

PETROFER U.K. PLC

Directors' Report and Financial Statements

for the year ended 31 December 2000



PETROFER U.K. PLC

Company Information

Directors	K. Abbott C.H.M. Fischer
Secretary	Mrs T.M Abbott
Company Number	02872607
Registered Office	Unit D1 Horton Park Industrial Estate Hortonwood 7 Telford
Auditors	Tranter Lowe Bank House 66 High Street Dawley Telford
Business Address	Unit D1 Horton Park Industrial Estate Hortonwood 7 Telford
Bankers	Lloyds Bank Plc Birmingham City Centre P O Box 908 1 Cornwall Street Birmingham

PETROFER U.K. PLC

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PETROFER U.K. PLC

Directors' Report for the year ended 31 December 2000

The directors present their report and the financial statements for the year ended 31 December 2000.

Principal Activity and Review of the Business

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

Results And Dividends

The results for the year are set out on page 4.

The directors do not recommend payment of a final dividend.

Future Developments

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

Payments 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.

Directors and their Interests

The directors who served during the year and their interests in the company are as stated below:

	Ordinary shares	
	2000	2000
K. Abbott	1	1
C.H.M. Fischer	-	-

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 the affairs of the company and of the profit or loss of the company for that year. In preparing these the directors are required to:

- select suitable accounting policies and 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

PETROFER U.K. PLC

**Directors' Report
for the year ended 31 December 2000**

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that Tranter Lowe be reappointed as auditors of the company will be put to the Annual General Meeting.

The directors recommend that Tranter Lowe remain in office until further notice.

This report was approved by the Board on 11/6/01 and signed on its behalf by

**Mrs T.M Abbott
Secretary**

T.M. Abbott

PETROFER U.K. PLC

Auditors' Report to the Shareholders of PETROFER U.K. PLC

We have audited the financial statements on pages 4 to 14 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described on page 1 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

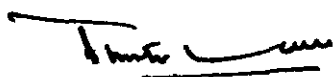
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and 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 the company's affairs as at 31 December 2000 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Tranter Lowe

Date: 15. June. 2001

**Chartered Accountants and
Registered Auditor**

**Bank House
66 High Street
Dawley
Telford**

PETROFER U.K. PLC

**Profit and Loss Account
for the year ended 31 December 2000**

		Continuing operations	
		2000	1999
	Notes	£	£
Turnover	2	2,179,931	1,788,346
Cost of sales		(1,218,133)	(1,013,561)
Gross profit		961,798	774,785
Distribution costs		(277,782)	(208,468)
Administrative expenses		(507,786)	(270,831)
Operating profit	3	176,230	295,486
Interest receivable and similar income	4	2,129	1,050
Interest payable and similar charges	5	-	(1,519)
Profit on ordinary activities before taxation		178,359	295,017
Tax on profit on ordinary activities	7	(58,111)	(9,885)
Retained profit for the year		120,248	285,132
Retained profit/(loss) brought forward		240,580	(44,552)
Retained profit carried forward		360,828	240,580

There are no recognised gains or losses other than the profit or loss for the above two financial years.

The notes on pages 7 to 14 form an integral part of these financial statements.

PETROFER U.K. PLC

Balance Sheet
as at 31 December 2000

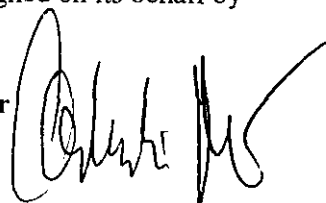
	Notes	2000		1999	
		£	£	£	£
Fixed Assets					
Tangible assets	8		22,448		32,114
Current Assets					
Stocks	9	210,048		180,971	
Debtors	10	498,133		494,963	
Cash at bank and in hand		153,858		71,396	
		<u>862,039</u>		<u>747,330</u>	
Creditors: amounts falling due within one year	11	<u>(470,986)</u>		<u>(485,374)</u>	
Net Current Assets			391,053		261,956
Total Assets Less Current Liabilities			<u>413,501</u>		<u>294,070</u>
Provisions for Liabilities and Charges	13		<u>(2,673)</u>		<u>(3,490)</u>
Net Assets			<u>410,828</u>		<u>290,580</u>
Capital and Reserves					
Called up share capital	14		50,000		50,000
Profit and loss account			360,828		240,580
Equity Shareholders' Funds	15		<u>410,828</u>		<u>290,580</u>

The financial statements were approved by the Board on **11 JUN 2001** and signed on its behalf by

K. Abbott
Director



C.H.M. Fischer
Director



The notes on pages 7 to 14 form an integral part of these financial statements.

PETROFER U.K. PLC

**Cash Flow Statement
for the year ended 31 December 2000**

	Notes	2000 £	1999 £
Reconciliation of operating profit to net cash inflow from operating activities			
Operating profit		176,230	295,486
Depreciation		14,723	6,607
(Increase) in stocks		(29,077)	(37,627)
(Increase) in debtors		(3,170)	(155,886)
(Decrease) in creditors		(66,921)	(83,199)
Net cash inflow from operating activities		<u>91,785</u>	<u>25,381</u>
CASH FLOW STATEMENT			
Net cash inflow from operating activities		91,785	25,381
Returns on investments and servicing of finance	19	2,129	(469)
Taxation	19	(6,395)	-
Capital expenditure	19	(5,057)	(2,501)
Increase in cash in the year		<u>82,462</u>	<u>22,411</u>
Reconciliation of net cash flow to movement in net funds (Note 20)			
Increase in cash in the year		82,462	22,411
Net funds at 1 January 2000		71,396	48,985
Net funds at 31 December 2000		<u>153,858</u>	<u>71,396</u>

PETROFER U.K. PLC

Notes to the Financial Statements for the year ended 31 December 2000

1. Accounting Policies

1.1. Accounting convention

The financial statements are prepared under the historical cost convention .

The company has consistently applied all relevant accounting standards.

1.2. Turnover

Turnover represents the total invoice value, excluding value added tax, of sales made during the year.

1.3. Tangible fixed assets and depreciation

Depreciation is provided at rates calculated to write off the cost less residual value of each asset over its expected useful life, as follows:

Premises alterations	-	15% Reducing Balance
Computer equipment	-	25% Straight Line
Laboratory equipment	-	15% Reducing Balance
Office equipment	-	15% Reducing Balance

1.4. Leasing

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

1.5. Stock

Stock is valued at the lower of cost and net realisable value.

1.6. Pensions

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.

1.7. Deferred taxation

Provision is made for deferred taxation using the liability method to take account of timing differences between the incidence of income and expenditure for taxation and accounting purposes except to the extent that the directors consider that a liability to taxation is unlikely to materialise.

1.8. Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange prevailing at the accounting date. Transactions in foreign currencies are recorded at the date of the transactions. All differences are taken to the Profit and Loss account.

PETROFER U.K. PLC

Notes to the Financial Statements for the year ended 31 December 2000

..... continued

2. Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the UK.

	2000 £	1999 £
Class of business		
United Kingdom	2,170,154	1,781,910
Other EC Countries	9,777	6,436
	<u>2,179,931</u>	<u>1,788,346</u>

3. Operating profit

Operating profit is stated after charging:

	2000 £	1999 £
Depreciation and other amounts written off tangible assets	14,723	6,607
Operating lease rentals		
- Plant and machinery	32,985	26,872
- Land and buildings	40,000	40,000
Auditors' remuneration	2,500	2,000
Auditors' remuneration from non-audit work	525	425

and after crediting:

Profit on foreign currencies	<u>21,390</u>	<u>49,624</u>
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4. Interest receivable and similar income

	2000 £	1999 £
Bank interest	2,126	1,050
Other interest	3	-
	<u>2,129</u>	<u>1,050</u>

5. Interest payable and similar charges

	2000 £	1999 £
On amounts payable to group companies	<u>-</u>	<u>1,519</u>

PETROFER U.K. PLC

Notes to the Financial Statements for the year ended 31 December 2000

..... continued

6. Employees

Number of employees

The average monthly numbers of employees
(including the directors) during the year were:

	2000	1999
Production Staff	4	4
Office and Management	2	2
Administration Staff	5	5
	<u>11</u>	<u>11</u>

Employment costs

	2000 £	1999 £
Wages and salaries	463,992	267,111
Social security costs	46,499	26,713
Other pension costs	13,076	11,130
	<u>523,567</u>	<u>304,954</u>

6.1. Directors' emoluments

	2000 £	1999 £
Remuneration and other emoluments	232,571	85,690
Pension contributions	3,811	3,700
	<u>236,382</u>	<u>89,390</u>

7. Taxation

	2000 £	1999 £
UK current year taxation		
UK Corporation Tax at 30% (1999 - 31%)	58,928	6,395
Transfer from deferred taxation	(817)	3,490
	<u>58,111</u>	<u>9,885</u>

PETROFER U.K. PLC

**Notes to the Financial Statements
for the year ended 31 December 2000**

..... continued

8. Tangible fixed assets

	Premises alterations	Computer equipment	Laboratory equipment	Office equipment	Total
	£	£	£	£	£
Cost					
At 1 January 2000	25,665	20,977	28,514	18,586	93,742
Additions	-	1,858	3,199	-	5,057
At 31 December 2000	25,665	22,835	31,713	18,586	98,799
Depreciation					
At 1 January 2000	15,984	18,265	16,543	10,836	61,628
Charge for the year	9,681	1,604	2,276	1,162	14,723
At 31 December 2000	25,665	19,869	18,819	11,998	76,351
Net book values					
At 31 December 2000	-	2,966	12,894	6,588	22,448
At 31 December 1999	9,681	2,712	11,971	7,750	32,114

9. Stocks

	2000 £	1999 £
Finished goods and goods for resale	210,048	180,971

10. Debtors

	2000 £	1999 £
Trade debtors	469,233	476,539
Other debtors	2,200	-
Prepayments and accrued income	26,700	18,424
	498,133	494,963

PETROFER U.K. PLC

Notes to the Financial Statements for the year ended 31 December 2000

..... continued

11. Creditors: amounts falling due within one year	2000 £	1999 £
Trade creditors	9,017	13,426
Amounts owed to connected companies	95,154	329,394
Corporation tax	58,928	6,395
Other taxes and social security costs	99,762	94,009
Other creditors	157,237	-
Accruals and deferred income	50,888	42,150
	<u>470,986</u>	<u>485,374</u>

Lloyds Bank PLC have an unlimited Debenture dated 23rd March 1998 which includes a right of set off between the company's accounts.

12 Deferred Taxation

	Deferred Taxation (Note 13) £	Total £
Charge for the year	<u>817</u>	<u>817</u>

PETROFER U.K. PLC

Notes to the Financial Statements for the year ended 31 December 2000

..... continued

13. Provisions for liabilities and charges

Deferred tax is analysed over the following timing differences:

	Provided	
	2000	1999
	£	£
Accelerated capital allowances	2,673	3,490

Movements on the provision for deferred taxation are:

	2000	1999
	£	£
At 1 January 2000	3,490	3,490
Transferred to profit and loss account	(817)	-
At 31 December 2000	2,673	3,490

14. Share capital

	2000	1999
	£	£
Authorised equity		
500,000 Ordinary shares of £1 each	500,000	500,000
Allotted, called up and fully paid equity		
50,000 Ordinary shares of £1 each	50,000	50,000

15. Reconciliation of movements in shareholders' funds

	2000	1999
	£	£
Profit for the year	120,248	285,132
Opening shareholders' funds	290,580	5,448
	410,828	290,580

PETROFER U.K. PLC

Notes to the Financial Statements for the year ended 31 December 2000

..... continued

16. Financial commitments

At 31 December 2000 the company had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other	
	2000	1999	2000	1999
	£	£	£	£
Expiry date:				
Within one year	30,000	-	24,293	-
Between one and five years	-	40,000	20,848	39,348
In over five years	22,913	-	-	-
	<u>52,913</u>	<u>40,000</u>	<u>45,141</u>	<u>39,348</u>

17. Related party transactions

During the year the company made sales to and purchases from its immediate parent, Petrofer GmbH. It also recharged expenses to Petrofer Chemie H R Fischer GmbH, a related party 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:

Sales to Petrofer Chemie £7,102 (1999 - Nil). Purchases from parent undertaking £1,182,475 (1999 - £1,006,132).

The company also recharges advertising expenditure to the related undertaking. The value of these recharges was £6,583 (1999 - £5,532).

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

18. Ultimate parent undertaking

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

PETROFER U.K. PLC

**Notes to the Financial Statements
for the year ended 31 December 2000**

..... continued

19. Gross Cash Flows

	2000	1999
	£	£
Returns on investments and servicing of finance		
Interest received	2,129	1,050
Interest paid	-	(1,519)
	<u>2,129</u>	<u>(469)</u>
Taxation		
Corporation tax paid	<u>(6,395)</u>	<u>-</u>
Capital expenditure		
Payments to acquire tangible assets	<u>(5,057)</u>	<u>(2,501)</u>

20. Analysis of changes in net funds

	Opening balance	Cash flows	Closing balance
	£	£	£
Cash at bank and in hand	71,396	82,462	153,858
Net funds	<u>71,396</u>	<u>82,462</u>	<u>153,858</u>