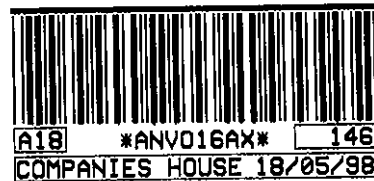


PETROFER U.K. PLC
FINANCIAL STATEMENTS
31st DECEMBER 1997

Registered number: 2872607



TRANter LOWE
CHARTERED ACCOUNTANTS
Dawley

PETROFER U.K. PLC

FINANCIAL STATEMENTS

for the year ended 31st December 1997

CONTENTS

	Page
Company information	1
Directors' report	2
Statement of directors' responsibilities	3
Auditors' report	4
Profit and loss account	5
Balance sheet	6
Cash flow statement	7
Notes	8 to 16

The following pages do not form part of the statutory accounts

Detailed trading and profit and loss account	Appendices 1 & 2
--	------------------

PETROFER U.K. PLC

COMPANY INFORMATION

31st December 1997

INCORPORATED	England and Wales on 17th November 1993
NUMBER	2872607
DIRECTORS	K. Abbott C.H.M. Fischer
SECRETARY	T. Abbott
REGISTERED OFFICE	Unit D1 Hortonpark Industrial Estate Hortonwood 7 Telford. Shropshire. TF1 4GX
BANKERS	Lloyds Bank Plc Birmingham City Centre P O Box 908 1 Cornwall Street Birmingham. B3 2DS
AUDITORS	Tranter Lowe Chartered Accountants Bank House 66 High Street Dawley Telford

PETROFER U.K. PLC

DIRECTORS' REPORT

31st December 1997

The directors present their report and the audited financial statements for the year ended 31st December 1997.

Principal activity

The principal activity of the company is the distribution of industrial oils and chemicals.

Business review

The company's balance sheet as detailed on page 6 shows a deficiency of shareholders' funds amounting to £98,710.

The parent company has confirmed it's continued support for the development of the U.K. market.

Results and dividends

The results for the year are shown in the profit and loss account on page 5. The directors do not propose payment of an ordinary dividend.

Fixed assets

In the opinion of the directors there is no significant difference between the present market value of the company's properties and the amounts at which they are stated in the accounts. Details are set out in note 8.

Directors

The directors of the company during the year and their interests in the shares of the company as recorded in the register of directors' interests were as follows

	31st December 1997 Ordinary shares	1st January 1997 Ordinary shares
K. Abbott	1	1
C.H.M. Fischer	-	-

Policy and practice on payment of creditors

It is the company's policy to pay trade creditors within the trade terms stipulated by the creditor. Payments for group balances are made on a variable basis.

Future developments

The directors expect that the level of profitability will continue to improve as the company increases it's turnover.

Auditors

Tranter Lowe have agreed to offer themselves for re-appointment as auditors of the company.

On behalf of the board



T. Abbott
Secretary

Unit D1
Hortonpark Industrial Estate
Hortonwood 7
Telford. Shropshire. TF1 4GX

Date: 11 MAY 1998

PETROFER U.K. PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

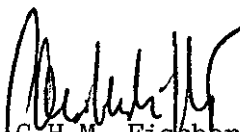
- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

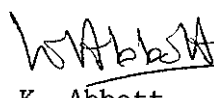
The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Date:

11/5/98

On behalf of the board


C.H.M. Fischer
Director


K. Abbott
Director

PETROFER U.K. PLC

AUDITORS' REPORT

Auditors' report to the members of

Petrofer U.K. Plc.

We have audited the financial statements on pages 5 to 16 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

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 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 company's circumstances, consistently applied and adequately disclosed.

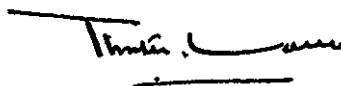
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error or other irregularity. 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 31st December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

15 May 1998.

Date:



Tranter Lowe
Registered Auditors
Chartered Accountants

PETROFER U.K. PLC

PROFIT AND LOSS ACCOUNT

for the year ended 31st December 1997

	Note	1997 £	1996 £
Turnover	2	1,191,311	785,138
Cost of sales		(748,300)	(563,689)
Gross profit		443,011	221,449
Net operating expenses			
Distribution costs		(96,984)	(87,264)
Administrative expenses		(188,838)	(158,220)
Other operating income		600	480
Operating profit/(loss)	3	157,789	(23,555)
Investment income	5	1,558	1,754
Interest payable	6	(9,513)	(22,913)
Profit/(loss) on ordinary activities before taxation		149,834	(44,714)
Taxation	7	-	-
Profit/(loss) on ordinary activities after taxation		149,834	(44,714)
retained for the year	15		

Movements in reserves are shown in note 15.

None of the company's activities were acquired or discontinued during the above two financial years.

There are no recognised gains and losses in 1997 or 1996 other than the profit/(loss) for the year.

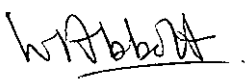
PETROFER U.K. PLC

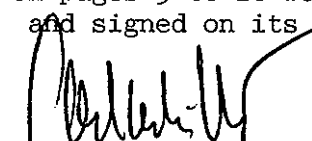
BALANCE SHEET

at 31st December 1997

	Note	£	1997 £	1996 £
Fixed assets				
Tangible assets	8		38,218	46,319
Current assets				
Stocks	9	111,803		64,790
Debtors	10	271,226		214,473
Cash at bank and in hand		59,199		50,827
			<u>442,228</u>	<u>330,090</u>
Creditors: amounts falling due within one year	11	(579,156)		(624,953)
Net current liabilities			<u>(136,928)</u>	<u>(294,863)</u>
Total assets less current liabilities			<u>(98,710)</u>	<u>(248,544)</u>
Capital and reserves				
Called up share capital	13	50,000		50,000
Profit and loss account	15	(148,710)		(298,544)
Total shareholders' funds	14		<u>(98,710)</u>	<u>(248,544)</u>

The financial statements on pages 5 to 16 were approved by the board of directors on **11 MAY 1998** and signed on its behalf by:


K. Abbott
Director


C.H.M. Fischer
Director

PETROFER U.K. PLC

CASH FLOW STATEMENT

for the year ended 31st December 1997

	Note	1997 £	1996 £
Net cash inflow from operating activities	20	21,109	33,481
Returns on investments and servicing of finance			
Interest received		1,558	1,754
Interest paid		(9,513)	(22,913)
		(7,955)	(21,159)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(2,734)	(2,663)
Sale of tangible fixed assets		-	3,500
		(2,734)	837
Increase in cash		10,420	13,159

PETROFER U.K. PLC

NOTES ON FINANCIAL STATEMENTS

31st December 1997

1 Accounting policies**Basis of accounting**

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

Turnover

Turnover represents the amount derived from the provision of goods and services falling within the company's activities after deduction of trade discounts and value added tax.

Depreciation

Depreciation of fixed assets is calculated to write off their cost or valuation less any residual value over their estimated useful lives as follows:

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

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is computed on a first in first out basis. Net realisable value is based on estimated selling price less the estimated cost of disposal.

Deferred taxation

Deferred taxation is provided on the liability method in respect of the taxation effect of all timing differences to the extent that tax liabilities are likely to crystallise in the foreseeable future.

Foreign currencies

Transactions expressed in foreign currencies are translated into sterling and recorded at rates of exchange approximating to those ruling at the date of the transaction. Monetary assets and liabilities are translated at rates ruling at the balance sheet date. All differences are taken to the profit and loss account.

Pension costs

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

Operating leases

Rentals payable under operating leases are charged on a straight-line basis over the term of the lease.

PETROFER U.K. PLC

NOTES ON FINANCIAL STATEMENTS

31st December 1997

2 Turnover

The turnover for the year was derived from the company's principal activity.

The analysis of turnover by geographical area is as follows:

	1997 £	1996 £
Geographically		
United Kingdom	1,180,287	785,138
Other E.E.C. countries	11,024	-
	<u>1,191,311</u>	<u>785,138</u>

3 Operating profit/(loss)

	1997 £	1996 £
Operating profit/(loss) is stated after crediting		
Rental income	600	480
Profit on foreign exchange	90,047	106,615
	<u> </u>	<u> </u>
and after charging		
Staff costs (note 4)	233,600	197,482
Auditors' remuneration	2,000	2,250
Auditors' remuneration - non-audit work	500	425
Operating lease rentals		
- Plant & machinery	22,274	24,530
- Other	40,847	40,848
Loss on sale of assets	-	452
	<u> </u>	<u> </u>
Depreciation of tangible fixed assets (note 8)		
owned assets	10,835	11,452
	<u> </u>	<u> </u>

PETROFER U.K. PLC

NOTES ON FINANCIAL STATEMENTS

31st December 1997

4 Directors and employees

	1997 £	1996 £
Staff costs including directors' emoluments		
Wages and salaries	195,558	171,784
Social security costs	19,962	19,158
Pension costs	18,080	6,540
	<u>233,600</u>	<u>197,482</u>
Average monthly number employed including executive directors:	Number	Number
Production staff	2	1
Office and management	3	3
Administration staff	2	2
	<u>7</u>	<u>6</u>
Directors	£	£
Emoluments	69,822	61,891
Company contributions to personal pension schemes	13,250	2,569
	<u>83,072</u>	<u>64,460</u>

5 Investment income

	1997 £	1996 £
Interest receivable	<u>1,558</u>	<u>1,754</u>

6 Interest payable

	1997 £	1996 £
Interest payable to parent undertaking	9,513	17,107
Interest payable to related undertaking	-	5,806
	<u>9,513</u>	<u>22,913</u>

PETROFER U.K. PLC

NOTES ON FINANCIAL STATEMENTS

31st December 1997

7 Taxation

The company has no liability for taxation.

Subject to Inland Revenue approval, there are tax losses to be carried forward of £388,091.

8 Tangible fixed assets

Cost	Laboratory Equipment £	Office Equipment £	Premises Alterations £	Computer Equipment £	Total £
1st January 1997	24,957	16,578	25,665	16,417	83,617
Additions	511	1,463	-	760	2,734
31st December 1997	25,468	18,041	25,665	17,177	86,351
Depreciation					
1st January 1997	9,600	6,058	9,903	11,737	37,298
Charge for year	2,380	1,797	2,364	4,294	10,835
31st December 1997	11,980	7,855	12,267	16,031	48,133
Net book amount					
31st December 1997	13,488	10,186	13,398	1,146	38,218
1st January 1997	15,357	10,520	15,762	4,680	46,319

There are no capital commitments at the year end (1996 - £Nil)

9 Stocks

	1997 £
Finished goods	111,803
	<u>111,803</u>

1996 £
64,790
<u>64,790</u>

PETROFER U.K. PLC

NOTES ON FINANCIAL STATEMENTS

31st December 1997

10 Debtors

	1997 £	1996 £
Amounts falling due within one year		
Trade debtors	262,510	197,657
Prepayments and accrued income	8,716	16,816
	<u>271,226</u>	<u>214,473</u>

11 Creditors: amounts falling due within one year

	1997 £	1996 £
Bank overdrafts	-	2,048
Trade creditors	31,392	20,913
Amounts owed to group undertakings	442,868	487,117
Amounts owed to participating interests	-	46,184
Other taxation and social security	46,636	37,774
Accruals and deferred income	58,260	30,917
	<u>579,156</u>	<u>624,953</u>

12 Deferred taxation

	1997		1996	
	Potential liability £	Provision made £	Potential liability £	Provision made £
Corporation tax deferred by capital allowances in excess	5,190	5,190	6,700	6,700
Losses carried forward	(5,190)	(5,190)	(6,700)	(6,700)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The potential liability and provision are based on a corporation tax rate of 21% (1996 24%).

PETROFER U.K. PLC

NOTES ON FINANCIAL STATEMENTS

31st December 1997

13 Called up share capital

	1997		1996	
	Number of shares	£	Number of shares	£
Authorised				
Authorised share capital	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>
Allotted called up and fully paid				
Authorised share capital	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>

14 Reconciliation of movements in shareholders' funds

	1997 £	1996 £
Profit/(loss) for the financial year representing a Net addition to/(subtraction from) shareholders' funds	149,834	(44,714)
Opening shareholders' funds	<u>(248,544)</u>	<u>(203,830)</u>
Closing shareholders' funds	<u><u>(98,710)</u></u>	<u><u>(248,544)</u></u>

15 Profit and loss account

	1997 £
1st January 1997	(298,544)
Retained profit for the year	<u>149,834</u>
31st December 1997	<u><u>(148,710)</u></u>

PETROFER U.K. PLC

NOTES ON FINANCIAL STATEMENTS

31st December 1997

16 Guarantees and other financial commitments

Financial commitments under non-cancellable operating leases will result in the following payments falling due in the year to 31st December 1998

	1997 Land and Buildings £	1997 Plant & Other £	1996 Land and Buildings £	1996 Plant & Other £
Expiring				
Within one year	-	2,895	-	-
Within two to five years	40,000	14,445	40,000	13,850
	<u>40,000</u>	<u>17,340</u>	<u>40,000</u>	<u>13,850</u>

17 Ultimate parent undertaking

The parent undertaking is Petrofer GmbH, a company registered in Germany. Petrofer GmbH is ultimately controlled by C Fischer.

18 Net liabilities

At 31st December 1997 the company has net liabilities of £98,710.

Petrofer Chemie H R Fischer GmbH & Co KG and Petrofer GmbH have confirmed their intention to continue to support Petrofer UK Plc to enable it to continue trading at it's normal operating level.

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

PETROFER U.K. PLC

NOTES ON FINANCIAL STATEMENTS

31st December 1997

19 Related parties

During the year the company made sales and purchases to its immediate parent, Petrofer GmbH. It also recharged expenses to Petrofer Chemie H R Fischer GmbH, a related company by virtue of the fact that C Fischer, a director, owns 80% of the issued share capital of both Petrofer Chemie H R Fischer GmbH & Co KG and Petrofer GmbH. C Fischer therefore has a material interest in transactions between these companies.

The value of trading transactions undertaken in the normal course of business was as follows:

	1997 £	1996 £
Sales to Petrofer Chemie	-	-
Sales to parent undertaking	-	-
Purchases from Petrofer Chemie	-	-
Purchases from parent undertaking	676,841	447,397

The company also recharges advertising expenditure to the related undertaking. The value of these recharges was £6,354 (1996 - £3,000).

The amounts owed to the parent and related undertaking are shown in note 11.

20 Notes to the cash flow statement

Reconciliation of operating profit/(loss)
to operating cash flows

	1997 £	1996 £
Operating profit/(loss)	157,789	(23,555)
Depreciation charges	10,835	11,452
Loss on sale of fixed assets	-	452
(Increase)/decrease in stocks	(47,013)	10,999
Increase in debtors	(56,753)	(77,981)
(Decrease)/increase in creditors	(43,749)	112,114
Net cash inflow from operating activities	21,109	33,481

PETROFER U.K. PLC

NOTES ON FINANCIAL STATEMENTS

31st December 1997

20 Notes to the cash flow statement (continued)

Analysis of changes in net debt

	At start of year £	Cash flows £	At end of year £
Cash in hand, at bank	50,827	8,372	59,199
Overdrafts	(2,048)	2,048	-
		<u>10,420</u>	
Total	<u>48,779</u>	<u>10,420</u>	<u>59,199</u>

Reconciliation of net cash flow to movement in net debt

	1997 £	1996 £
Increase in cash in the year	10,420	13,159
Change in net debt resulting from cash flows	10,420	13,159
Net debt at 1st January 1997	48,779	35,620
Net debt at 31st December 1997	<u>59,199</u>	<u>48,779</u>

PETROFER U.K. PLC

TRADING AND PROFIT AND LOSS ACCOUNT

for the year ended 31st December 1997

	1997		1996
	£	£	£
Turnover			
Sales		1,191,311	785,138
Cost of sales			
Opening stock	64,790		75,789
Purchases	691,865		494,902
Carriage	103,448		57,788
Closing stock	(111,803)		(64,790)
		748,300	563,689
Gross profit		443,011	221,449
Other operating income			
Rental income		600	480
		443,611	221,929
Distribution costs	96,984		87,264
Administrative expenses	188,838		158,220
Interest payable	9,513		22,913
		295,335	268,397
Net trading profit/(loss) for the year		148,276	(46,468)
Other income			
Bank deposit interest		1,558	1,754
Net profit/(loss) for the year		149,834	(44,714)

PETROFER U.K. PLC

SCHEDULE TO THE TRADING AND PROFIT AND LOSS ACCOUNT

for the year ended 31st December 1997

	1997 £	1996 £
Distribution costs		
Staff costs	62,758	52,905
Staff social security costs	6,909	5,307
Staff pension contributions	2,512	1,975
Travelling	21,079	19,322
Other costs	3,726	7,755
	<u>96,984</u>	<u>87,264</u>
Administrative expenses		
Staff costs	65,418	59,428
Staff social security costs	5,592	7,361
Staff pension contributions	2,318	1,996
Travelling	13,863	18,592
Other costs	21,350	28,010
Directors' emoluments	67,382	59,451
Directors' social security costs	7,461	6,490
Directors' pension contributions	13,250	2,569
Premises costs	51,810	52,312
Bad debts	-	3,176
Depreciation premises alterations	2,364	2,781
Depreciation computer equipment	4,294	4,105
Depreciation laboratory equipment	2,380	2,710
Depreciation office equipment	1,797	1,856
Loss on sale of assets	-	452
Insurances	10,723	6,292
Bank charges	1,601	985
Royalties paid	3,192	-
Legal and professional fees	1,590	3,594
Auditors' remuneration	2,000	2,250
Auditors' remuneration - non-audit work	500	425
(Profit) on foreign exchange	(90,047)	(106,615)
	<u>188,838</u>	<u>158,220</u>
Interest payable		
Interest payable to parent undertaking	9,513	17,107
Interest payable to related undertaking	-	5,806
	<u>9,513</u>	<u>22,913</u>