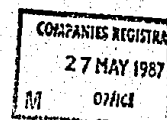


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COLURFAST PLASTICS LIMITED

REPORT AND ACCOUNTS

31 DECEMBER 1986

Booth & Co.,
Chartered Accountants.



29/6/87

COLOURFAST PLASTICS LIMITED

REPORT AND ACCOUNTS

31 DECEMBER 1986

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3	Report of the auditors
4	Profit and loss account
5	Balance sheet
6	Statement of source and application of funds
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COLOURFAST PLASTICS LIMITED

REPORT OF THE DIRECTORS

The directors present their report with the accounts of the company for the year ended 31 December 1986.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review continued to be the manufacture of compounds and colourists to the thermoplastic industry.

REVIEW OF BUSINESS

A summary of the results of the period's trading is shown on the face of the profit and loss account.

Turnover has increased during the year by 19.87% to £1,649,907 and this trend is continuing. The directors consider the profit achieved on ordinary activities before taxation to be satisfactory.

The directors consider the state of affairs to be satisfactory.

DIVIDENDS

The directors do not recommend payment of a dividend.

FUTURE DEVELOPMENTS

The company does not intend any fundamental changes in activity in the foreseeable future.

DIRECTORS

The directors in office in the year and their beneficial interests in the share capital were as follows:

	31 December 1986 Ordinary shares	1 January 1986 Ordinary shares
D.J. Senior	1,128	1,228
K.G. Dawson	672	772
D.J. Booth	100	-
K. Royales	100	-

In accordance with the articles of association, K.G. Dawson and D.J. Booth retire by rotation and offer themselves for re-election.

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FIXED ASSETS

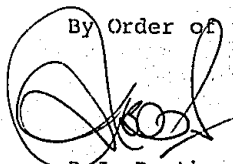
Acquisitions and disposals of fixed assets during the year are recorded in the notes to the accounts.

RESEARCH AND DEVELOPMENT

The company is actively involved with product developments and maintains a small research and development department. Expenditure incurred is now coming to fruition with the evolution of a new product of particular interest to the thermoplastic processing sector and the benefits are anticipated in the coming year.

The success of this policy is reflected in the current year's results and the company will be increasing its research and development programme.

By Order of the Board



D.J. Booth
Secretary

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REPORT OF THE AUDITORS TO THE MEMBERS OF
COLOURFAST PLASTICS LIMITED

We have audited the accounts set out on pages 4 to 14
in accordance with approved auditing standards.

In our opinion the accounts, which have been prepared
under the historical cost convention, give a true and
fair view of the state of the company's affairs at
31 December 1986 and of the profit and source and
application of funds for the year then ended and comply
with the Companies Act 1985.

Booth & Co.

Booth & Co.,
Chartered Accountants,
Bolton.

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COLOURFAST PLASTICS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1986

	Note	1986 £	1985 £
TURNOVER	2	1,649,907	1,376,353
Cost of sales		(1,129,803)	(1,008,778)
GROSS PROFIT		520,104	367,575
Distribution costs		(90,198)	(102,972)
Administrative expenses		(279,033)	(178,441)
OPERATING PROFIT/(LOSS)	3	150,873	86,162
Other income	5	-	7,462
Other charges	6	-	(4,076)
Interest payable	7	(30,719)	(31,068)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		120,154	58,480
Taxation	8	-	(2,239)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION RETAINED FOR THE YEAR		120,154	56,241
Extraordinary item	16	24,789	-
RETAINED PROFIT AT 1 JANUARY 1986		203,051	146,810
RETAINED PROFIT AT 31 DECEMBER 1986		347,994	203,051

The notes on pages 7 to 14 form part of these accounts.

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COLOURFAST PLASTICS LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 1986

	Note	1986 £	1985 £
FIXED ASSETS			
Tangible assets	9	392,477	361,188
CURRENT ASSETS			
Stocks	10	127,988	108,316
Debtors	11	360,675	248,980
Cash in hand		75	1,033
		<u>488,738</u>	<u>358,329</u>
CREDITORS: amounts falling due within one year	12	(435,781)	(398,608)
NET CURRENT ASSETS/(LIABILITIES)		<u>52,957</u>	<u>(40,279)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		445,434	320,909
CREDITORS: amounts falling due after more than one year			
Bank loan	13	(73,947)	(94,332)
Hire purchase		(16,264)	(21,526)
		<u>355,223</u>	<u>205,051</u>
PROVISION FOR LIABILITIES AND CHARGES			
Deferred taxation	14	5,229	-
		<u>349,994</u>	<u>205,051</u>
CAPITAL AND RESERVES			
Called up share capital	15	2,000	2,000
Profit and loss account		347,994	203,051
		<u>349,994</u>	<u>205,051</u>

David J. Senior

Kenneth G. Dawson

Directors

Approved by the Board:

The notes on pages 7 to 14 form part of these accounts.

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COLOURFAST PLASTICS LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 31 DECEMBER 1986

	1986 £	1985 £
SOURCE OF FUNDS		
Profit on ordinary activities before taxation	120,154	58,480
Adjustment for items not involving the movement of funds		
Extraordinary item before taxation effect	30,018	-
Depreciation	33,638	30,369
Loss/(profit) on disposal of fixed assets	4,625	402
Funds generated from operations	188,435	89,251
FUNDS FROM OTHER SOURCES		
Proceeds of sale of tangible fixed assets	13,031	5,422
Bank loan	25,200	35,000
	226,666	129,673
APPLICATION OF FUNDS		
Taxation paid	-	(1,613)
Purchase of tangible fixed assets	(82,583)	(105,389)
	(82,583)	(107,002)
NET SOURCE/(APPLICATION) OF FUNDS	144,083	22,671
INCREASE/(DECREASE) IN WORKING CAPITAL		
Stocks	19,672	38,141
Debtors	111,695	34,877
Creditors and hire purchase	(31,911)	(74,591)
	99,456	(1,573)
Movements in net liquid funds:		
Cash at bank and in hand	44,627	24,244
	144,083	22,671

The notes on pages 7 to 14 form part of these accounts.

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COLOURFAST PLASTICS LIMITED

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

Accounting convention

The accounts have been prepared under the historical cost convention.

Turnover

Turnover represents net invoiced sales of goods, excluding value added tax.

Depreciation

Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost of each asset over its estimated useful life. The rates of depreciation used were the following:

Freehold buildings	-	1% on cost
Plant and machinery	-	10% on written down value
Laboratory equipment	-	10% on written down value
Office equipment	-	20% on written down value
Motor vehicles	-	20% on written down value

Depreciation is not charged in the accounts where the amount would be immaterial.

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:

Raw materials	-	purchase cost on a first in, first out basis.
Work in progress	-	cost of direct materials and labour plus a reasonable proportion of manufacturing overheads based on normal levels of activity.

Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow moving or defective items where appropriate.

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Deferred taxation

Deferred taxation is provided on the liability method on all short term timing differences. Provision is also made for material long term timing differences, except for those which are not expected to reverse in the foreseeable future.

Research and development

Expenditure on research and development is written off in the year in which it is incurred.

2. TURNOVER

The turnover and profit before taxation is attributable to the one principal activity of the company. An analysis of turnover is given below:

	1986 £	1985 £
United Kingdom	1,601,821	1,355,999
Europe	14,970	1,458
United States of America	33,116	18,896
	<u>1,649,907</u>	<u>1,376,353</u>

3. OPERATING PROFIT

The operating profit is stated after charging:

	1986 £	1985 £
Depreciation of tangible fixed assets	33,638	30,369
Hire of plant and machinery	1,200	228
Directors' remuneration	147,766	76,763
Staff costs (note 4)	350,004	216,208
Auditors' remuneration	2,000	2,620
	<u> </u>	<u> </u>

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4. STAFF COSTS (INCLUDING DIRECTORS' REMUNERATION)

	1986 £	1985 £
Wages and salaries	317,951	195,560
Social security	28,069	17,623
Other pension costs	3,984	3,025
	<u>350,004</u>	<u>216,208</u>

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

	1986 No.	1985 No.
Office and management	4	5
Production and sales	20	19
	<u>24</u>	<u>24</u>

DIRECTORS' REMUNERATION

	1986 £	1985 £
Emoluments for services as directors	<u>147,766</u>	<u>76,763</u>
Emoluments of the chairman and highest paid director	<u>52,175</u>	<u>24,430</u>

Emoluments of other directors which fall within the following ranges:

	No.	No.
£Nil - £ 5,000	-	-
£ 5,001 - £10,000	-	-
£10,001 - £15,000	-	1
£15,001 - £20,000	-	1
£20,001 - £25,000	2	1
£50,001 - £55,000	1	-
	<u>3</u>	<u>3</u>

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5. OTHER INCOME

	1986 £	1985 £
Bank interest received	-	-
Interest received on overdue disturbance claim	-	5,376
Profit on sale of investments	-	2,086
	<u>-</u>	<u>7,462</u>

6. OTHER CHARGES

	1986 £	1985 £
Over provision on disturbance grant made in previous periods	-	4,076
	<u>-</u>	<u>4,076</u>

7. INTEREST PAYABLE

	1986 £	1985 £
Interest payable on bank loans and overdrafts	25,217	26,652
Hire purchase	5,502	4,416
	<u>30,719</u>	<u>31,068</u>

8. TAXATION

	1986 £	1985 £
Corporation tax at 27.5% (1985 - 30%) on the adjusted results for the year	<u>NIL</u>	<u>2,239</u>

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9. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Plant and machinery £	Motor vehicles £	Office and laboratory equipment £	Total £
COST:					
At 1 January 1986	170,537	186,055	87,677	37,088	481,357
Additions	-	35,449	23,793	23,341	82,583
Disposals	-	(2,400)	(22,117)	-	(24,517)
At 31 December 1986	<u>170,537</u>	<u>219,104</u>	<u>89,353</u>	<u>60,429</u>	<u>539,423</u>
DEPRECIATION:					
At 1 January 1986	-	77,578	29,953	12,638	120,169
On disposals	-	-	(6,861)	-	(6,861)
Charge for year	-	14,156	13,271	6,211	33,638
At 31 December 1986	<u>-</u>	<u>91,734</u>	<u>36,363</u>	<u>18,849</u>	<u>146,946</u>
WRITTEN DOWN VALUES:					
At 31 December 1986	<u>170,537</u>	<u>127,370</u>	<u>52,990</u>	<u>41,580</u>	<u>392,477</u>
At 1 January 1986	<u>170,537</u>	<u>108,477</u>	<u>57,724</u>	<u>24,450</u>	<u>361,188</u>

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10. STOCKS

	1986 £	1985 £
Raw materials	38,318	37,031
Finished goods	86,670	67,215
	<u>124,988</u>	<u>104,246</u>
Loose tools	3,000	4,070
	<u>127,988</u>	<u>108,316</u>

11. DEBTORS

	1986 £	1985 £
Trade debtors	348,555	229,246
Other debtors	10,458	8,833
Prepayments	1,662	10,901
	<u>360,675</u>	<u>248,980</u>

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1986 £	1985 £
Trade creditors	223,029	234,303
Hire purchase	16,168	20,133
Social security and other taxes	64,353	28,952
Taxation	-	626
Other creditors	33,402	12,595
Accruals	57,949	9,958
	<u>394,901</u>	<u>306,567</u>
Bank loans and overdrafts (see note 13)	40,880	92,041
	<u>435,781</u>	<u>398,608</u>

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13. BANK LOANS AND OVERDRAFTS

The aggregate amount of bank loans and overdrafts was as follows:

	1986 £	1985 £
a) Falling due within one year		
Bank overdraft	17,360	68,521
Bank loans - current portion	23,520	23,520
	<u>40,880</u>	<u>92,041</u>
b) Falling due after more than one year		
Bank loan - repayable within five years	73,947	94,332
	<u>114,827</u>	<u>186,373</u>

The bank loan and overdraft is secured by a fixed charge on the freehold property and by a floating charge over the other assets and undertakings of the company.

14. DEFERRED TAXATION

No provision is made for deferred taxation in that the material timing differences are not expected to materialise within the foreseeable future due to the incidence of taxable losses. The deferred liability shown is in respect of the taxation effect on the extraordinary item.

15. CALLED UP SHARE CAPITAL

	1986 £	1985 £
Authorised:		
5,000 Ordinary shares of £1 each	<u>5,000</u>	<u>5,000</u>
Allotted, issued and fully paid:		
2,000 Ordinary shares of £1 each	<u>2,000</u>	<u>2,000</u>

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16. EXTRAORDINARY ITEM

Following a fire at the company's premises, a machine was badly damaged in that fire. The insurance company covered the cost of the purchase of a second hand machine at a cost of £14,000 and of the rebuilding of the damaged machine at a cost of £16,018.

The costs of the above are included in additions to fixed assets. The contribution from the insurance company is shown as an extraordinary item.

The value of the second hand machine and of the rebuilt machine is considered by the Directors to be not less than £39,000.

The tax effect of the extraordinary item, insofar as not having been accounted for in the tax computation for the year to 31 December 1986 is deducted from the extraordinary item and transferred to the Deferred Tax Reserve. The deduction is £5,229.

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