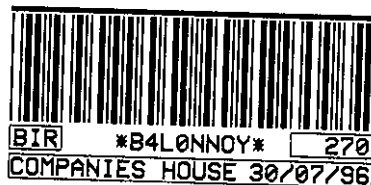


COMPANY NUMBER: 2872607

PETROFER UK PLC

ANNUAL REPORT

YEAR ENDED 31 DECEMBER 1995



**PANNELL
KERR
FORSTER**

CHARTERED ACCOUNTANTS

PETROFER UK PLC

ANNUAL REPORT

YEAR ENDED 31 DECEMBER 1995

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DIRECTORS' REPORT**YEAR ENDED 31 DECEMBER 1995**

The directors present their annual report together with the audited financial statements for the year ended 31 December 1995.

1. RESULTS AND DIVIDENDS

The loss for the financial year after tax amounted to £241,694.

The directors recommend that no dividend be paid giving an accumulated deficit of £223,658 to be carried forward at the end of the year.

2. REVIEW OF THE BUSINESS

The principal activity of the company continued to be the distribution of industrial oils and chemicals.

Growth during 1995 was encouraging and extremely strong growth has been experienced during the early part of 1996, therefore the directors consider the future prospects of the company to be good.

3. DIRECTORS AND DIRECTORS' INTERESTS

The directors at 31 December 1995 and their interests in the share capital of the company were as follows:

	Ordinary shares of £1 each
K Abbott	1
C H M Fischer	-
D M Billings (resigned 15 May 1995)	-

The directors had no other interests required to be disclosed under the Companies Act 1985.

4. TAX STATUS

The company is a close company under the provisions of the Income and Corporation Taxes Act 1988.

DIRECTORS' REPORT (CONTINUED)

YEAR ENDED 31 DECEMBER 1995

5. AUDITORS

A resolution to re-appoint the auditors, Pannell Kerr Forster, will be proposed at the annual general meeting in accordance with the Companies Act 1985.

BY ORDER OF THE BOARD

T.M. Abbott 9/7/96

T ABBOTT
SECRETARY

STATEMENT OF DIRECTORS' RESPONSIBILITIES**YEAR ENDED 31 DECEMBER 1995**

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 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, subject to any material departures disclosed and explained in the financial statements;
- 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 safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS' REPORT TO THE SHAREHOLDERS**YEAR ENDED 31 DECEMBER 1995**

We have audited the financial statements on pages 5 to 15 which have been prepared under the accounting policies set out on page 9.

Respective Responsibilities of Directors and Auditors

As described on page 3 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.

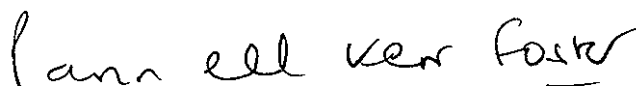
Basis of Opinion

We conducted our audit in accordance with Auditing Standards. 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 affairs of the company as at 31 December 1995 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



BIRMINGHAM
30 JULY 1996

PANNELL KERR FORSTER
CHARTERED ACCOUNTANTS
Registered Auditors

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 1995

	<u>Notes</u>	<u>1995</u> £	<u>13 months</u> <u>ended 31</u> <u>Dec 1994</u> £
TURNOVER		476,907	135,930
COST OF SALES		<u>(349,927)</u>	<u>(95,200)</u>
GROSS PROFIT		126,980	40,730
DISTRIBUTION COSTS		(94,790)	(93,783)
ADMINISTRATIVE EXPENSES		(275,252)	(266,743)
OTHER OPERATING INCOME		<u>572</u>	<u>-</u>
OPERATING LOSS		(242,490)	(319,796)
INTEREST RECEIVABLE AND SIMILAR INCOME	4	796	1,313
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	5	<u>(241,694)</u>	<u>(318,483)</u>
TAX ON LOSS ON ORDINARY ACTIVITIES		<u>-</u>	<u>-</u>
RETAINED LOSS FOR THE YEAR	12	<u><u>(241,694)</u></u>	<u><u>(318,483)</u></u>

All amounts relate to continuing activities.

The notes on pages 9 to 15 form part of these financial statements.

PETROFER UK PLC**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES****YEAR ENDED 31 DECEMBER 1995**

	<u>1995</u>	<u>1994</u>
Loss for the financial year	(241,694)	(318,483)
Capital contribution represented by waiver of loan by parent undertaking	336,519	-
TOTAL RECOGNISED GAINS AND LOSSES	<u>94,825</u>	<u>(318,483)</u>

BALANCE SHEET

31 DECEMBER 1995

	<u>Notes</u>	<u>1995</u>		<u>1994</u>	
		£	£	£	£
FIXED ASSETS					
Tangible assets	7		59,060		72,471
CURRENT ASSETS					
Stocks	8	75,789		42,718	
Debtors	9	136,492		71,385	
Cash at bank and in hand		35,620		15,304	
		<u>247,901</u>		<u>129,407</u>	
CREDITORS - amounts falling due within one year	10	<u>(54,332)</u>		<u>(177,614)</u>	
NET CURRENT ASSETS (LIABILITIES)			<u>193,569</u>		<u>(48,207)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			252,629		24,264
CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	10		<u>(426,287)</u>		<u>(292,747)</u>
NET LIABILITIES			<u>(173,658)</u>		<u>(268,483)</u>
CAPITAL AND RESERVES					
Share capital	11	50,000		50,000	
Profit and loss account	12	<u>(223,658)</u>		<u>(318,483)</u>	
EQUITY SHAREHOLDERS' FUNDS	13		<u>(173,658)</u>		<u>(268,483)</u>

Approved by the board of directors on

K ABBOTT

K Abbott 9/7/96 -

DIRECTOR

The notes on pages 9 to 15 form part of these financial statements.

CASH FLOW STATEMENT

YEAR ENDED 31 DECEMBER 1995

	<u>Notes</u>	<u>1995</u>	<u>13 Months</u> <u>ended 31</u> <u>Dec 1994</u>
		£	£
NET CASH INFLOW(OUTFLOW) FROM OPERATING ACTIVITIES	17	66	(228,933)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE:			
Interest received		<u>796</u>	<u>1,313</u>
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		796	1,313
INVESTMENT ACTIVITIES:			
Purchase of tangible fixed assets		<u>105</u>	<u>87,876</u>
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(105)	(87,876)
FINANCING:			
Issue of share capital		-	50,000
Receipt of long-term loan	18	<u>19,559</u>	<u>280,800</u>
NET CASH INFLOW FROM FINANCING		19,559	330,800
INCREASE IN CASH AND CASH EQUIVALENTS	19	<u>20,316</u>	<u>15,304</u>

The notes on pages 9 to 15 form part of these financial statements.

NOTES AND ACCOUNTING POLICIES

YEAR ENDED 31 DECEMBER 1995

1. ACCOUNTING POLICIES

The principal accounting policies of the company are as follows:

(a) **Basis of accounting**

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

(b) **Depreciation**

Tangible fixed assets are stated at cost less accumulated depreciation. Tangible fixed assets are written off over their estimated useful lives at the following annual rates and methods:

Office equipment	-	15%	reducing balance
Computer equipment	-	25%	straight line
Motor vehicles	-	25%	straight line
Laboratory equipment	-	15%	reducing balance
Premises alterations	-	15%	reducing balance

(c) **Turnover**

Turnover represents invoiced sales less allowances, trade discounts and value added tax.

(d) **Operating leases**

Leasing charges in respect of operating leases are recognised in the profit and loss account over the lives of the lease agreements using the straight line method.

(e) **Stocks**

Stocks are stated at the lower of first-in, first-out cost and net realisable value on an item by item basis. Cost includes all direct costs incurred and attributable production overheads in bringing the stocks to their state and location at the year end.

(f) **Pension costs**

The company does not operate a pension scheme but makes payments into individual schemes held by employees. The pension cost represents the payments made to these schemes.

(g) **Foreign currencies**

Transactions denominated in foreign currencies are recorded in Sterling at the exchange rates ruling on the dates of the transactions. Assets and liabilities denominated in foreign currencies, are translated into Sterling at rates of exchange ruling at the balance sheet date. Foreign exchange differences are taken to the profit and loss account in the year in which they arise.

NOTES AND ACCOUNTING POLICIES

YEAR ENDED 31 DECEMBER 1995

2. STAFF PARTICULARS

	<u>1995</u>	<u>13 Months ended 31 Dec 1994</u>
	£	£
Wages and salaries	149,239	155,383
Social security costs	14,957	16,039
Other pension costs	6,775	8,225
	<u>170,971</u>	<u>179,647</u>

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

	<u>1995</u>	<u>13 Months ended 31 Dec 1994</u>
	No	No
Technical	1	2
Selling and distribution	3	3
Administration	3	3
	<u>7</u>	<u>8</u>

3. DIRECTORS' REMUNERATION

	<u>1995</u>	<u>13 Months ended 31 Dec 1994</u>
	£	£
Emoluments as executives (including pension contributions)	<u>58,876</u>	<u>58,956</u>

Emoluments (excluding pension contributions) included the following:

	<u>1995</u>	<u>13 Months ended 31 Dec 1994</u>
	£	£
Highest paid director	<u>56,376</u>	<u>55,744</u>

No fees were paid in the year to the other two directors.

NOTES AND ACCOUNTING POLICIES

YEAR ENDED 31 DECEMBER 1995

4. INTEREST RECEIVABLE AND SIMILAR INCOME

Interest receivable and similar income represented interest receivable on bank deposits.

5. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

Loss on ordinary activities before taxation is stated after charging the following:

	<u>1995</u>	<u>13 months ended 31 Dec 1994</u>
	£	£
Depreciation (note 7)	13,516	15,405
Exchange loss	47,097	13,253
Auditors remuneration - audit fee	2,175	2,500
Operating lease rentals		
- plant and machinery	24,660	30,327
- other	40,845	32,309
Staff costs (note 2)	<u>170,971</u>	<u>179,647</u>

Fees to Pannell Kerr Forster for non-audit services were £400 (1994 - £5,513) all of which were payable in the United Kingdom.

6. TAX LOSSES

Subject to approval by the Inland Revenue, the tax losses to be carried forward are £535,000.

NOTES AND ACCOUNTING POLICIES

YEAR ENDED 31 DECEMBER 1995

7. FIXED ASSETS

	<u>Office Equipment</u> £	<u>Computer Equipment</u> £	<u>Motor Vehicles</u> £	<u>Laboratory Equipment</u> £	<u>Premises Alterations</u> £	<u>Total</u> £
COST						
At start of year	15,143	15,212	7,027	24,829	25,665	87,876
Additions	-	105	-	-	-	105
At end of year	<u>15,143</u>	<u>15,317</u>	<u>7,027</u>	<u>24,829</u>	<u>25,665</u>	<u>87,981</u>
ACCUMULATED DEPRECIATION						
At start of year	2,271	3,803	1,757	3,724	3,850	15,405
Charge	1,931	3,829	1,318	3,166	3,272	13,516
At end of year	<u>4,202</u>	<u>7,632</u>	<u>3,075</u>	<u>6,890</u>	<u>7,122</u>	<u>28,921</u>
NET BOOK AMOUNT						
At end of year	<u>10,941</u>	<u>7,685</u>	<u>3,952</u>	<u>17,939</u>	<u>18,543</u>	<u>59,060</u>
At start of year	<u>12,872</u>	<u>11,409</u>	<u>5,270</u>	<u>21,105</u>	<u>21,815</u>	<u>72,471</u>

8. STOCKS

	<u>1995</u> £	<u>1994</u> £
Finished goods and goods for resale	<u>75,789</u>	<u>42,718</u>

9. DEBTORS

	<u>1995</u> £	<u>1994</u> £
Trade debtors	118,291	53,896
Prepayments and accrued income	18,201	17,489
	<u>136,492</u>	<u>71,385</u>

NOTES AND ACCOUNTING POLICIES

YEAR ENDED 31 DECEMBER 1995

10. CREDITORS

	<u>Amounts falling due within one year</u>		<u>Amounts falling due after more than one year</u>	
	<u>1995</u> £	<u>1994</u> £	<u>1995</u> £	<u>1994</u> £
Trade creditors	36,872	21,611	-	-
Amounts due to parent company	-	-	-	292,747
Amounts due to group company	-	128,045	426,287	-
Other taxation and social security	13,705	13,688	-	-
Accruals and deferred income	3,755	14,270	-	-
	<u>54,332</u>	<u>177,614</u>	<u>426,287</u>	<u>292,747</u>

During the year the parent company waived the outstanding loan of £336,519 in order to improve the financial position of the company. The amount has been credited to profit and loss reserves as disclosed in note 12.

11. CALLED UP SHARE CAPITAL

Called up share capital comprised allotted, called up and fully paid ordinary shares of £1 each. The authorised share capital of the company throughout the year was £500,000 divided into 500,000 ordinary shares of £1 each.

12. RESERVES

	<u>Profit and loss account</u> £
At start of year	(318,483)
Loss for the financial year	(241,694)
Capital contribution by parent company	336,519
At end of year	<u>(223,568)</u>

NOTES AND ACCOUNTING POLICIES

YEAR ENDED 31 DECEMBER 1995

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>1995</u> £	<u>1994</u> £
Loss for the financial year	(241,694)	(318,483)
Capital contribution by parent company	336,519	-
Issued share capital	-	50,000
	<u>94,825</u>	<u>(268,483)</u>
Shareholders' funds at start of year	(268,483)	-
	<u>(173,658)</u>	<u>(268,483)</u>
Shareholders' funds at end of year		

14. LEASE COMMITMENTS

The company has annual commitments in respect of operating leases expiring in the following periods:

	<u>Land and Buildings</u>		<u>Other</u>	
	<u>1995</u> £	<u>1994</u> £	<u>1995</u> £	<u>1994</u> £
Within one year	-	-	16,855	-
Between two and five years	40,000	40,000	3,507	23,845
	<u>40,000</u>	<u>40,000</u>	<u>20,362</u>	<u>23,845</u>

15. ULTIMATE PARENT UNDERTAKING

The ultimate parent undertaking is Petrofer GmbH, a company registered in Germany.

16. NET LIABILITIES

At 31 December 1995, the company has net liabilities of £173,658. Included within creditors is £426,287 due to a fellow group company, Petrofer Chemie H.R. Fischer GmbH & Co K.G.

The company has confirmed its intention to continue to support this company to enable it to continue trading at its normal operating level.

The directors have therefore drawn up these financial statements using the going concern concept.

NOTES AND ACCOUNTING POLICIES

YEAR ENDED 31 DECEMBER 1995

17. RECONCILIATION OF OPERATING LOSS TO NET CASH INFLOW(OUTFLOW) FROM OPERATING ACTIVITIES

	<u>1995</u>	<u>1994</u>
	£	£
Operating loss	(242,490)	(319,796)
Depreciation	13,516	15,405
Exchange loss	47,097	13,253
Increase in stocks	(33,071)	(42,718)
Increase in debtors	(65,107)	(71,385)
Increase in creditors	280,121	176,308
	<u>66</u>	<u>(228,933)</u>

18. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	<u>Long-term loan</u>
	£
At start of year	292,747
Exchange difference on borrowings	24,213
Loan received	19,559
Transfer to retained reserves	(336,519)
At end of year	<u>-</u>

19. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR

	£
At start of year	15,304
Net cash inflow	20,316
At end of year	<u>35,620</u>