995	413355
Bank overdrafts / loans	(20366)	(443356)
Inter-group borrowings	(2662000)	(2083000)
	(1668371)	(2113001)
<u>MOVEMENT DURING THE YEAR</u>	<u>444630</u>	<u>(48237)</u>
	<u>=====</u>	<u>=====</u>

ELLIS + EVERARD CHEMICALS LIMITED

30 APRIL 1989

NOTES ON THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

Accounting Convention

The accounts are prepared under the historical cost convention adjusted for the revaluation of certain tangible fixed assets.

Depreciation

All tangible fixed assets, other than freehold land and assets in the course of construction, are depreciated on a straight-line basis at annual rates calculated to write off their cost or valuation over the term of their useful lives, as follows:

Freehold buildings	-	10 to 50 years
Leasehold properties	-	the unexpired period of each lease or such shorter period as is considered appropriate.
Plant, machinery and vehicles	-	4 to 15 years.

Deferred taxation

Deferred taxation is provided on the liability method to the extent that it is probable a liability will crystallise in the foreseeable future.

Advance corporation tax

Advance corporation tax is carried forward only to the extent that it is recoverable in the foreseeable future.

Stocks

Stocks are valued at the lower of cost and net realisable value.

Returnable containers

Containers are charged out to customers and credited on return, and provision is deducted from debtors for the amount by which the estimated amount of credits to be given exceeds the underlying value of containers to be returned.

Leased assets

The company has no material finance leases. The rental costs of all leased assets are charged against profits as incurred.

2. TURNOVER

Turnover relates to the merchanting of chemicals, excluding VAT, but including sales within the group.

3. OPERATING PROFIT

	<u>1989</u> £	<u>1988</u> £
Operating profit is arrived at after charging:		
Depreciation	776107	702459
Directors' emoluments (note 5)	237112	184382
Auditors' remuneration	13600	14862
Hire and rental charges - plant and vehicles	175383	240455
- property	173366	190225
	=====	=====
After crediting:		
Profit on sale of tangible fixed assets	30748	7190
	=====	=====

4. INTEREST PAYABLE (NET)

Interest receivable:

Inter group	19071	1486
Short term deposits and loans	--	1131
	-----	-----
	19071	2617
	-----	-----

Interest payable:

Bank overdrafts	--	5455
Loans repayable after 5 years	--	778
Loans repayable within 5 years	121400	--
Inter group	135098	200287
	-----	-----
	256498	206520
	-----	-----
Interest payable (Net)	237427	203903
	=====	=====



5. EMPLOYEES

	<u>1989</u> <u>£</u>	<u>1988</u> <u>£</u>
Employee costs during the year amounted to:		
Wages and Salaries	3912853	3585648
Social security costs	293071	249956
Other pension costs	27449	250133
Compensation, ex gratia and net redundancy payments	34539	32260
	<hr/>	<hr/>
	4514812	4117997
	=====	=====

The average number of employees during the year was made up as follows:

	<u>1989</u>	<u>1988</u>
Manual	146	157
Other	256	256
	<hr/>	<hr/>
	402	413
	=====	=====

The emoluments of directors including estimated benefits but excluding pension scheme contributions were:

Highest paid director	50256	46337
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Other directors:

	<u>1989</u> <u>No.</u>	<u>1988</u> <u>No.</u>
£ 0 - 5,000	3	3
£ 5,001 - 10,000	1	1
£ 25,001 - 30,000	-	3
£ 30,001 - 35,000	3	-
£ 35,001 - 40,000	-	1
£ 40,001 - 45,000	1	-

6. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

Taxation on the profit for the year:

Corporation tax at 35 %	1250000	1225000
Deferred taxation	(25000)	(65000)
	<hr/>	<hr/>
	1225000	1160000
	=====	=====

7. DIVIDENDS

	<u>1989</u> £	<u>1988</u> £
Paid: Interim	430000	252000
Paid: Final	765000	496000
	<hr/>	<hr/>
	1195000	748000
	=====	=====

8. TANGIBLE FIXED ASSETS

	Land and Buildings	Plant, machinery and vehicles	Payments on account and assets in course of construction	Total
	£	£	£	£
Cost or valuation				
At 30 April 1988	3208231	4286068	1001112	8495411
Additions	--	--	3167421	3167421
Disposals	(174000)	(313974)	--	(487974)
Inter-group transfers	336492	(1965)	--	334527
Reclassifications	3135653	944314	(4079967)	--
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 April 1989	6506376	4914443	88566	11509385
	<hr/>	<hr/>	<hr/>	<hr/>
At professional valuation 1987	2673000	--	--	2673000
At cost	3833376	4914443	88566	8836385
	<hr/>	<hr/>	<hr/>	<hr/>
	6506376	4914443	88566	11509385
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 30 April 1988	95349	2027724	--	2123073
Charge for the year	115703	660404	--	776107
Disposals	--	(283203)	--	(283203)
Inter-group transfers	--	1970	--	1970
	<hr/>	<hr/>	<hr/>	<hr/>
At 30 April 1989	211052	2406895	--	2617947
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 30 April 1989	6295324	2507548	88566	8891438
	=====	=====	=====	=====
At 30 April 1988	3112882	2258344	1001112	6372338
	=====	=====	=====	=====

The net book value of land and buildings is analysed as follows:

	<u>1989</u> £	<u>1988</u> £
Freehold	3711097	2208965
Long leasehold	2423241	739612
Short leasehold	160986	164305
	<hr/>	<hr/>
	6295324	3112882
	=====	=====

The amount of land and buildings included above at cost or valuation determined according to the historical cost accounting rules is as follows:

	<u>1989</u> £	<u>1988</u> £
Cost	6933450	3774401
Depreciation	787629	783498
	<hr/>	<hr/>
Net book value	6145821	2990903
	=====	=====

The non-depreciable element of land and buildings amounts to £ 1269000 (1988 - £ 1072000)

9. STOCKS

	<u>1989</u> £	<u>1988</u> £
Raw materials	4970096	4053915
Containers and consumables	1105999	1024088
	<hr/>	<hr/>
	6080095	5078003
	=====	=====

10. DEBTORS

Trade debtors	7700549	7639150
Amounts owed by fellow subsidiaries	82071	108312
Other debtors	95115	13072
Prepayments and accrued income	116938	122583
	<hr/>	<hr/>
	7994673	7883117
	=====	=====

	<u>1989</u> £	<u>1988</u> £
<b>11. CREDITORS DUE WITHIN ONE YEAR</b>		
Current instalments on secured loan	--	10775
Bank overdrafts	20366	443356
Trade creditors	7892381	5348413
Amounts owed to parent company:		
- Trading amounts	105242	56033
- Advance corporation tax	--	342975
- Short term borrowings	2662000	2083000
Amounts owed to fellow subsidiaries:		
- Trading amounts	448025	291779
Advance corporation tax	255000	165333
Corporation tax	1137140	723486
Value added tax	420633	595527
Other creditors	239988	12572
Accruals	372970	244073
	<hr/>	<hr/>
	13544245	10517322
	=====	=====

**12. PROVISIONS FOR LIABILITIES AND CHARGES**

Full potential liability for taxation deferred by accelerated capital allowances	695000	720000
	=====	=====
Movements in accelerated capital allowances were:		
Balance at 30 April 1988	720000	785000
Transfer to profit and loss account	(25000)	(65000)
	<hr/>	<hr/>
Balance at 30 April 1989	695000	720000
	=====	=====

No provision for deferred taxation is considered necessary on the surplus arising from the revaluation of land and buildings as it is not the intention of the Company to dispose of these assets in the foreseeable future. Should any revalued land and buildings be disposed of it is considered that the tax on any capital gain would be deferred indefinitely by means of "rollover relief".

**13. SHARE CAPITAL**

	<u>1989</u> £	<u>1988</u> £
Authorised, allotted, called up and fully paid:		
800,000 ordinary shares of £1 each.	800000	800000
	=====	=====

14. RESERVES

Share premium account

Balance at 30 April 1988 and  
30 April 1989

1989  
£

825543  
=====

Revaluation reserve

Balance at 30 April 1988  
Transfer to profit and loss account

233821  
(81912)

Balance at 30 April 1989

151909  
=====

Profit and loss account

Balance at 30 April 1988  
Retained profit for the  
financial year  
Transfer from revaluation reserve

6850127  
1031465  
81912

Balance at 30 April 1989

7963504  
=====

15. FUTURE OPERATING LEASE COMMITMENTS

Property rentals due within  
1 year

On leases expiring:  
- within 1 year  
- within 2 - 5 years  
- after 5 years

1989  
£

--  
--  
162168

162168  
=====

1988  
£

--  
31625  
155132

186757  
=====

Other lease rentals due within  
1 year

On commitments expiring  
- within 1 year  
- within 2 - 5 years

46254  
15575

61829  
=====

--  
118155

118155  
=====

16. CAPITAL COMMITMENTS

	<u>1989</u> £	<u>1988</u> £
Capital expenditure committed	202862	1867415
Capital expenditure authorised by the directors but not yet committed	1701488	588852
	<hr/>	<hr/>
	1904350	2456267
	=====	=====

17. CONTINGENT LIABILITIES

There is a fixed charge over certain properties owned by the Company and a floating charge over all other assets, as security for an issue of 7.25 % debenture stock 1987 / 92 by Ellis & Everard plc. The value of debenture stock in issue at 30 April 1989 amounted to £ 214000 (1988 - £ 232000).

The Company has guaranteed the borrowings of certain other Group companies under an evergreen Group borrowing facility for five years.

18. PENSIONS

The majority of employees are members of the Ellis & Everard Company Pension Scheme and are contracted out of the upper tier of the State Pension Scheme. The Scheme provides pension benefits related to service and final earnings and also lump sum death benefits and dependants' pensions. It is constituted as an independent and statutorily approved trust fund whose assets are invested independently.

The Company's contribution is currently almost double that paid by the members, the rate being that recommended by the Actuary. In making his recommendation, the Actuary takes into account the effect of estimated future earnings, increases on both past and future services benefits and the estimated rate of earnings on the funds invested.

The last actuarial valuation of the Scheme was carried out as at 1 July 1988. The results showed that the Scheme's fund was sufficient to secure benefits accrued to the valuation date in full and that the recommended contribution rate is sufficient to provide the balance of benefits expected to accrue in the future.

19. HOLDING COMPANY

The ultimate holding company is Ellis & Everard plc which is incorporated in the United Kingdom.